Draper Esprit VCT plc

Prospectus

3 October 2019

Draper Esprit

This document constitutes a prospectus dated 3 October 2019 (the "**Prospectus**") issued by Draper Esprit VCT plc (the "**Company**"), prepared in accordance with the Prospectus Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). This Prospectus has been approved by the Financial Conduct Authority ("**FCA**") as competent authority under the Prospectus Regulation. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered an endorsement of the Company or of the quality of the securities that are the subject of this Prospectus and investors should make their own assessment as to the suitability of investing in the securities. The Prospectus has been drawn up as part of a simplified prospectus in accordance with Article 14 of Regulation (EU) 2017/1129.

A brief summary written in non-technical language and conveying the essential characteristics and risks associated with the Company and the Ordinary Shares of 5p each in the capital of the Company (the "**New Ordinary Shares**") which are being offered for subscription (the "Offer") is contained in a summary on pages 4 to 9 of this document, however you are advised to read the Prospectus in full.

The Company and the Directors (whose names are set out on page 61) accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Company and the Directors, the information contained in the Prospectus is in accordance with the facts and makes no omission likely to affect its import.

DRAPER ESPRIT VCT PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 03424984)

OFFER FOR SUBSCRIPTION

for the tax years 2019/20 and 2020/21

Target Fundraise: £20 million

The Offer will be open from 9.00 a.m. on 4 October 2019 until the earlier of 4.00 p.m. on 31 May 2020 (or such later date as the Board may decide) and the date on which the relevant Maximum Subscription is reached. Applicants who wish to have some or all of their New Ordinary Shares allotted in the tax year 2019/20 must return their completed Application Form by 10.00 a.m. on 3 April 2020. The Offer is not underwritten nor subject to reaching a minimum subscription level.

Shares issued by the Company to Existing Shareholders are listed on the Official List of the FCA and traded on the London Stock Exchange's market for listed securities. Application will be made to the FCA for all of the New Ordinary Shares to be issued pursuant to the Offer to be listed on the Official List and will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that Admission to the Official List will become effective and that dealings in the New Ordinary Shares will commence three Business Days following allotment. The New Ordinary Shares will rank pari passu with the Shares held by Existing Shareholders from the date of issue.

Investors will have the opportunity to qualify for a rebate equal to either 1.5% of the Promotion Fee where they invest by 31 December 2019, or 1.0% of the Promotion Fee where they invest by 31 January 2020, and in each case the Company must have received and accepted an Application Form before 4:00 p.m. on the date in question.

The minimum subscription per Investor under the Offer is £6,000. Completed Application Forms in respect of the Offer should be sent by post or delivered by hand to The City Partnership (UK) Ltd, 110 George Street, Edinburgh, EH2 4LH.

The Offer is not being made, directly or indirectly, in or into any jurisdiction other than the United Kingdom and should not be distributed, forwarded or transmitted in or into any other territory.

SPARK Advisory Partners Limited ("**Sponsor**"), which is authorised and regulated in the UK by the FCA, is acting as sponsor for the Company and no-one else and will not be responsible to any other person for providing the protections afforded to customers of the Sponsor or for providing advice (subject to those responsibilities and liabilities arising under the Financial Services and Markets Act 2000 ("**FSMA**") and the regulatory regime established thereunder).

In connection with the Offer, Elderstreet Investments Limited ("**Elderstreet**"), the promoter of the Offer and investment manager to the Company, is acting for the Company and no-one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Elderstreet or for providing advice in relation to the Offer (subject to those responsibilities and liabilities arising under FSMA and the regulatory regime established thereunder). Elderstreet is authorised and regulated in the UK by the FCA.

If Investors have any questions regarding this investment, they should contact their own financial intermediaries. Intermediaries may wish to contact RAM Capital, who are acting as marketing advisers in respect of the Offer, on 0203 006 7530 or by sending an e-mail to taxsolutions@ramcapital.co.uk. Other applicants may telephone Elderstreet on 020 7831 5088. Prospective Investors should note that no investment, tax or legal advice can be given by RAM Capital or Elderstreet.

CONTENTS

SUMMARY

SECTION 1: INTRODUCTION

This summary forms part of the Prospectus issued by the Company and which has been approved by the FCA, the competent authority for the United Kingdom under Part IV of the Financial Services and Markets Act 2000.

The Prospectus describes a public offer by the Company to raise up to £20 million via the issuance of the New Ordinary Shares (ISIN: GB0002867140).

The FCA may be contacted at:

Financial Conduct Authority
12 Endeavour Square
London E20 1JN

The Company's contact details are:

Address: St Magnus House, 3 Lower Thames Street, London EC3R 6HD

Email: customer@downing.co.uk

Website: https://www.downing.co.uk/existing-investor/draper-esprit-vct

Telephone: 0207 416 7780

Warning: This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities described herein should be based on a consideration of the prospectus as a whole by the prospective investor. Investors could lose all or part of the invested capital. Where a claim relating to the information contained in a prospectus is brought before a court, the claimant investor might, under national law, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled the Summary including any translation thereof, but only if the Summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus or where it does not provide, when read together with other parts of the Prospectus, key information in order to aid Investors when considering whether to invest in the New Ordinary Shares.

SECTION 2: KEY INFORMATION ON THE ISSUER

Who is the Issuer of the securities?

The Company is the issuer of the securities which are the subject of this Prospectus.

The Company is a public limited liability company which is registered in England and Wales with registered number 03424984. Its Legal Entity Identifier is: 2138003I9Q1QPDSQ9Z97. The Company is approved by HMRC as a venture capital trust ("**VCT**") in accordance with the VCT regulations. It is intended that the business of the Company be carried on so as to maintain its VCT status.

The Company has no parent company and is owned by individuals, none of whom owns more than 3.0% of its ordinary share capital. The Company has no subsidiaries. The Company has five non-executive directors – David Brock (Chairman), Hugh Aldous (Senior Independent Director), Barry Dean, Michael Jackson and Nicholas Lewis.

The Company's auditors are BDO LLP of 55 Baker Street, London W1U 7EU.

What is the key financial information regarding the Issuer?

Certain key historical information of the Company is set out below:

	Audited year end to 31 March 2019	**Audited period end to 31 March 2018**	**Audited year end to 31 December 2016**
Net assets	£38,969,000	£36,720,000	£23,260,000
Number of Shares in issue	68,719,111	63,884,554	37,034,366
Net asset value per Share	56.7p	57.5p	62.8p
Dividends paid per Share in the period	3.0p	3.0p	5.0p

Income statement

	Audited year end to 31 March 2019 (£'000)	**Audited period end to 31 March 2018 (£'000)**	**Audited year end to 31 December 2016 (£'000)**
Income	634	673	603
Gains/(losses) on investments	1,817	(1,074)	(867)
Investment management fees	(784)	(794)	(500)
Other expenses	(342)	(457)	(269)
Return/(Loss) on ordinary activities after tax	1,325	(1,652)	(1,033)
Return/(Loss) per Share	1.9p	(2.9)p	(3.0)p

Balance Sheet

	Audited year end to 31 March 2019 (£'000)	Audited period end to 31 March 2018 (£'000)	Audited year end to 31 December 2016 (£'000)
Fixed assets			
Investments	28,678	20,828	20,769
Current assets			
Debtors	48	84	342
Cash at bank and in hand	10,455	15,987	2,302
Creditors: amounts falling due within one year	(212)	(179)	(153)
Net current assets	10,291	15,892	2,491
Net assets	38,969	36,720	23,260
Capital and reserves			
Called up share capital	3,436	3,194	1,852
Capital redemption reserve	599	533	485
Share premium account	-	22,054	5,452
Merger reserve	1,828	1,828	1,828
Special reserve	22,545	452	2,058
Capital reserve - unrealised	8,403	5,515	3,161
Capital reserve - realised	2,174	3,331	8,088
Revenue reserve	(16)	(187)	336
Total equity shareholders' funds	38,969	36,720	23,260
Leverage Ratio (total liabilities/shareholder equity)	0.0054	0.0048	0.0066
Basic and diluted net asset value per share	56.7p	57.5p	62.8p

Cash Flow Statement

	Audited year end to 31 March 2019 £'000	Audited year end to 31 March 2018 £'000	Audited year end to 31 December 2016 £'000
Cash flow from operating activities			
Profit/(Loss) on ordinary activities before taxation	1,325	(1,652)	(1,033)
Gains/(Losses) on investments	1,817	(1,074)	(867)
Decrease in debtors	71	258	1,415
Increase/(decrease) in creditors	(5)	26	(448)
Net cash (outflow)/inflow from operating activities	(426)	(294)	801
Cash flow from investing activities			
Purchase of investments	(6,889)	(5,572)	(1,892)
Proceeds from disposal of investments	856	4,439	445
Net cash flow from investing activities	(6,033)	(1,133)	(1,447)
Cash flow for financing activities			
Equity dividends paid	(2,072)	(1,846)	(1,856)
Proceeds from share issue	3,879	17,992	1,839
Share issue costs	(173)	(498)	(9)
Purchase of own shares	(707)	(536)	(139)
Net cash inflow/(outflow) from financing activities	927	15,112	(165)
Net increase/(decrease) in cash	(5,532)	13,685	(811)
Cash and cash equivalents at start of period	15,987	2,302	3,113
Cash and cash equivalents at end of period	10,455	15,987	2,302
Cash and cash equivalents comprise Cash at bank and in hand	10,455	15,987	2,302
Total cash and cash equivalents	10,455	15,987	2,302

Since 31 March 2019, the Company has raised additional funds of c.£7 million pursuant to a previous offer for subscription which closed on 10 May 2019 and has made three investments totalling c.£1.6 million. As at 31 August 2019, the Company's unaudited net assets were £45.2 million (56.2p per Share).

Save as noted above, there has been no significant change in the financial position of the Company since the end of the last financial period for which audited financial information has been published to the date of this Prospectus (being the audited financial information to 31 March 2019).

What are the key risks that are specific to the Issuer?

- The value of the Shares and the income from them can fluctuate and Investors may not get back the amount invested. In addition, there is no certainty that the market price of the Shares will fully reflect the underlying Net Asset Value, and that Shareholders will be able to realise their shareholding or that dividends will be paid.
- The Net Asset Value of the Shares will reflect the values and performance of the underlying assets in the respective portfolios. The value of the investments and income derived from them can rise and fall. Realisation of investments in small unquoted companies can be difficult and may take considerable time.

- VCTs may only invest in companies which pass a "risk to capital" gateway test requiring the investee company to have long term growth and development objectives and for the investment to carry a significant risk that invested capital will be lost over and above the net return to the Company. This new test inherently increases the risk profile of companies in which the Company can invest going forward and stands in contrast to those in which the Company has historically invested, many of which may not have passed this gateway test due to their ownership of significant assets or their enjoyment of secured income streams and may ultimately negatively impact Shareholder returns if there are portfolio losses.
- Investment in smaller and unquoted companies involves a higher degree of risk than investment in larger companies and those traded on the main market of the London Stock Exchange. Markets for smaller companies' securities may be less regulated and are often less liquid, and this may cause difficulties in valuing and disposing of equity investments in such companies.
- The Company is required to operate within the constraints of the VCT legislation and there can be no guarantee that the Company will retain its status as a VCT, the loss of which could lead to adverse tax consequences for investors, including a requirement to repay the 30% income tax relief. The tax rules, or their interpretation, in relation to an investment in the Company and/or the rates of tax may change during the life of the Company and may apply retrospectively which could affect tax reliefs obtained by Shareholders and the VCT status of the Company.

SECTION 3: KEY INFORMATION ON THE SECURITIES

What are the main features of the securities?

The securities being offered pursuant to the Offer are Ordinary Shares of 5 pence each (ISIN: GB0002867140). The New Ordinary Shares will be created pursuant to resolutions passed by the Shareholders of the Company eligible to vote at the Company's annual general meeting held on 24 September 2019.

The New Ordinary Shares will rank equally in all respects with each other and with the existing Ordinary Shares. Shareholders will be entitled to receive certificates in respect of their New Ordinary Shares and will also be eligible for electronic settlement.

The New Ordinary Shares will be listed on the premium segment of the Official List and, as a result, will be freely transferable.

Where will the securities be traded?

Applications will be made to the FCA for the Ordinary Shares offered for subscription pursuant to the Prospectus to be admitted to the premium segment of the Official List of the FCA. Application will also be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that admission will become effective and that trading in the New Ordinary Shares will commence three business days following allotment.

Is there a guarantee attached to the securities?

There is no guarantee attached to the New Ordinary Shares.

What are the key risks that are specific to the securities?

- Although the Shares will be listed on the London Stock Exchange, it is highly unlikely that a liquid market in these Shares will develop as the initial VCT income tax relief is only available to those subscribing for new shares. It may, therefore, prove difficult for Shareholders to sell their Shares and there is no guarantee that the market price of the Shares will fully reflect their underlying NAV.
- Shareholders should be aware that the sale of New Ordinary Shares within five years of their subscription will require the repayment of some or all of the 30% income tax relief obtained upon investment. Accordingly, an investment in the Company is not suitable as a short or medium term investment.
- Shareholders should note that if they have sold, or if they sell, any Shares within six months either side of the subscription for the New Ordinary Shares, then for the purposes of calculating the tax relief on the New Ordinary Shares the subscribed amount must be reduced by the amount received from the sale.

- The Finance Act 2014 amended the VCT regulations, such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks.

SECTION 4: KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC

Under which conditions and timetable can I invest in this security?

The Offer opens on 4 October 2019 and will close on 31 May 2020 subject to the discretion of the Directors to extend the Offer or close it early. The Offer will also close early if full subscription is reached. Investors must be over 18 years old.

Application has been made to the FCA for the New Ordinary Shares to be admitted to the Official List of the FCA. Application will also be made to the London Stock Exchange for such New Ordinary Shares to be admitted to trading on its market for listed securities. It is expected that Admission will become effective and that trading in the New Ordinary Shares will commence three Business Days following allotment.

The number of Shares to be issued to each Applicant will be calculated based on the following Pricing Formula (rounded down to the nearest whole Share):

$$\text{Number of New Ordinary Shares} = \left[\begin{array}{c}\text{Amount subscribed, less:}\\ \text{(i) initial Promotion Fee and}\\ \text{(ii) Initial Adviser Charge (if any)}\\ \text{and (iii) any Early Bird rebate}\end{array}\right] \div \left[\begin{array}{c}\text{Latest published}\\ \text{NAV per Offer Share}\end{array}\right]$$

The estimated expenses of the Offer will be 5.5% of the funds raised (assuming investment solely by investors in respect of whom commission is payable). If the Offer is fully subscribed the net proceeds of the Offer would be approximately £18.9 million.

An existing holder of Ordinary Shares who does not subscribe for New Ordinary Shares pursuant to the Offer would experience no dilution in terms of NAV per share (as the assets of the Company will be increase by the proceeds of the Offer and the upfront costs of the Offer are borne by subscribers) but will experience dilution in terms of voting. The Company will pay an annual trail fee to the Promoter who will be responsible for paying trail commission. This is not borne by subscribers through the application of the above Pricing Formula. All others incidental costs of the Offer will be borne by the Promoter from its fee.

The Offer is not underwritten.

Why is this prospectus being produced?

The Offer is being made, and its proceeds will be used, to raise additional funds raised under the Offer to be invested in accordance with the Company's investment policy. The Company is a generalist VCT. Funds raised under the Offer will, no later than three years following the end of the accounting period in which those shares are issued, be invested as to at least 80% in VCT qualifying companies with 30% of such funds so invested within the first 12 months. The remainder of such funds raised will be held in cash or other permitted non-qualifying investments.

OFFER STATISTICS

Key Statistics

Fundraising Target	£20 million
Offer Price	57.9p*
Number of Shares to be issued pursuant to the Offer	34,558,669 **
Net Proceeds of the Offer if fully subscribed	£18,900,00 **

Offer Costs

Promotion Fee (investors with intermediaries)	3.0%
Promotion Fee (direct investors)	3.5%
Initial Commission***	2.5%
Trail Commission***	0.25% p.a. (maximum of five years)
Adviser Charges (where no commission is payable)	As agreed between Investors and their intermediaries

Early Bird Incentive

Applications received and accepted by the deadlines below will receive the following rebates from the applicable Promotion Fee as additional New Ordinary Shares:

4.00 p.m. on 16 December 2019	1.5%
4.00 p.m. on 31 January 2020	1.0%

* per New Ordinary Share, estimated figure assuming a NAV of 56.2p per Ordinary Share (being the unaudited NAV as at 31 August 2019 adjusted for the 1.5p interim dividend payable in October 2019), and total costs of 5.5% rounded up to the nearest 0.1p.

** assuming Maximum Subscription under the Offer and the payment of a Promotion Fee and commission totalling 5.5% in relation to all applications. (Note: a maximum of 40,000,000 Ordinary Shares are issuable under the Offer)

***commission will only be payable in accordance with prevailing FCA rules.

Note: The New Ordinary Shares will be issued based on the Application Amount and the Pricing Formula set out on page 39 and the costs of the Promotion Fee, commission and adviser charges will be borne by subscribers through the application of the Pricing Formula. Accordingly, if an updated NAV per Ordinary Share is announced after publication of this document, this updated NAV will be used to calculate the number of New Ordinary Shares issued. No tax should be payable by Investors on subscription for New Ordinary Shares.

OFFER TIMETABLE

Offer opens	4 October 2019
First closing date (2019/20 Offer)	3 April 2020
Final closing date (unless extended)	31 May 2020
Dealings commence	within 15 Business Days of allotment
Share certificates despatched and CREST accounts credited	within 15 Business Days of allotment

The Directors reserve the right to make an allotment of New Ordinary Shares on any day at the Directors' absolute discretion from the date on which the Offer opens until 31 May 2020 (or such later date as they may determine). The Offer will close earlier than the relevant date stated above if fully subscribed by an earlier date or at the Directors' discretion.

Investors should note that no New Ordinary Shares will be allotted prior to the payment of the dividend expected to be declared in December 2019 for payment in March 2020.

PART 1

RISK FACTORS

Investors should consider carefully the following risk factors in addition to the other information presented in this document. If any of the risks described below were to occur, it could have a material effect on the Company's businesses, financial condition or results of operations. The risks and uncertainties described below are not the only ones the Company, the Board or current and prospective Shareholders will face. Additional risks not currently known to the Company or the Board, or that the Company or the Board currently believe are not material, may also adversely affect the Company's businesses, financial condition and results of operations. The value of Shares could decline due to any of these risk factors, and Investors could lose part or all of their investment. Investors who are in any doubt about what to do should consult their independent financial adviser. The attention of prospective Investors is drawn to the following risks:

Risks relating to the Company

Valuation and sale of Shares

The value of the Shares and the income from them can fluctuate and Investors may not get back the amount invested. In addition, there is no certainty that the market price of the Shares will fully reflect the underlying Net Asset Value, that Shareholders will be able to realise their shareholding or that dividends will be paid.

Value of underlying assets

The Net Asset Value of the Shares will reflect the values and performance of the underlying assets in the respective portfolios. The value of the investments and income derived from them can rise and fall. As is to be expected from a diverse portfolio, some investments are not performing to plan and it may ultimately be difficult to realise full, or any, value from such investments. Realisation of investments in small unquoted companies can be difficult and may take considerable time. The Company notes the recent downturn in the USA quoted technology markets which may have a negative effect on valuations in the UK.

"Risk to Capital" Test

Changes to the VCT regulations in respect of investments made on or after 15 March 2018 have meant that VCTs may only invest in companies which pass a "risk to capital" gateway test requiring the investee company to have long term growth and development objectives and for the investment to carry a significant risk that invested capital will be lost over and above the net return to the Company irrespective of whether the return takes the form of income, capital growth, fees, other payments or anything else. This new test inherently increases the risk profile of companies in which the Company can invest going forward and stands in contrast to those in which the Company has historically invested, many of which may not have passed this gateway test due to their ownership of significant assets or their enjoyment of secured income streams, and may ultimately negatively impact Shareholder returns if there are portfolio losses.

Nature of smaller companies

Investment in smaller and unquoted companies involves a higher degree of risk than investment in larger companies and those traded on the main market of the London Stock Exchange. To be qualifying holdings, VCT funds must be invested in smaller companies with gross assets of not more than £15 million prior to the investment and £16 million post investment. In addition, to be qualifying holdings, VCT funds must be invested in companies which have no more than 250 full time (equivalent) employees and do not receive more than £5 million of investment from state aided risk capital sources in the 12 months ending on the date of the VCT's investment ('knowledge Intensive' companies must have fewer than 500 employees and may receive up to £10 million of state aid risk finance investment in any 12 months). Smaller companies who meet these criteria generally have limited product lines, markets or financial resources and may be more dependent on their management or key individuals than larger companies. Markets for smaller companies' securities may be less regulated and are often less liquid, and this may cause difficulties in valuing and disposing of equity investments in such companies.

VCT legislation

There may also be constraints imposed on the realisation of investments in order to maintain the VCT status of Investee Companies which may restrict the Company's ability to obtain maximum value from its investments or to achieve the intended timing of distributions. For example, the Company must maintain at least 70% of its portfolio in VCT Qualifying Investments, rising to 80% from 1 April 2020.

Whilst it is the intention of the Directors that the Company will be managed so as to continue to qualify as a VCT, there can be no guarantee that this status will be maintained. A failure to meet the qualifying requirements could result in the loss of tax reliefs previously obtained, resulting in adverse tax consequences for Investors, including a requirement to repay the income tax relief obtained, and could also cause the Company to lose its exemption from corporation tax on capital gains.

VCT restrictions

Recent changes to the VCT regulations have prohibited the making of secured loans by VCTs. Future loan capital held by the Company will therefore be unsecured and will rank behind secured creditors of the investee company in question. As loan capital investments by a VCT are separately restricted to a maximum of 30% of any new investment, and Investee Companies which meet the above noted "risk to capital" test tend not to be able to provide significant assets against which to secure loans in any case, the Board do not consider that this restriction further materially increases the risk profile of new investments made by the Company.

The Finance (No.2) Act 2015 introduced changes to the VCT regulations which have placed greater restrictions on the range of investments into which the Company can deploy funds. As a result, the Company is required to invest in businesses which are less than seven years old (less than 10 years for 'knowledge intensive' companies) and VCT funds cannot be used to finance acquisitions by investee companies. The penalty for breaching these new rules is the loss of VCT status, so the Company and its investors may face a higher risk of the loss of tax benefits than under the previous rules. Qualifying investee companies are also now subject to a lifetime risk finance investment limit of £12 million (£20 million for 'knowledge intensive' companies), which may restrict the Company's ability to make follow on investments, which may ultimately negatively impact Shareholder returns.

Brexit

As at the date of this Prospectus, there is significant uncertainty over the form of the UK's final trade and regulatory position relative to the European Union ("EU") following the Brexit vote. The future regulatory environment in which the Company will operate is inherently uncertain as the Company is impacted by European-led State aid legislation and other EU regulatory frameworks included the Alternative Investment Fund Managers Directive. Macro-economic changes such as Brexit, and the uncertainty surrounding it, could also lead to fewer willing buyers for the Company's investments and a reduction in exit values ultimately impacting Shareholder returns.

Risks relating to the Ordinary Shares

Liquidity

Although the Company's Ordinary Shares will be listed on the London Stock Exchange, it is highly unlikely that a liquid market in these Shares will develop as the initial VCT income tax relief is only available to those subscribing for new shares and there may never be two competitive market makers. It may, therefore, prove difficult for Shareholders to sell their Shares. In addition, there is no guarantee that the market price of the Shares will fully reflect their underlying NAV or the ability to buy and sell at that price. It should be noted that shares held in VCTs usually trade at a discount to their net asset value. If the Company lacks sufficient cash reserves to purchase its own Shares and during prohibited periods when the Company is unable to purchase its own Shares. The Board intends to buyback Ordinary Shares in accordance with the buyback policy stated in this Prospectus, subject to liquidity and cash resources, which should help to reduce the share discount price.

Minimum holding period

Shareholders should be aware that the sale of New Ordinary Shares within five years of their subscription will require the repayment of some or all of the 30% income tax relief obtained upon investment. Accordingly, an investment in the Company is not suitable as a short or medium term investment.

"Six month" rule

Shareholders should note that if they have sold, or if they sell, any Shares in the Company within six months either side of the subscription for the New Ordinary Shares, then for the purposes of calculating the tax relief on the New Ordinary Shares the subscribed amount must be reduced by the amount received from the sale.

Restriction on dividends from capital

The Finance Act 2014 amended the VCT regulations, such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks.

PART 2

CHAIRMAN'S LETTER

Draper Esprit VCT plc

3 October 2019

Dear Shareholders/Investors

New £20 million public offer for Ordinary Shares

Since the investment manager, Elderstreet, formed a close association with Draper Esprit plc ("**Draper Esprit**") in November 2016, the prospects of this VCT have been transformed. Draper Esprit VCT plc is now an investor in new technology led by a highly regarded investment management team with a record of success in knowledge intensive technology investing. Over £28 million has been raised by the VCT and at the time of writing over £15 million has been invested in new technology companies.

Draper Esprit is a leading venture capital investor in the UK and European technology sector, floated on the AIM market in June 2016 and at the time of writing has a market capitalisation of over £500 million. The Draper Esprit team has a wealth of experience. The team has now operated for 13 years and, prior to that, its members worked in leading firms in the venture capital industry. Draper Esprit now provide your VCT with the great majority of new investment opportunities.

Draper Esprit owns 30% of Elderstreet Holdings Limited, parent company of the Manager, and has entered into an option agreement to purchase the Manager outright in 2020. Whilst this option is subject to conditions and final legal agreement, it remains the intention of Draper Esprit, documented in comfort letters provided to the Board, to take over the existing management mandate of the Company in 2020, on substantially the same terms as present, by way of exercise of its call option over the remaining shares in Elderstreet Holdings Limited.

In the past three years, Draper Esprit have scaled their platform to enable access to some of the best deal flow across Europe. Our VCT is one of the funds which, together with Draper Esprit PLC and the Draper Esprit EIS fund, make up this platform. These co-investment partners bring third party capital, enabling the VCT to obtain investment access into high technology companies that are rarely available to individual investors. Draper Esprit's growing leadership in this field has enabled the high-tech entrepreneurs in the portfolio to access the capital they need to grow their businesses, while simultaneously giving our VCT investors exposure to exciting early and growth-stage technology companies.

Draper Esprit believe that the pace at which new technologies are disrupting, shaping and improving the world around us shows no signs of relenting with developments in machine learning, artificial intelligence, healthcare, mobility, and blockchain opening up exciting new possibilities across their areas of focus in enterprise, digital health, hardware & deeptech, and consumer technology. At the same time, Draper Esprit continue to invest in high quality companies, which fulfil their strict investment criteria. Draper Esprit meet thousands of businesses over the course of the year, but only the very best meet these criteria and secure investment capital. Similarly, as the private capital markets continue to evolve, with greater funding opportunities available for companies to stay private for longer, Draper Esprit remain focused on price discipline.

For the past five years running Draper Esprit's EIS funds have continued to receive the highest rating from Martin Churchill of Tax Efficient Review, a well-respected VCT analyst and, earlier this year, the Company was delighted to receive the highest joint score by MJ Hudson Allenbridge for VCT offers launched in the 2018/19 tax year.

As a consequence, I am delighted to offer you the chance to invest in our award winning VCT, which is now the Draper Esprit VCT. Your Board believe that investing in knowledge intensive, high growth technology companies inside a VCT tax wrapper is an attractive investment offering. These technology companies have the potential to grow into valuable companies as shown by the Draper Esprit track record on page 20. Draper Esprit target a portfolio return of 20% per annum, and the VCT targets attractive tax free yields as shown on page 23.

The Board believes that the VCT, through the co-investment agreement, provides an excellent opportunity for Shareholders to participate in leading edge investments alongside the widely experienced network of Draper Esprit associated funds and partners into bigger, as well as better, technology companies. The Board is also independent of the Manager and Draper Esprit and, while the Manager or Draper Esprit may recommend investments, the Board provides added oversight in that it has the right to challenge or even decline investment opportunities.

Management Team

Short biographies of the members of the Draper Esprit Investment Management Team are set out on pages 35 to 37.

Portfolio

Today, by percentage of net asset value Investors in the Offer would be buying into a portfolio made up of 34% Draper Esprit technology investments (including investments completed after 31 August 2019), cash of 31% to be invested in further technology investments, and a legacy portfolio representing 35% of the total, as set out on pages 35 to 37.

Consequently, if this offer is taken up in full, once invested, the Company will have over £64 million of net assets of which over £49 million will be allocated predominantly to technology investments, driven by one of the UK's leading technology investment managers.

As to the legacy portfolio, currently 94% of the legacy portfolio is made up of four companies. Two are AIM quoted and the other two are private companies which are profitable engineering and manufacturing businesses.

A VCT for income

Since incorporation, the Company has paid in total dividends of 102p per share, and declared a further interim dividend of 1.5p to be paid in October 2019. The Board believes that in a generally low global interest rate environment the possibility of a tax free yield of 3p (equivalent to a 7.4% tax free return based on the Estimated Offer Price after factoring in initial tax reliefs, 12.3% for a 40% higher rate taxpayer) represents a good yield and will help to deliver consistent returns in the future. Further details on the potential yields can be found on page 23. Investors should note that the level of dividend is not guaranteed, and no profit forecast is to be inferred or implied from these statements.

Early Bird Incentives

The following Early Bird Incentives are being offered:

- for Application Forms received and accepted by the Company by 4:00 p.m. on 16 December 2019, Investors will qualify for a rebate of 1.5% of the Promotion Fee;
- for Application Forms received and accepted by the Company by 4:00 p.m. on 31 January 2020, Investors will qualify for a rebate of 1% of the Promotion Fee,

in respect of which the Investor will receive additional New Ordinary Shares and will also rebate the cost of initial commission payable to authorised intermediaries where this saving is passed on by the intermediary to the Investor, subject to a cumulative maximum rebate of 4.0%.

Key tax benefits

- 30% income tax relief is available on the amount subscribed up to £200,000, provided the New Ordinary Shares are held for at least five years. Further information on the initial tax benefits can be found on page 43.
- Tax free dividends and capital gains.

Furthermore, the Company's focus on 'knowledge intensive' technology companies is in line with recent changes to VCT investment rules and the Government's drive to refocus VCT investment on higher growth companies.

Next steps

In order to invest please read this Prospectus and then complete the Application Form which is set out at the end of this document. If Investors have any questions regarding this investment, they should contact their own financial intermediaries. For questions relating to an application, please telephone Elderstreet on 020 7831 5088. Intermediaries should contact RAM Capital, who are acting as marketing advisers in respect of the Offer, on 0203 006 7530 or by sending an e-mail to taxsolutions@ramcapital.co.uk. Prospective Investors should note that no investment advice can be given by Elderstreet and their attention is drawn to the risk factors set out on pages 12 to 14 of this document.

Yours sincerely

David Brock

Chairman

PART 3

INFORMATION ABOUT DRAPER ESPRIT VCT PLC

INTRODUCTION

The Company is an established technology focused VCT managed by Elderstreet in close association with Draper Esprit, who have an option to take over the management contract which Draper Esprit has expressed its intention to exercise. The objective of the Company is to provide good long-term, tax-free returns to Shareholders through a combination of dividends and capital growth. The Company has a track record of providing good returns for its Shareholders. Income from investments and proceeds of profitable realisations have enabled the Board to pay cash dividends of £27.9 million, a total of 102p per Ordinary Share to original investors who subscribed at £1.00 (80p after the initial tax relief) at the Company's launch in 1998. The Company has raised approximately £60.8 million (after expenses) since 1998, has an unaudited net asset value of £45.2 million and is now invested in 24 trading companies (source: unaudited management accounts as at 31 August 2019). The Board and Investment Management Team and their families have invested in excess of £830,000 in the Company to date.

The Company now invests in unquoted investments principally in the technology sector. The Company has particular expertise in growing businesses through a 'hands-on' investment style and, in aggregate with the Draper Esprit funds, prefers to be part of a syndicate which holds a significant stake and a board position in its portfolio companies. Draper Esprit receive circa 2,500 business plans per annum, meet about 1,000 companies, and make approximately 20 new investments a year.

Background to Draper Esprit

In 2016 the Board and the Manager reached a significant co-investment agreement with Draper Esprit to share deal flow, management experience, and investment opportunities, as the Company transitioned from a generalist VCT to a technology focused fund. In 2016 Draper Esprit agreed terms to purchase the Manager, subject to conditions. Draper Esprit is a highly regarded venture capital investor in the UK and European technology sector, floated on the AIM market in June 2016 and at the time of writing has a market capitalisation of over £500 million. The Draper Esprit team has a wealth of experience. The team has now operated for 13 years and, prior to that, its members worked in leading firms within the venture capital industry. Draper Esprit is also a part of the Draper Venture Network, details of which can be found on page 36. This global network is a valuable resource for deal flow, market intelligence and further funding.

Simon Cook, the CEO of Draper Esprit commented in the recent Draper Esprit plc results:

We once again exceeded our core strategic aim of targeting a portfolio return of 20% per annum, with 58% fair value growth in the portfolio across the period.

The pace at which new technologies are disrupting, shaping and improving the world around us shows no signs of relenting with developments around machine learning, artificial intelligence, mobility, and blockchain opening up exciting new possibilities across our areas of focus in enterprise, digital health, hardware & deeptech, and consumer technology.

As we continue to source the best deals via the provision of growth capital to entrepreneurs, we have been able to deliver both consistent returns for investors and increased scale across our business.

Awards

Draper Esprit and the Manager have between them won many awards including:

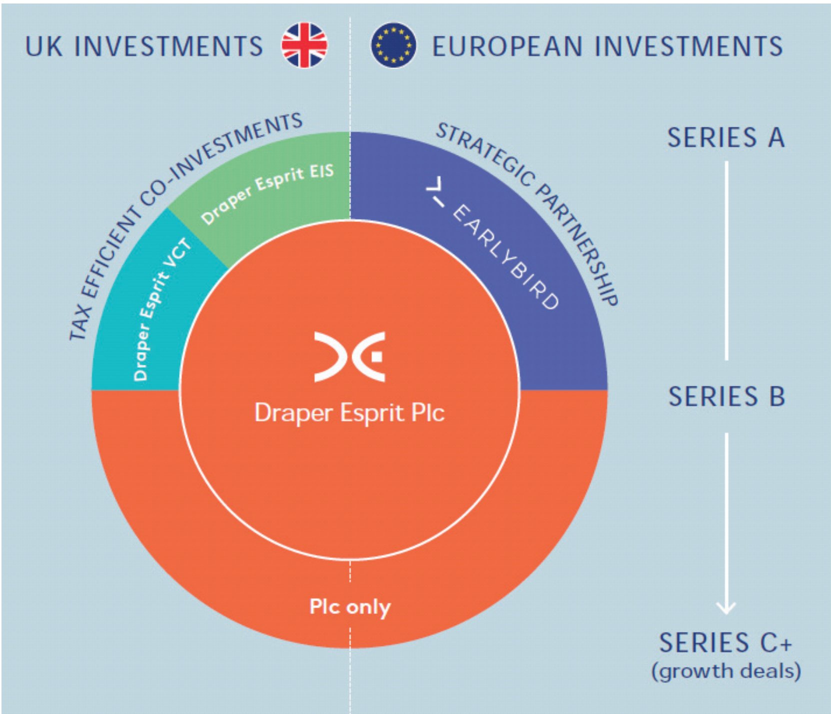
- Draper Esprit EIS funds have been the top rated EIS by the Tax Efficient Review for the past five years running (89/100) and have the highest current MJ Hudson Allenbridge EIS rating (87/100) – Draper Esprit
- The Company received the highest joint score from MJ Hudson Allenbridge for VCT offers launched in the 2018/19 tax year – the Company
- Nominated for Investor Allstars VC fund of the Year 2018 – Draper Esprit

- Nominated for Investor Allstars Investor of the Year – Simon Cook CEO Draper Esprit
- Runner up in the Growth Investor Awards Exit of the Year 2015 – the Manager
- Winner of Investment Week's VCT Investment Company of the Year Awards 2014 – the Manager
- Investor Allstars VC Fund of the year 2013 – Draper Esprit
- Investor Allstars VC Fund of the year 2011 – Draper Esprit
- VCT Fund Manager of the Year in 2010 – the Manager
- VC of the year, Private Equity Awards, 2009 – Draper Esprit
- VCT Fund Manager of the Year in 2009 – the Manager
- VC of the year, EVCJ awards, 2008 – Draper Esprit

ABOUT DRAPER ESPRIT

Draper Esprit is one of the most active venture capital firms in Europe, investing in high growth technology companies with global ambitions. Draper believe the best entrepreneurs in Europe can build the businesses of the future. Draper Esprit fuel their growth with long-term capital, access to international networks and decades of experience building businesses. Draper Esprit IPO'd on the AIM market in 2016. Since then, Draper have scaled up their capital base and resources, invested in five unicorns (companies subsequently worth over $1.0 billion), and returned over £81.6 million (including £15.3 million post period end) of cash to the plc balance sheet. Draper Esprit is actively involved with its investments, taking non-executive positions where appropriate, and has the ability and experience to add value to the investments.

The following diagram shows how the VCT fits into the Draper co-investment structure.



As noted above, the Company (along with Draper Esprit EIS and Draper Esprit's strategic partner Earlybird), will invest in Series A and B rounds but, due to the VCT regulations, is unlikely to participate in Series C and beyond.

The chart below shows the split of the technology companies by sector in which the Company has invested alongside the other Draper Esprit syndicate funds.

Sector	Description	Share	Companies
Consumer Technology	New consumer-facing products, innovative business models, and proven execution capabilities that bring exceptional capabilities enabled by technology.	31%	Verve, resolver, crowdcube
Enterprise Technology	The software infrastructure, applications and services that make enterprises more productive, cost-efficient, and smoother to run.	17%	Roomex.com, Apperio, PremFina, FORM3
Hardware and Deeptech	The deeper technologies that will spark advances in computing, consumer electronics and other industries.	18%	hadean, kaptivo, pod POINT, Droplet Computing
Digital Health and Wellness	Using digital and genomic technologies to create new products and services for the health and wellness market.	34%	Push Doctor, evonetix, endomag, ieso digital health

TRACK RECORD OF DRAPER ESPRIT

Draper Esprit has a historical track record of delivering returns in excess of 20% over 9 years (across its aggregate portfolio return since 2008), has completed over 125 deals since 2006, had over $5 billion value of exits since 2010, and core strategic aim of targeting a portfolio return of 20% per annum.

The track record of Draper Esprit exits since its IPO in 2016 is as follows

Realisations post Draper Esprit IPO	Investment year	Divestment year	Amounts invested	Cash Return	Exit multiples
	Return above 2x:				
Grapeshot **	2015	2018	£1.4m	£11.5m	8.3x
Movidius	2013	2016	£3.6m	£27.4m	7.6x
Tails	2013	2018	£0.4m	£3.0m	7.1x
Transferwise	2017	2019	£5.9m	£15.3m	2.6x
Horizon	2010	2017	£1.1m	£2.9m	2.6x
	Return 0.1-2x:				
Clavis	2016	2017	£8.1m	£15.3m	1.9x
Qosmos	2011	2016	£4.1m	£8.0m	1.9x
Graze	2010	2019	£3.7m	£6.2m	1.7x
DataHug	2012	2016	£2.2m	£3.6m	1.6x
MoviePilot	2012	2017	£1.2m	£0.5m	0.4x
Aveillant	2011	2017	£1.9m	£0.2m	0.1x
	No Return				
Worldstores	2012	2016	£4.3m	£0.0m	0.0x

** EIS fund only

(source: Draper Esprit March 2019 results presentation)

TRACK RECORD OF THE COMPANY

Since its launch in 1998, the Company has paid cash dividends amounting to 102p per Ordinary Share. With an unaudited Net Asset Value of 56.2p per Ordinary Share at 31 August 2019, the Company has produced a total return since launch (cumulative dividends paid up to 31 August 2019 plus NAV) of 158.2p per Ordinary Share, a 97.8% tax-free uplift on the net investment (of 80p per share) of Shareholders who invested at inception.

The returns to 31 August 2019 for a Shareholder with Ordinary Shares that invested in the Company at launch are shown below:

Initial net investment per Ordinary Share[1]	Cumulative cash dividends per Ordinary Share	NAV per Ordinary Share (unaudited)	Total return per Ordinary Share (unaudited)	Tax-free uplift on net investment[2]
80p	102.0p	56.2p	158.2p	97.8%

1 Assumes an investment of 100p per Ordinary Share by a Qualifying Investor, less income tax relief at 20%, resulting in a net investment of 80p per Ordinary Share.

2 The percentage tax-free uplift is the excess of the total return over the initial investment net of tax relief received by Qualifying Investors divided by the initial investment net of income tax relief receivable by Qualifying Investors. The tax-free uplift has been set out for illustrative purposes only, is not guaranteed, is not necessarily a guide to future performance and no forecast or projection should be inferred.

Since 2005 the Company has raised further capital predominantly in the same share class, with the exception of a 2005 offer of C ordinary shares which were subsequently converted into Ordinary Shares. The performance of each of these fundraisings that have satisfied the five year HMRC tax free holding period qualification test are shown below, including initial tax reliefs.

Tax year of Investment ending 5th April	Rate of Initial Tax relief	Initial investment per Ordinary Share after tax relief	Cumulative cash dividend per Ordinary Share	NAV per Ordinary Share (31-8-19 unaudited)	Total return per Ordinary Share (31-8-19 unaudited)	Increase on investment without initial tax reliefs	Tax-free % increase on net investment
1998	20%	80.0	102.0	56.2	158.2	58%	98%
2005 *	40%	60.0	71.0	37.6	108.6	9%	81%
2006	40%	41.3	72.5	56.2	128.7	87%	211%
2008	30%	64.4	65.5	56.2	121.7	32%	89%
2009	30%	52.3	59.0	56.2	115.2	54%	120%
2010	30%	56.3	56.0	56.2	112.2	40%	99%
2011	30%	54.6	50.5	56.2	106.7	37%	95%
2012	30%	49.5	48.0	56.2	104.2	47%	111%
2013	30%	47.3	44.0	56.2	100.2	48%	112%

1 The percentage tax-free increase is the excess of the total return per Ordinary Share over the initial investment net of tax relief received by Qualifying Investors divided by the initial investment net of income tax relief receivable by Qualifying Investors. The tax-free increase figures have been set out for illustrative purposes only, are not guaranteed, are not a guide to future performance and no forecast or projection should be inferred.

2 The 2005 numbers and NAV have been adjusted to reflect the merger of the C ordinary share class with the Ordinary Share class at a rate of 0.6691 Ordinary Shares for each C ordinary share.

3 The initial investment per Ordinary Share for the years 2006 to 2013 reflecting the new offers which have 'time qualified' for HMRC purposes reflects the actual offer price at the time of subscription adjusted by the rate of initial tax relief applicable at the time. No offers were made in 2014.

DIVIDENDS

It is the Board's objective to maximise dividends to Shareholders, subject to liquidity, the availability of sufficient distributable profits, capital resources and VCT regulations, and to target a dividend return of 3p per annum (equivalent to a 7.4% tax free return based on the Estimated Offer Price after factoring in initial tax reliefs). Further details on the potential yields can be found on page 23.

As at 31 March 2019, the Company had distributable reserves of £25.3 million. Since September 2014, following successful portfolio company exits, special dividends of 20p have been paid per Ordinary Share. In the year to 31 March 2019 a dividend of 3p per Share was paid. Future dividends are expected to be funded primarily from the Company's distributable reserves, augmented by portfolio exits, rather than loan interest income.

Investors should note that the level of dividend is not guaranteed and no profit forecast should be inferred from these statements.

Regular interim and final dividends will usually be paid in October and March every year. An interim dividend of 1.5p per Ordinary Share has been declared and will be paid on the 25 October 2019 to Shareholders on the register on 27 September 2019. In addition, special one off dividends, normally as a result of successful portfolio company exits, have been declared in the past by the Board on an ad-hoc basis.

The following table shows the dividends declared per Ordinary Share each year since inception:

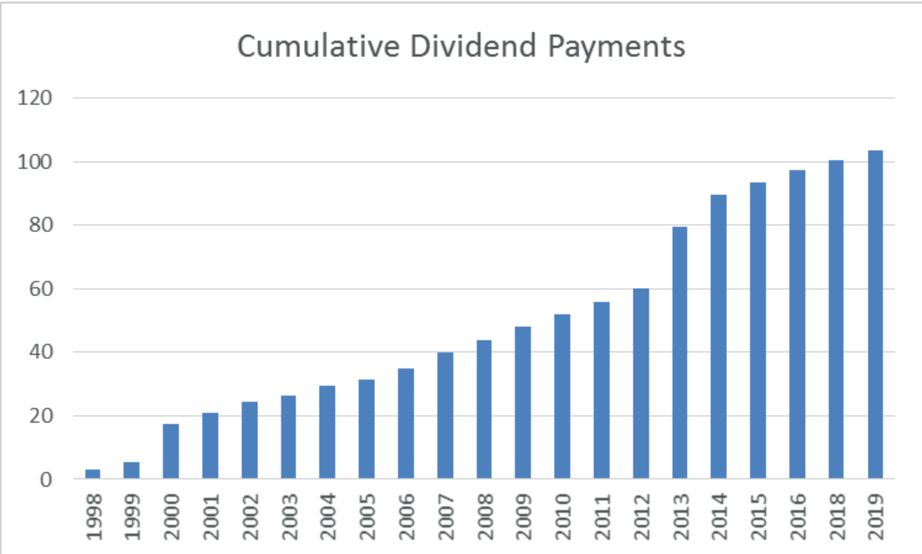
1998	1999	2000	2001	2002	2003	2004
3.0	2.5	12.0	3.5	3.5	2.0	3.0

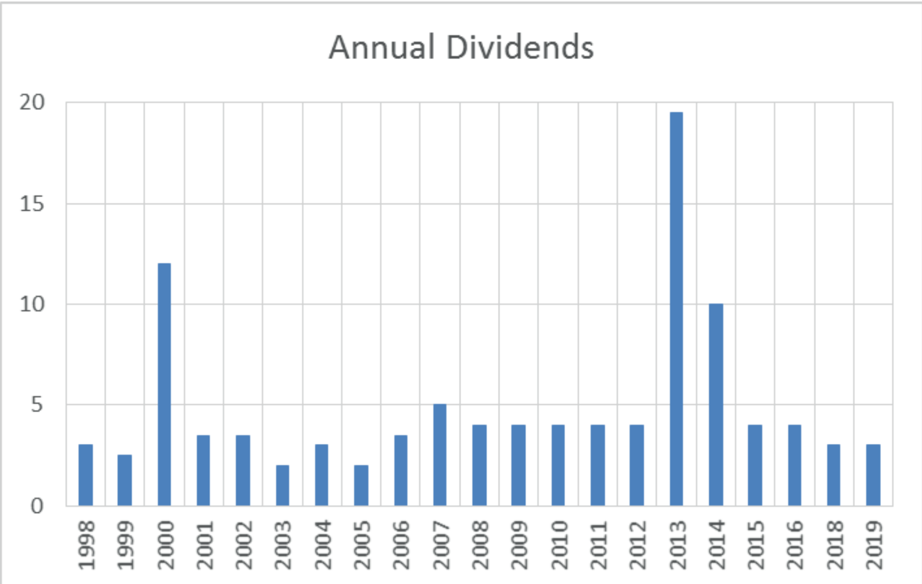
2005	2006	2007	2008	2009	2010	2011
2.0	3.5	5.0	4.0	4.0	4.0	4.0

2012	2013	2014	2015	2016	2018	2019*
4.0	19.5	10.0	4.0	4.0	3.0	3.0

Total Paid to 31 March 19	Total Declared
102.0	103.5

* includes a 1.5p interim dividend to be paid on 25 October 2019





Income Yield on Ordinary Shares

The following table gives an illustration of potential returns to Ordinary Shareholders, assuming a dividend of either 2p, 3p or 4p per annum is paid, and the equivalent taxable yield based on the Estimated Offer Price net of 30% income tax relief grossed up for a taxpayer paying 40% or 45% tax on his income. Dividends of 3p per Share were paid in the year ending March 2018.

Illustration of income yield per Ordinary Share after 30% tax relief

Offer Price * (net of tax relief)	Target annual dividend	Tax free yield per annum	Grossed up yield to a 40% taxpayer	Grossed up yield to a 45% taxpayer
40.5p	2.0p	4.9%	8.2%	9.0%
40.5p	3.0p	7.4%	12.3%	13.5%
40.5p	4.0p	9.9%	16.5%	18.0%

* Using an Estimated Offer Price of 57.9p multiplied by 70% to reflect the initial 30% up front income tax relief. The August 2019 NAV of 56.2p has been adjusted down by the 1.5p dividend payable in October 2019 and for the maximum issue costs of 5.5%. No forecast or projection should be implied or inferred.

Illustration of the income yield per share excluding the initial tax relief

Potential Offer Price * (gross of tax relief)	Target annual dividend	Tax free yield per annum	Grossed up yield to a 40% taxpayer	Grossed up yield to a 45% taxpayer
57.9p	2.0p	3.5%	5.8%	6.3%
57.9p	3.0p	5.2%	8.6%	9.4%
57.9p	4.0p	6.9%	11.5%	12.6%

* Using an Estimated Offer Price of 57.9p. The August 2019 NAV of 56.2p has been adjusted down by the 1.5p dividend payable in October 2019 and for the maximum issue costs of 5.5%. No forecast or projection should be implied or inferred.

HISTORICAL EXITS

A table of meaningful successful exits since inception is produced at the end of this section. The average realised return from these exits has been a multiple of 3.3 times cost. It should be noted that a number of these successful exits have been in technology and engineering companies that utilise technology/ have developed valuable IP.

Since inception the total profits of the Company from all realised investments in portfolio companies has been £24.4 million and the realised losses £16.2 million as at 31 March 2019. The realised losses are adjusted to include those non trading but VCT qualifying companies where expectation of return is zero.

The last meaningful realisation was in July 2018 where the Company made a partial realisation of Fulcrum Utilities Group Plc, a gas utilities company quoted on AIM, realising a profit of £0.5 million and an IRR of 24%. The Company retains further shares with a value of £1.1 million at 31 March 2019 on a cost of £0.38 million.

The Company sold Concorde Solutions Limited ('Concorde') in April 2017 realising a small profit over cost. A further escrow payment was received in October 2018 giving a fully realised IRR of 6%. Concorde had made good progress in building its software product but had failed to make any meaningful sales headway. The Board decided it was therefore better for the Company to sell its holding and to recycle the funds into new investments or dividends.

The Company sold its stake in SMART Education Limited ('SMART') in December 2015, realising a profit of £3.6 million. SMART is a fast growing teacher supply agency which the Company first invested in in October 2005. This investment backed an existing successful management team that were previously known to the Manager. A further contractual escrow of £1.5 million was paid in December 2016. Taking this into account the investment will return an IRR of 19.5%.

In June 2014, the Company sold its stake in Wessex Advanced Switching Products ('WASP'), realising an initial profit of £8.8 million, and further escrow amounts of £0.9 million. WASP is a manufacturer of military and aerospace switches and lighting products. The investment was made in 1999 and has returned an IRR of over 30%. As a result of this very profitable exit the Board declared a special dividend of 15p per Ordinary Share (amounting in total to £4.5 million) paid in September 2014, representing a significant 15% of the Net Asset Value of the Company at the time.

The prior two exits before WASP were the trade sales of Wecomm Limited in March 2011 to OpenText Corporation and Melorio plc in June 2010 to Pearson plc. The Melorio realisation achieved a multiple return of 2.2 times cost. The Wecomm realisation achieved a 1.2 times multiple of cost.

£'000	Sector	Date of Exit	Profit	Uplift %	Multiple of Cost
Fulcrum Utilities	Utilities	Aug-18	518	454%	5.5
Concorde Solutions	Technology	Apr-17	258	16%	1.2
SMART Education	Recruitment	Dec-15	3,653	202%	3.0
WASP	Engineering	Apr-14	9,747	17828%	179.3
Wecomm	Software	Mar-11	202	24%	1.2
Melorio	Services	Jun-10	240	120%	2.2
Fords	Engineering	Feb-09	1,150	144%	2.4
Mediasurface	Software	Jul-08	153	23%	1.2
U-Mole	Engineering	Mar-08	1,507	350%	4.5
CSG	Software	Apr-07	2,497	167%	2.7
Ovum	Services	Dec-06	87	58%	1.6
ET&T	Software	Oct-06	210	47%	1.5
Milkround	Recruitment	Mar-06	147	59%	1.6
HJ Bean	Leisure	Sep-05	343	58%	1.6
Interlink Foods	Food	Jan-00	682	159%	2.6
Systems Union	Software	Jan-00	1,368	574%	6.7
Total			**22,762**	**233%**	**3.3**

INVESTMENT POLICY

The policy below was approved by the FCA and by Shareholders at a general meeting on 27 March 2019 and further material changes to this policy will require Shareholders' and FCA approval in accordance with the Listing Rules.

VCT Qualifying Investments

The Company currently holds a portfolio which is mixed by sector, with new investment activity focused on the technology sector.

The Company will continue to invest in a diversified portfolio of companies predominantly in the technology sector, with a particular emphasis on unquoted companies which will usually have the following characteristics:

1. Companies which meet the VCT criteria with the ability to grow, which are seeking growth capital;
2. A strong, balanced and well-motivated management team.
3. Investments where the Manager can typically be an active investor and have a board or observer position;
4. Companies with products or services which have the potential to sustain a competitive advantage; and
5. Companies with reasonable prospects of achieving a trade sale or stock market flotation.

Future VCT Qualifying Investments will usually be syndicated alongside other Draper Esprit funds and are expected to have a deal size of up to the greater of £1.5 million or 10% of the Net Asset Value of the Company with a focus on the following technology sectors:

1. Consumer Technology – companies with exceptional growth opportunities in international markets that are underpinned by new consumer facing products, innovative business models and proven execution capabilities.
2. Enterprise Technology – companies developing the software infrastructure, applications and services that drive productivity improvements, convenience and cost reduction for enterprises.
3. Hardware and Deep Tech – companies developing different technologies that underpin advances in computing, consumer electronics and other industries.
4. Healthcare and Wellness – companies leveraging digital and other technologies to create new products and services for the health and wellness market.

Non-Qualifying Investments

The Company will invest such funds not utilised in VCT Qualifying Investments in cash and other near cash assets, as permitted under VCT regulations.

Risk Diversification

The Company's portfolio will be diversified by investing in a portfolio of VCT qualifying investments covering a number of technology sectors. The maximum that the Company will hold in a single investment (by value at the time of investment) is 15% of funds invested.

Venture Capital Trust regulations

The Company will be managed with the intention of maintaining its VCT status by satisfying a number of tests set out in Part 6 of the Income Tax Act 2007.

Borrowings

It is not the Company's intention to have any borrowings; however, the Company does have the ability to borrow not more than 10% of the aggregate of the nominal capital of the Company (being issued and paid up) plus the amounts standing to the credit of the consolidated reserves of the Company.

Draper Esprit Co-Investment Policy

Draper Esprit VCT has signed a co-investment right alongside the Draper Esprit institutional and EIS funds. This will be broadly based on the liquid funds available, the EIS/VCT qualifying status of each investment, the existing asset allocation within each pool of funds (i.e. conflict issues around investing in a potential competitor to an existing portfolio company), and for the Company, the current percentage of VCT qualification in each of its pool of VCT funds. This co-investment right and allocation will be reviewed on a periodic basis.

The Directors believe that this co-investment arrangement will provide Shareholders with a number of advantages, particularly in relation to deal flow and the opportunity for the Company to participate in larger deals, and, therefore, later stage companies.

In the event of a conflict of interest between the funds (which shall include where an investment is proposed in a company in which another fund already has an interest), or where co-investments are proposed to be made other than on the above basis, such an investment by the Company will require the approval of those members of the Company's board who are independent of the Manager.

The Board is independent of the Manager and Draper Esprit and while the Manager or Draper Esprit may recommend investments on the above basis the Board has the right to decline to invest in any such investment opportunity.

Each of the Manager and Draper Esprit have developed effective procedures for the post investment monitoring and support of portfolio companies by way of board representation, monitoring of management accounts and internal reporting practices. The Directors believe that such procedures are an essential element in successful venture capital management.

Since April 2017 the average investment size committed by the VCT into each new technology investment has been £0.8 million which has been circa 10% of the funds invested by the combined Draper Esprit investment vehicles. If the Company raises the full amount sought under the Offer, this allocation is expected to increase to 20%.

Share Buybacks

The Company has from time to time bought back its Ordinary Shares for cancellation. The Company intends to continue to buy back its Ordinary Shares at a discount of approximately 5.0% to the last published NAV, subject to liquidity, VCT regulations and the Listing Rules. The Company intends to acquire its own Ordinary Shares in the market four times each year. The Board will agree the price at which such buybacks are undertaken which will not be more than 95.0% of the last published NAV for the Ordinary Shares although the Board may decide to buy back shares at their discretion at a larger discount subject to VCT regulations, liquidity and the Listing Rules.

The Board reserves the right to allocate Company funds reserved for buybacks across Shareholders wishing to sell on a pro rata basis rather than a first come first served basis. This may result in Shareholders only being able to sell a proportion of their holding. The Board believes this to be an equitable policy to apply to those Shareholders who wish to exit.

The implementation of the buyback policy in relation to Ordinary Shares will be at the Board's discretion and subject to the Company's liquidity, and stock market and other applicable regulations.

Distribution of Capital Profits and Dividends

Legislative changes have meant that VCTs can no longer return capital to investors (e.g. by way of dividends paid from cancelled share premium account) within three years of the end of the accounting period in which the relevant shares were issued, where the shares in question were issued post 5 April 2014. New Ordinary Shares issued pursuant to the Offer will be subject to this restriction.

It is the Board's target to pay a dividend of 3p per annum per Ordinary Share going forward (representing a 7.4% tax free return based on the Estimated Offer Price after factoring in initial tax reliefs). Dividends of 3p were paid in the year ended 31 March 2019. Further details on the potential yields can be found on page 23. Investors should note that the level of dividend is not guaranteed, and no profit forecast is to be inferred or implied from these statements.

The Directors aim to maximise Shareholder returns and, subject to liquidity, VCT regulations and Listing Rules, aim to distribute substantially all available investment income after fees and VCT running costs. Following the change in the year end Interim dividends on Ordinary Shares are expected to be paid in October. Final dividends are expected to be paid in March each year.

The Manager

The Manager has acted as investment manager for the Company since its inception in 1998 (initially, through its wholly owned subsidiary, Elderstreet Private Equity Limited, and since 2009 directly after the Investment Management Agreement in relation to the Company was novated from that subsidiary to itself). The Manager was founded in 1990 and currently has more than £47 million (unaudited) of assets under management. The Manager has expertise in tax efficient investing, including VCTs and EISs, and is a specialist in the smaller company market, the unlisted sector and AIM. The Manager has strong proprietary deal flow and a "hands on" portfolio management style.

The Manager was voted VCT Fund Manager of the Year 2009 and 2010 by the Growth Company Awards. The Company was the winner of Investment Week's 2014 VCT Investment Company of the Year Awards organised by Incisive Media. These awards highlight investment companies that produce consistent performance and where there is, in the judges' opinion, a high likelihood that the investors will not be disappointed in the future.

The Company was runner up in the Growth Investor Awards Exit of the Year 2015. The Exit of the Year award recognizes investment performance against initial targets and value added to the investee business by the fund manager. Assessed in the context of type of exit, a panel of judges based their scoring on entry questions relating to investment performance, value added to the investee business, obstacles to exit and management of risk.

The Administration Manager and the Fixed Income Securities Manager

Downing LLP (and previously its predecessor, Downing Management Services Limited) has been the Company's Administration Manager since the Company's inception in 1998 and performs similar services for a number of other VCTs.

In addition to the investment management services provided by the Manager, the Company has appointed Smith & Williamson Investment Services Limited to provide discretionary investment management services in respect of funds not invested in Qualifying Investments that were historically invested in fixed income securities. The percentage of the Company's portfolio presently managed under these arrangements has been 0% since 30 June 2017. Other managers of non-Qualifying Investments may be appointed by the Company from time to time.

VCT Status Monitoring

The Directors have appointed Philip Hare & Associates LLP to advise the Company on compliance with the taxation legislative requirements relating to VCTs.

Management Fees and Charges

The Manager receives an annual fee (the "**Annual Fee**") equal to 2.0% of the Net Assets of the Company subject to the expenses cap (see below). The Annual Fee is calculated twice a year on 30 June and 31 December and payable quarterly in advance.

Downing LLP receives an annual fee of £65,000 (excluding VAT) for its role as the Administration Manager.

Taking into account the expected long term returns in the form of income and capital gains, it is intended that the Annual Fees will be allocated 25% to revenue and 75% to capital.

Expenses Cap

The annual running costs (including VAT) of the Company are capped at 3.5% of its Net Assets with any excess being refunded by way of a reduction in the fees payable to the Manager and the Administration Manager pro rata to their fees during the financial year.

The running costs include, inter alia, fees payable to the Manager and the Administration Manager, Directors' fees, audit and taxation fees, Registrar's fees and costs of communicating with Shareholders. The expenses cap excludes the performance incentive fee. For the year ended 31 March 2019 the Total Expenses Ration (TER) was 2.89%; for the fifteen month period ending March 2018 the TER was 3.4%, equivalent to 2.73% on a weighted 12-month basis. In 2016 the TER was 3.3%, in 3.2% in 2015, and 3.3% in 2014.

Performance Incentive Fees

Performance incentive fees are payable to the Manager when dividends paid and/or proposed exceed 3.5p per Ordinary Share in any one financial year, subject to the NAV, before the distribution, being higher than 70.6p per Ordinary Share. If this hurdle is met, the Manager will receive 20% of the distribution amount over 3.5p per Ordinary Share. The performance incentive fee will also have a catch-up should any previous year's distribution not be met. This catch-up will be cumulative so that in any years where the distribution is less than 3.5p the shortfall must be made up prior to awarding any further performance incentive fees. Any performance incentive fee payable in any period of 12 months has been capped so that the fee payable (together with any other fees payable to the Manager by the Company which have not been specifically approved by Shareholders) is capped at 24.9% of the lesser of the Company's current Net Assets, market capitalisation or gross assets. Any such fees which result in this cap being exceeded will be waived, will not be carried over to another period and will cease to be payable to the Manager.

Currently, the hurdles for these performance fees have not been met for this current or past financial year.

Arrangement and Monitoring Fees

The Manager may charge an arrangement fee to each portfolio company in which the Company invests. This fee is restricted to 3% of the gross amount invested by the Company. No arrangement fees have been charged by the Manager for any of the Draper Esprit deals completed to date. The Manager may also charge portfolio companies for its monitoring services and non-executive director fees but has not done so in recent years.

Elderstreet Co-Investment Policy

Should a conflict arise in respect of the allocation of an investment opportunity between the Elderstreet Funds, allocations will normally be made on a *pro rata* basis (allowing for appropriate rounding of investment amounts) between the Company and the other Elderstreet Funds based on the amounts available for investment in each fund at the time the investment opportunity arises. However, the Manager will be entitled to recommend to the Board (and to the directors or trustees of relevant other Elderstreet Funds) the allocation of investment opportunities on a basis otherwise than as set out above if required in order to:

- ensure that the Company establishes and/or maintains its status as a Venture Capital Trust;
- balance the portfolios of the Company in such manner as the Manager shall consider appropriate, taking account of the liquidity of the respective funds, sector balance, relative risk profile and maturity of investments (including exit considerations); or
- take account of the status of investments as Qualifying Investments under the VCT regulations from time to time.

In the event of a conflict of interest between the Company and any other Elderstreet Funds, the matter shall be referred to such Directors who are independent of the Manager (the "**Independent Directors**"), whose determination shall be final and binding on the Manager.

In particular, where the Company intends to invest in a company in which another Elderstreet Fund has invested or intends to invest, the investment shall require approval by the Independent Directors unless the investment is made either at the same time, and on the same terms or in accordance with a pre-existing agreement between the Company and the Manager. The Directors and members of the Investment Management Team do, from time to time, co-invest in the Company's portfolio companies.

Where a Director has an interest of more than 1% in a portfolio company then he is disqualified from voting on decisions concerning that company.

For information on possible conflicts with other Draper Esprit funds, please see the section headed ***Draper Esprit Co-Investment Policy*** on page 25.

Net Asset Value Calculation

Investments are designated as "fair value through profit or loss" assets, upon acquisition, due to investments being managed and performance evaluated on a fair value basis. A financial asset is designated within this category if it is both acquired and managed, with a view to selling after a period of time, in accordance with the Company's investment policy.

Listed fixed income investments and investments quoted on AIM and the Main Market are measured using bid prices in accordance with the IPEV. For unquoted instruments, fair value is established using the IPEV. The valuation methodology applied takes account of the nature, facts and circumstances of the individual investment and uses reasonable data, market inputs, assumptions and estimates in order to ascertain fair value.

The Company's net asset value is formally calculated every six months by the Manager, approved by the Board and published on an appropriate regulatory information service.

PART 4

INVESTMENT PORTFOLIO

The investment portfolio of the Company as at the date of this document is set out below (the valuations being the unaudited valuations and cash balances as at 31 August 2019). The table also includes new 'Committed' investments where the Company has signed up to a binding investment document but is awaiting HMRC approval prior to formally completing its investment in the relevant company. These 'Committed' investments have been deducted from the actual cash balance in the Company.

Investments	Sector	Actual Cost	31 August 2019 Valuation	Unrealised Gain/Loss	Portfolio by % Value
Draper Esprit Completed Investments		**Cost £**	**Valuation £**	**Gain/Loss £**	**%**
StreetTeam Software Limited	Technology	1,285,712	1,963,740	678,028	4%
IESO Digital Health	Technology	1,900,024	1,900,024	-	4%
Pod Point Holdings Limited	Technology	860,000	1,745,017	885,017	4%
Push Doctor Limited	Technology	1,556,392	1,556,392	-	3.4%
Endomagnetics Limited	Technology	912,143	912,143	-	2%
Resolving Ltd	Technology	799,489	799,489	-	2%
Evonetix Limited	Technology	792,657	792,657	-	2%
IXL PremFina Limited	Technology	755,608	755,608	-	2%
Crowdcube Limited	Technology	400,000	712,480	312,480	1.6%
Back Office Technologies Ltd	Technology	699,998	699,998	-	2%
Roomex Ltd	Technology	615,697	615,697	-	1%
Apperio Limited	Technology	500,000	500,000	-	1.1%
Hadean Supercomputing Ltd	Technology	399,996	399,996	-	0.9%
Appux Limited	Technology	325,500	325,500	-	0.7%
Light Blue Optics Limited	Technology	311,111	311,111	-	0.7%
		12,114,328	**13,989,853**	**1,875,525**	**31%**
Draper Esprit completed Investments post 31.8.19 **			**Committed £**		
StreetTeam Software (Follow)	Technology	-	1,229,893	-	2.7%
			1,229,893	**-**	**3%**
Draper Esprit - total completed investments			**15,219,747**	**1,875,525**	**34%**
Net cash at bank minus committed investments			**14,060,700**		**31%**
Legacy Elderstreet Investments		**Cost £**	**Valuation £**	**Gain/Loss £**	**%**
Fords Packaging Top Co Ltd	Engineering	2,432,856	6,978,732	4,545,876	15%
Access Intelligence PLC *	Technology	2,886,379	4,539,125	1,652,746	10%
Lyalvale Express Limited	Engineering	1,915,204	2,570,670	655,466	6%
Fulcrum Utilities Limited *	Utilities	385,948	852,227	466,279	2%
		7,620,387	**14,940,754**	**7,320,367**	**33%**
Legacy Other Investments			958,048		2%
Net Assets			**45,179,249**		**100%**

* AIM companies

** Investments completed post 31 August 2019

Quoted investments are valued at bid prices with a liquidity discount, where appropriate, and unquoted investments are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines.

Draper Esprit Portfolio Holdings

Further information on each Draper Esprit Technology portfolio company follows:

Company Name	Sector	Description	Equity %
StreetTeam Software (Verve)	Consumer Technology	Peer-to-peer sales and marketing software	<5%

Founded in 2012, StreetTeam's platform enables customers to turn their most influential fans into ambassadors who promote their events and sell tickets to their friends in return for rewards. Its platform allows customers to recruit ambassadors, manage their community and share content within it, and also enables digital payment processing and sales reporting. The company generates revenue through licensing its peer-to-peer ticketing software, levying commission on ticket sales and also through consultancy services. Within the music festival market, it is estimated that millennials (aged 15 to 30 years old) make up half of the festival audience: Nielsen says half the 32 million people who attend at least one music festival each year in the US are millennials. The McCarthy Group says 84% of millennials don't trust traditional advertising and rank friends as the most trusted source of information, preferring word-of-mouth to traditional advertising.

Podpoint	Hardware & Deep Tech	Electric vehicle charging points	<5%

Pod Point, the electric charge point supplier, is a well established, leading player in the UK's electric vehicle sector, having manufactured and sold over 50,000 charging points since it was founded in 2009. The market for electric vehicles is going from strength to strength, driven by advances in technology, infrastructure developments and cost efficiencies. In the UK, Pod Point has in excess of a 40% market share of the home charge market, having sold over 50,000 charging points. The team is also expanding rapidly and now comprises over 140 employees. Following recent partnerships with Barratt Homes, Holiday Extra and Hyundai, Pod Point intends to have one of its stations installed everywhere that people park for an hour or more by 2020. Alongside the Draper Esprit group funds, investors include Barclay's Capital and QVentures.

IESO	Digital Health & Wellness	One-to-one clinically led online therapy	<5%

Ieso Digital Health delivers one-to-one, clinically led online cognitive behavioural therapy (CBT) for people dealing with common mental health conditions such as depression and anxiety. Therapy is delivered through written (typed) conversation. Patients meet with a BABCP accredited therapist is a secure online therapy room at a time and location convenient to the patient. IESO algorithms support an intelligent, outcomes-driven therapist allocation and scheduling system, whereby we can assign patients to the therapists most likely to deliver a meaningful clinical outcome at lowest cost.

IESO natural language processing analytics enable real-time monitoring of therapist protocol adherence and risk detection, while providing guidance to the therapist in relation to clinical decision support to systemise practice and reduce variation in treatment.

Endomagnetics	Digital Health & Wellness	Cancer trace and guidance systems	<5%

Endomag has developed a minimally-invasive surgical guidance system, which can locate early-stage and impalpable tumours, and help determine whether the cancer has spread. The system has been used in over 30,000 procedures across 300 hospitals in 30 countries and is the subject of 12 clinical publications, all confirming its efficacy compared with current standards. Endomag's mission is to improve the standard of cancer care for everyone, everywhere, by providing more accurate, convenient and less-invasive solutions for diagnosis and treatment.

Resolving Limited (Resolver)	Consumer Technology	Online consumer complaint tool	<5%

Resolver is working with MoneySavingExpert.com, the UK's biggest consumer advice website, bringing together their awesome campaigning power with Resolver's focus on helping consumers raise and resolve issues. Unlike traditional complaints procedures, Resolver guides and supports you throughout the complaints process. Their system makes recommendations on next steps and when to take them, connecting consumers complaint with key industry regulators and ombudsmen. Resolver helps consumers keep track of their complaints and stores all relevant information securely in one place.

Evonetix Ltd	Digital Health & Wellness	Gene synthesis technology	<5%

Draper Esprit group funds co-led a £9.0 million funding round in Evonetix, helping it to scale technology that opens up new possibilities for synthetic biology. The company is pioneering a new approach to scalable and high-fidelity gene synthesis and received £1.8 million funding from the plc and a further £1.8 million from the Group in January 2018. The ability to synthesise fragments of DNA without the limitation of sequences and with no fundamental errors is a challenge. All existing DNA manufacturing methods can only produce short sequences because longer sequences have a higher rate of error. Evonetix was founded in 2016 to address this very problem. Their platform uses an addressable silicon array to direct the synthesis of DNA at many sites in parallel, followed by an error-detection process to enable DNA production at scale.

The US$12.3 million financing was co-led by DCVC (Data Collective) of Palo Alto, CA and Draper Esprit, and included the Morningside group, alongside existing investors Providence Investment Company (Jersey), Cambridge Consultants Ltd (Cambridge, UK), Rising Tide Fund (San Francisco, CA) and Civilization Ventures (San Francisco, CA).

IXL Premfina	Enterprise Technology	Insurance broking credit software	<5%

PremFina is the first premium finance company in the UK to receive venture funding, with the equity portion of round more than three times oversubscribed. The investment will be used to accelerate PremFina's UK operations to meet a high demand for its white-label premium financing solution among insurance brokers and support international expansion. Its white label offering improves brokers' efficiency, profitability and customer relationships. PremFina makes the purchase of insurance more affordable by eliminating the financial strain of lump-sum upfront payments, thereby promoting financial inclusion within the insurance industry. Its solution is simple and user-friendly: PremFina funds the upfront payment of an insurance premium to an insurer, on behalf on an insured party.

PremFina then collects the same amount via monthly instalments, along with a finance fee, from the insured party. To better enable insurance brokers to offer this option, PremFina also provides a standalone, white-labelled software-as-a-service (SaaS).

Push Doctor	Digital health	On-demand online GP surgeries	<5%

PushDoctor.co.uk is changing the way everyone can access healthcare using its' on-demand online GP surgery, making healthcare accessible for the tens of millions of people in the UK who find seeing a doctor difficult. The Care Quality Commission-regulated and NHS- commissioned service allows patients to book and attend secure video GP appointments seven days per week, 365 days of the year, via a website and iOS app.

The company is becoming one of the fastest-growing clinical networks in Europe with a unique dataset that provides a unique view of the medical issues facing the nation. They are creating a data-driven digital health platform that will treat the whole person.

Crowdcube	Consumer Technology	Crowd funding platform	<5%

Named by Debrett's as one of Britain's Most Influential 500 People, Darren Westlake is co-founder and CEO of Crowdcube – the world's first, largest and most active investment crowdfunding platform. A serial entrepreneur with more than 20 years' experience in the internet and telecoms industries, Darren launched and exited two companies before starting Crowdcube with Luke Lang in February 2011. Beauhurst data report for 2017 reports Crowdcube was the top-ranked platform by amount of investment facilitated, raising £87.3 million in 133 deals.

Back Office Technologies (Form3)	Enterprise Technology	Payment processing technology	<5%

Form3 delivers cloud-based connectivity, payment processing, clearing and settlement services. Their clients include a wide range of regulated financial institutions, including leading banks, non-bank financial institutions and fin-techs. Form3 couples their technology with banking partnerships to facilitate agency payment services, accessed through a simple API on a per transaction commercial model, with no big upfront costs. Form3 won the UK Business Angels Association 2018 Best Investment in Fintech Award for demonstrating innovation, and the capability to disrupt the market and the capacity to achieve high growth.

Roomex	Enterprise Technology	Global business hotel booking platform	<5%

Roomex is a global hotel booking platform where businesses see, control and save on all work related hotel spend. If you're an office manager, you don't need the stress and hassle of searching for hotels, comparing rates, contacting hotels, negotiating deals and making sure that all your staff are booking within policy and not wasting their time. Roomex provides this solution for them. Roomex was ranked number 20 in the 2017 Deloitte Technology Fast 50, a ranking of the 50 fastest growing technology companies in Ireland.

Apperio	Enterprise Technology	Legal fees spend software	<5%

Founder and CEO, Nicholas d'Adhemar, spent six years working as a lawyer and three years client-side in private equity and experienced first-hand the unnecessary conflict, confusion and cost that often accompanied deals and that's why he started Apperio. Our mission is to become an essential part of every lawyer's everyday work and set new standards of accessibility, accountability and accuracy around legal spend information, freeing up both General Counsels and their law firms so they can focus on their goals: deepening relationships, developing trust and driving returns.

AppUx Limited (Droplet)	Enterprise Technology	IOS agnostic application platform	5-10%

Apps are the future of computing - but the way they work now is driven by which device or OS you use. So you have one world of iOS apps, and another for Android, and so on. For Droplet, that seems like a waste of time, which is why they've patented a new way to deliver any app to any device - regardless of how it's been built. It even works offline. The implications are huge: with cost savings for businesses, an increase in user productivity, and more.

Light Blue Optics (Kaptivo)	Hardware & Deep Tech	Cloud connected online collaboration tool for whiteboards	<5%

Kaptivo is a cloud-connected camera that transforms any standard dry-erase whiteboard into an online collaboration tool for sharing and video conferencing. Kaptivo has a hardware product that is complementary to every user of static whiteboards (50 million deployed worldwide). The product has been validated by HP and Crestron who have both signed OEM agreements. Kaptivo works with any web browser and all video conference platforms supporting screen sharing.

Hadean	Deep Tech	Gaming Technology	<5%

Hadean is a distribute compute platform that enables a single developer to write and run code at any scale using their existing tool chain – and crucially, without the need for any ops or tuning. HadeanOS is a cloud-first operating system that has been engineered and optimized for performance across massively distributed computing infrastructures. HadeanOS natively understands the dynamic scale and real-time demands of modern applications in the cloud and removes the need for complex operations and engineering.

Legacy Portfolio Holdings

Unless stated to the contrary the figures for each of the portfolio companies below have been extracted from their annual accounts filed at Companies House. Where information has been sourced from the management accounts of the portfolio companies, the Company confirms that this information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published, no facts have been omitted which would render the reproduced information inaccurate or misleading. The total Legacy Portfolio companies account for 35% of the Company's NAV as at 31 August 2019. Four of these companies, set out in the table below, account for 94% of that Legacy Portfolio:

Legacy Elderstreet Investments		**Cost £**	**Valuation £**	**Gain/Loss £**	**%**
Fords Packaging Top Co Ltd	Engineering	2,432,856	6,978,732	4,545,876	15%
Access Intelligence PLC *	Technology	2,886,379	4,539,125	1,652,746	10%
Lyalvale Express Limited	Engineering	1,915,204	2,570,670	655,466	6%
Fulcrum Utilities Limited *	Utilities	385,948	852,227	466,279	2%
		7,620,387	**14,940,754**	**7,320,367**	**33%**

Information on the top four legacy portfolio companies follows:

Fords Packaging Topco Limited

First Investment	Dec-13	*Year ended*	30-Jun-16	30-Jun-17	30-Jun-18
Cost	£2,432,856	*Turnover (£m)*	5.5	7.6	7.7
Value	£6,978,732	*Profit before tax (£m)*	0.4	1.0	1.1
% held	48.7%	*Net assets (£m)*	2.4	3.1	3.6

Based in Bedford, Fords Packaging is a leading supplier of capping presses and also manufactures rotary sealers. It is widely known for its expertise in sealing and closure technology for food and drink applications where high standards of hygiene are required. Fords products are mainly for use in the food and dairy industries and the company has global clients. In 2018 Fords won the award for Best Closure for their Fords foil caps at the World Beverage Innovation Awards, held in Germany. Winning this award is a recognition of the innovative solutions Fords are developing to bring a unique range of benefits to brand owners and consumers, in sustainability, consumption experience and packaging innovation. With the single serve water bottle their innovative foil seal delivers bottle weight reduction by removing threads from the neck finish.

Combined with elimination of the need for a plastic screw cap and tamper evident band, it delivers the lowest package weight in the market. The Manager has a seat on the board of directors.

Access Intelligence plc

First Investment	Oct-08	*Year ended **	30-Nov-16	30-Nov-17	30-Nov-18
Cost	£2,886,379	*Turnover (£m)*	9.1	8.0	8.9
Value	£4,704,925	*Adjusted EBITDA*	-2.0	-1.4	0.0
% held	13.1%	*Net assets (£m)*	2.0	0.3	10.7

Access Intelligence is a leading supplier of Software-as-a-Service (SaaS) communications software and services for the UK Integrated Management Solutions market. In 2015 the company acquired certain UK assets from Cision and Vocus. The company had £8.08m of recurring revenue at end November 2018 up from £8m 2018. The Manager has a seat on Access Intelligence's board of directors.

* 2017 and 2018 restated Continuing Operations

Lyalvale Express Limited

First Investment	May-98	*Year ended*	02-Apr-16	01-Apr-17	31-Mar-18
Cost	£1,915,204	*Turnover (£m)*	7.3	7.7	7.2
Value	£2,570,670	*EBITDA (£m)*	1.1	0.8	1.0
% held	44.2%	*Net assets (£m)*	8.7	8.9	9.4

Lyalvale Express is a leading producer of shotgun ammunition in the UK. It has developed a range of more than 30 different models of cartridge suitable for both game and clay shooting. Its products range from premium products such as that used by Richard Faulds to win an Olympic Gold Medal in Sydney, to popular everyday products. It occupies a freehold site in Staffordshire and is dividend paying. The Manager has a seat on the board of directors.

Fulcrum Utilities Services Limited

First Investment	Jul-03	*Year ended*	31-Mar-16	31-Mar-17	31-Mar-18
Cost	£385,948	*Turnover (£m)*	36.1	37.7	44.8
Value	£1,109,503	*Adjusted EBITDA*	5.3	7.3	8.6
% held	1.5%	*Net assets (£m)*	5.8	10.4	36.3

Fulcrum is a leading independent utilities organisation that provides gas and multi-utility infrastructure design, technical engineering, project management, consultancy and audit services across all sectors nationally. Fulcrum's combination of expertise, accreditation, nationwide coverage and heritage as part of the Gas Board, Transco and National Grid, ensures a streamlined and compliant utilities infrastructure solution is delivered for its customers.

PART 5

MANAGEMENT TEAM

Draper Esprit Investment Management Team

Draper Esprit is one of the leading venture capital investors involved in the creation, funding and development of high-growth technology businesses with an emphasis on digital technologies in the UK, the Republic of Ireland and Europe. Draper Esprit IPO'd on the AIM market in 2016. Draper Esprit is actively involved with its investments, taking non-executive positions where appropriate, and has the ability and experience to add value to the investments

A selection of the key investment executives at Draper Esprit follow.

Simon Cook is the CEO of Draper Esprit plc, which IPO'd on the London and Irish stock exchanges in 2016. Simon has been involved with the European VC industry since 1995 and co-founded Draper Esprit in 2006. He has been involved with a number of Europe's most successful startups including Lovefilm (Amazon), Cambridge Silicon Radio (IPO), Virata (IPO), nCipher (IPO) and KVS (Symantec). He currently works with Trustpilot, Graze, Crowdcube, Perkbox and Podpoint. Previously Simon was a partner with Cazenove Private Equity, which Draper Esprit acquired in 2006; a partner at Elderstreet Investments; and an Investment Director of 3i Technology Europe, which Draper Esprit acquired in 2009. He was a computer games developer early in his career and is a Computer Science graduate of the University of Manchester Institute of Science and Technology (UMIST).

Stuart Chapman is the COO of Draper Esprit. Prior to establishing the Draper Esprit group, with Simon in 2006, Stuart was a Director of 3i Ventures in London. Having joined 3i in 1992, he has 25 years of venture capital experience in Europe and the US. He was a founding partner of 3i US, based in Menlo Park, CA from 1999 until 2003. Stuart was responsible for Esprit's investments in Lagan Technology (sold to Verint), Redkite (sold to Nice) and Kiadis (IPO). Stuart currently serves as a director with Resolver, Realeyes and Conversocial and observer with Metalysis and Crate. Prior to 3i, Stuart was involved in software and systems implementations for Midland Bank. He is a graduate of Loughborough University and currently serves on the Strategic Advisory Board for the Loughborough School of Business and has served as a member of the British Venture Capital Association Venture Committee.

Ben Tompkins is Managing Partner of Draper Esprit and has been working with technology entrepreneurs and their investors in Europe and the US all his career. Prior to joining Draper Esprit, Ben was Managing Partner at Eden Ventures, a European early stage VC investor in UK software companies with international ambitions. Prior to Eden, Ben was a Managing Director at tech investment bank Broadview/Jefferies and co-headed the Global Software Services & Media practice, advising on deals including Blizzard Studios/World of Warcraft, Iris Software (LSE), Kelkoo, Seloger, Musiwave, Loot, Promethean, ICV and uDate. Ben also sat on the Board of Seedcamp, the UK's premier early stage fund. He is a Business Law graduate and a Barrister from Lincolns Inn.

Michael Jackson MA FCA (VCT Partner and Chairman of the Manager) founded Elderstreet Investments Limited in 1990 and is its executive chairman. For the past 25 years, he has specialised in raising finance and investing in the smaller companies quoted and unquoted sector. From 1983 until 1987 he was a director and from 1987 until 2006 was chairman of FTSE 100 company The Sage Group plc. He was also chairman of PartyGaming plc, another FTSE 100 company. He is a director of Elderstreet portfolio companies Fords Packaging Systems Limited, Baldwin & Francis Holdings Limited, Macranet Limited and Access Intelligence plc. Michael studied law at Cambridge University, and qualified as a chartered accountant with Coopers & Lybrand before spending five years in marketing for various US multinational technology companies.

William Horlick (VCT Partner) has worked at Elderstreet Investments Limited since 1998. He has worked on over 70 venture capital investments. William has held several board seats in the past on Elderstreet portfolio companies. He is also the investment manager of the Elderstreet EIS portfolio. William graduated from RMA Sandhurst in 1980. Prior to joining Elderstreet Investments, he was managing director of a mail order company and spent seven years in investment banking and stockbroking.

Richard Marsh (EIS Partner – Encore Ventures) has worked in start-ups and venture capital since 1997 and is an experienced entrepreneur as well as a venture capitalist. He founded and built Datanomic, a Cambridge-based software company which was a pioneer of Data Quality software and was acquired by Oracle. As an investor, Richard has worked across software, hardware, mobile and cleantech sectors. He is responsible for the Drape Esprit group's investments in Garlik (acquired by Experian), Green Park Content, GreenPeak Technologies (acquired by Qorvo), Polatis (acquired by Huber and Suhner), Psytechnics (acquired by NetScout), and SportPursuit. Richard is an Engineering graduate of Cambridge University where he also received his PhD. Richard holds an MBA from IMD Business School, Lausanne, where he was a Sainsbury Management Fellow.

David Cummings (EIS Partner – Encore Ventures) has worked for IMI Plc, Lazard and KPMG. His early career at IMI Titanium was as a research and development metallurgist developing superconductors and titanium alloys. From 1986-2002, David worked at Lazard, where he became a partner and the managing director running the TMT group in London. While there he gained a wide variety of experience in corporate finance, M&A, debt restructuring and equity capital markets based on over a decade of transactions in the TMT sector. From 2004-2011, David was a senior director of KPMG Corporate Finance focusing on Business development and relationship building with medium to large corporations in the telecom and technology sectors. David is an active investor in early stage private technology companies and is a member of Cambridge Angels. David is a graduate of Trinity Hall, Cambridge University (Natural Sciences) and London Business School (Msc21).

Draper Venture Network

Draper Esprit are also a part of the Draper Venture Network. Headquartered in Silicon Valley, the Draper Venture Network is a self-governed collective of 24 independent growth and venture funds managing hundreds of portfolio companies in multiple countries. These independent venture capital funds are based in technology hubs across the world and collaborate on deals, diligence and the provision of value-added services. Esprit Capital is the Western European member of the Draper Venture Network. The Draper Venture Network has offices in Silicon Valley and a team of business development executives available to assist any network portfolio company. An annual CEO conference is arranged by the Draper Venture Network with attendance by hundreds of CEOs and dozens of business development executives of significant technology companies.

Draper Esprit believes the group's membership of the Draper Venture Network provides it with a significant advantage in the origination and diligence of potential investments, the generation of market intelligence and the development of valuable corporate relationships. It also enables the Draper Esprit group to provide portfolio companies with assistance in approaching sources of funding in the United States for future fundraising rounds and provides them with an opportunity to expand into new and lucrative markets or to position them in global markets with the intention of attracting higher valuations at exit. Nicola McClafferty, an Investor Director at Draper Esprit, is one of six global board directors of the Draper Venture Network.

The Board

The Company has five Directors, all of whom are non-executive and the majority of whom, including the chairman, are independent of the Manager.

David Brock BSc (Chairman) is an experienced company Chairman in both private and public companies and a former main board director of MFI Furniture Group Plc. He is currently Chairman of Episys Group Plc, Honest Brew Ltd, and Primrose Group Ltd and non-executive director of Hargreave Hale AIM VCT plc and Puma 12 VCT Plc.

Hugh Aldous is chairman of Downing Strategic Micro-Cap Investment Trust plc and of SPL Guernsey ICC Ltd. He is a director of Innospec Inc. (NASDAQ). He has chaired venture capital backed companies since 2000 including two of this Company's more successful investments. He was previously a partner in Grant Thornton UK LLP, a DTI Company Inspector, a director of Polar Capital Holdings plc and a Member of the Competition Commission.

Barry Dean FCA is a chartered accountant and has over 30 years' experience in the private equity industry including 14 years as managing director of Dresdner Kleinwort Benson Private Equity Limited. He is currently a non-executive director of Downing ONE VCT plc and ProVen VCT plc.

Michael Jackson MA FCA (see biography above)

Nicholas Lewis MA is a partner of Downing LLP - a business he founded as Downing Corporate Finance Limited in 1986. Downing LLP specialises in managing, promoting and administrating tax-based investments and has over £1 billion of funds under management. Prior to founding Downing, he was with NatWest Ventures Limited and, before that, with Apax Partners & Co Limited.

The Board is responsible for leading the Company, approving the Net Asset Value and for the determination of the Company's investment policy.

PART 6

INFORMATION RELATING TO THE OFFER

The Offer

The Offer is for New Ordinary Shares. The maximum number of New Ordinary Shares to be issued pursuant to the Offer is 40,000,000 Ordinary Shares, representing approximately 33.3% of the enlarged issued Ordinary Shares of the Company (assuming the Maximum Subscription). A raise of £20 million equates to a maximum approximate net amount to be raised of £18.9 million based on Offer costs of 5.5%. The Offer is cost-neutral as regards the NAV of the Company as the up-front costs of the Offer are borne entirely by subscribers through the application of the Pricing Formula. There is no minimum subscription required for the Offer to proceed.

The unaudited net asset value per Ordinary Share as at 31 August 2019 was 56.2p (this being the most recent NAV per Ordinary Share published by the Company prior to the publication of this document). The Net Asset Value on which the initial price for the New Ordinary Shares is based is 54.7p per Ordinary Share, being the NAV of 56.2p adjusted down to reflect the payment of the 1.5p interim dividend payable in October 2019. The Estimated Offer Price of 57.9p is the adjusted NAV of 54.7p grossed up for estimated Offer costs of 5.5%. Should there be a material movement in the NAV between the normal reporting dates, the Company may announce an updated unaudited NAV, which will be used to calculate the number of New Ordinary Shares to be allotted. The Pricing Formula will be adjusted for any declared dividends where the shares are to be allotted after the record date but before the dividend payment date.

Reasons for the Offer

The Company is raising funds by way of the Offer for the tax years 2019/20 and 2020/21 to fund another phase of investment. The Company considers that its co-investment agreement with Draper Esprit will continue to provide a flow of attractive investment opportunities for which new capital will be required.

The Directors believe that the proposed fundraising under the new Offer will benefit Existing Shareholders in the following ways:

- Shareholders will suffer no NAV dilution as a result of the Offer as New Ordinary Shares will be issued at a price equal to NAV plus offer costs.
- The New Ordinary Shares issued will increase the capital available to the Company which may be invested alongside existing capital. This affords existing Shareholders investment opportunities they might not otherwise have.
- The fixed running costs of the Company will be spread over a larger combined asset base as a result of the issue of New Ordinary Shares, thereby reducing the level of the running costs attributable to each existing holder of Ordinary Shares and, therefore, providing the potential for enhanced returns to existing Shareholders.
- The Board believes the co-investment agreement with Draper Esprit will bring new investment opportunities to the Company and benefit both existing and prospective new investors. Whilst there will be no change to the generalist investment policy of the Company, the ability to join a funding syndicate of Draper Esprit funds will bring access to larger deals in companies that enjoy higher revenues and which operate in high growth sectors. These more developed companies can scale more quickly and have the potential to IPO, exit, or attract further funding rounds more quickly than lower revenue companies.

Benefits for new Shareholders

The Directors believe that the proposed fundraising through the Offer may benefit new Shareholders in the following ways:

- The issue of the New Ordinary Shares provides new Shareholders with immediate exposure to the Company's existing portfolio, including a number of mature companies.
- The issue of the New Ordinary Shares also gives new Shareholders exposure to companies within the Company's existing portfolio which may no longer be able to receive VCT investment as they may not be Qualifying Investments under the amended legislation.

Use of proceeds

The Board intends to invest the net proceeds from the Offer in accordance with the Company's existing investment policy as set out on pages 25 to 26.

The Company intends to invest at least 80% of funds raised for the tax year ended 31 March 2020 in Qualifying Investments. The net proceeds of the Offer will be approximately £18.9 million with expenses of approximately £1.1 million (in each case assuming Maximum Subscription and total costs of 5.5% on all Applications).

Key Terms of the Offer – Promotion Fee, Commission and Early Bird Incentives

Applications through intermediaries (commission payable*)

Promotion Fee	3.0% of the Application Amount
Initial commission to intermediaries	2.5% of the Application Amount
Trail commission	0.25% of the gross subscription per annum for five years (subject to a cumulative maximum trail commission of 1.25%)

* Commission will only be payable in accordance with prevailing FCA rules on inducements.

Applications through intermediaries (no commission payable)

Promotion Fee	3.0% of the Application Amount
Adviser Charges – Such initial charges that are agreed between each Investor and their financial intermediary	Variable

Direct Investors

Promotion Fee	3.5% of the Application Amount

Early Bird Incentives

Where an Application Form is received and accepted by the Company:

- on or before 4.00 p.m. on 16 December 2019, Investors will receive a 1.5% rebate from the Promotion Fee, as additional New Ordinary Shares
- on or before 4.00 p.m. on 31 January 2020, Investors will receive a 1.0% rebate from the Promotion Fee, as additional New Ordinary Shares

Pricing of the Offer

Investors are invited to subscribe an amount in pounds sterling rather than apply for a particular number of New Ordinary Shares. The fees payable to the Promoter (subject to applicable early investment incentive) and to the Investor's financial intermediary will be taken into account in calculating the number of New Ordinary Shares the Investor will receive.

The price per New Ordinary Shares to be issued to each Applicant in the Company will be calculated based on the following Pricing Formula:

Number of New Ordinary Shares	=	Amount subscribed, less: (i) initial Promotion Fee (ii) Initial commission or Adviser Charge (if any) (iii) any Early Bird Incentive (if any)	÷	Latest published NAV per Offer Share

The resulting price per New Ordinary Share will be rounded down to 1 decimal place. The number of New Ordinary Shares to be issued will be calculated by dividing the amount subscribed by the offer price and rounding down to the nearest whole Share.

If an updated NAV per Ordinary Share is announced after publication of this document, this updated NAV will be used to calculate the price and the number of New Ordinary Shares to be issued. Should there be a material movement in the NAV between the normal reporting dates, the Company may announce an updated unaudited NAV by announcement on a Regulation Information Service. The NAV used in the Pricing Formula will be adjusted, as required, to account for dividends payable to existing Shareholders where these are not yet reflected in the NAV.

Example 1

If an Investor (paying a combined Promotion Fee and Adviser Charge to their intermediary of 5.5% and assuming he was not entitled to the Early Bird Incentive) were to subscribe £10,000, with the Company's adjusted Net Asset Value standing at **54.7p**, they would pay **57.9p** per Share and receive a total of **17,276** New Ordinary Shares.

Example 2

An Investor in the same circumstances as above but who had agreed a smaller Adviser Charge of 1.0% with their financial intermediary (assuming a standard Adviser Charge of 2.5%) would pay a combined fee of 4.0%. This would mean the Investor pays **57.0p** per Share and would receive **17,552** New Ordinary Shares for their £10,000 subscription.

In each case, the Company shall settle fees to the Promoter and to Investors' financial intermediaries from the gross subscriptions received from Investors.

Example 3 (Early Bird Incentives)

If an Investor submits their Application Form and it is received and accepted by the Company before 16 December 2019, they will have 1.5% from the usual Promotion Fee rebated in the form of additional New Ordinary Shares under the Early Bird Incentive.

If the intermediary is eligible for commission but chooses to waive this entirely in lieu of additional shares, the Investor will be entitled to receive the maximum rebate available under the terms of the Offer of 4.0%. In this case, their total offer costs would be only 1.5%, and, for a £10,000 subscription the investor pays **55.5p** per Share and would receive, **18,007** New Ordinary Shares for their £10,000 subscription.

Where a different early Investor has instead agreed an Adviser Charge with their intermediary of 2%, they will still enjoy a 1.5% rebate from the Promotion Fee and their total offer costs will be 3.5%. For a £10,000 subscription they would receive **17,641** New Ordinary Shares at an effective subscription price of **56.7p** per share.

In each case, Investors can then claim VCT income tax relief of 30% on their **gross subscription** (the Application Amount) rather than the net amount after the payment of fees, subject to their personal circumstances. This would equate to £3,000 of relief in respect of the £10,000 subscription noted in each of the above examples.

Some further information about when Adviser Charges are applicable and when Commission is applicable is set out below. The Manager may also agree (at its discretion) to reduce fees further (in whole or part) in respect of any specific investor or group of investors for the benefit of such investors.

Adviser Charges and Commission

In accordance with the regulatory changes introduced pursuant to MiFID II, and following amendments proposed by the FCA to their Conduct of Business Sourcebook, commission (including on-going trail commission) is generally not permitted to be paid to Intermediaries who provide independent advice or personal recommendations to UK clients in respect of their investments in VCTs.

Instead of commission being paid by the VCT, an Adviser Charge will usually be agreed between the intermediary and Investor for the advice and related services. This fee can either be paid directly by the Investor to the intermediary or, if it is an initial one-off fee, the payment of such fee may be facilitated by the Company. Ongoing fees to Intermediaries will not be facilitated by the Company. If the payment of the Adviser Charge is to be facilitated by the Company, then the Investor is required to specify the amount of the charge in Box 3 of the relevant Application Form. The Investor will be issued fewer New Ordinary Shares (to the equivalent value of the Adviser Charge) through the Pricing Formula set out above. The Adviser Charge is deemed to be inclusive of VAT, where applicable. Adviser charge facilitation payments will be made on behalf of Investors from the Company's share premium account (or reserves created therefrom) in respect of share capital issued prior to 6 April 2014.

Commission may be payable in respect of applications by an Execution Only Investor who has received no advice in respect of the investment and, as such, the Company will only pay commission to firms:

(a) which do not provide personal recommendations or investment advice (save where this is restricted advice given to professional clients of the advisor);

(b) where the payment of such commission is designed to enhance the quality of the relevant (non-advisory) service to the investor

(c) where the intermediary has confirmed that they will clearly disclose to the investor the existence, nature and amount of such commission prior to the provision of the service; and

(d) in the case of on-going payments (trail commission) where such criteria are fulfilled on an on-going basis.

Those Intermediaries who are permitted to receive commission will usually receive an initial commission of 2.5% of the amount invested by their clients under the Offer unless waived by the intermediary. Additionally, provided that the intermediary continues to act for the Investor and meet the criteria above and the Investor continues to be the beneficial owner of the New Ordinary Shares, and subject to applicable laws and regulations, the intermediary will usually be paid an annual trail commission of 0.25% of their client Investors' gross subscriptions for a maximum of five years. Trail commission will be paid annually in October (commencing in October 2020) by the Promoter.

Minimum Subscription

The minimum subscription amount for an Applicant in relation to the New Ordinary Share is £6,000 and, provided this condition is met, Applications under the Offer may be for any amount thereafter in multiples of £1,000. There is no maximum individual subscription level under the Offer but the maximum investment on which tax reliefs on investments in VCTs are currently available is £200,000 in the 2019/20 tax year (£200,000 per spouse).

The Offer will not be revoked in respect of New Ordinary Shares that have been admitted to the Official List and to trading on the London Stock Exchange.

Capital Raising Fees

The Company shall meet certain costs of the Offer including printing and distributing this Prospectus, the Registrar's costs in issuing the applicable share certificates and Promotion Fees. Promotion Fees and Adviser Charges payable in relation to Applications are facilitated through the Pricing Formula.

Timetable

The Offer will remain open until the earlier of 4.00 p.m. on 31 May 2020 (unless previously extended, or closed early, by the Directors) and the date on which the relevant Maximum Subscription is reached though Application Forms specifying that some or all Shares are to be allotted in the tax year 2019/20 must be returned by 10.00 a.m. on 3 April 2020. The results of the Offer and any exercise of the Directors' right to extend the Offer will be announced to the London Stock Exchange through a Regulatory Information Service provider authorised by the Financial Conduct Authority. It is expected that dealings will commence no later than 15 Business Days following the date of allotment. Share certificates are expected to be issued (and, where relevant, CREST accounts credited) no later than 15 Business Days following the date of allotment.

Application procedure

The Directors in their absolute discretion will determine the basis of allocation of the New Ordinary Shares but expect to allocate on a first come/first served basis. To the extent that any Application is not accepted, any excess payment will be returned without interest by returning the Applicant's payment through the post at the risk of the person entitled thereto. The Receiving Agent will not acknowledge receipt of Applications unless an email address is provided in which case an email acknowledgement will be sent. An Application Form together with notes on its completion is set out at the end of this document.

Provided that Applications are for the minimum subscription amount of £6,000, they can be for any amount thereafter in multiples of £1,000. Application Forms should be sent or delivered, together with the full amount payable in respect of the Application, by post or by hand to The City Partnership (UK) Ltd, 110 George Street, Edinburgh EH2 4LH. All payments must be made in pounds sterling by cheque or banker's draft made payable to "City Partnership – Draper Esprit VCT plc" and crossed "A/C payee only". Your attention is drawn to the statements concerning the Money Laundering Regulations in the terms and conditions of application. A person may make multiple Applications, each of which will be treated as a separate Application by the Company.

Admission to trading and dealing arrangements

Application will be made for Admission in respect of the New Ordinary Shares. Following Admission, announcements of allotments pursuant to the Offer will be made as required by the Listing Rules. It is expected that Admission will become effective and dealings in the New Ordinary Shares will commence within 15 Business Days after their allotment. Definitive share certificates are expected to be despatched to successful Applicants by post within 15 Business Days of their allotment, and successful Applicants will be notified of the total number of New Ordinary Shares issued to them by receipt of such share certificates. Temporary documents of title will not be used in connection with the allotment of New Ordinary Shares. Dealings prior to receipt of share certificates will be at the risk of the Applicants.

New Ordinary Shares will be in registered form capable of being transferred by means of the CREST system. Those Applicants who wish to take advantage of the ability to trade in New Ordinary Shares in uncertificated form, and who have access to a CREST account, may arrange with their CREST operator to hold their New Ordinary Shares in dematerialised form. Investors should be aware that New Ordinary Shares delivered in certificated form are likely to incur higher dealing costs than those in respect of Shares held in CREST.

PART 7

BENEFITS OF VENTURE CAPITAL TRUSTS

Venture Capital Trusts provide private investors with an attractive and tax-efficient method of investing in a portfolio of small to medium-size trading companies in the UK. It is often difficult for private investors to have access to such investment opportunities, and few have the time or means to identify, assemble and monitor a portfolio of companies with such potential. VCTs also offer substantial tax benefits to private investors.

The principal benefits offered by VCTs to private investors are:

Income tax relief Private investors subscribing for new shares in a VCT in the 2019/20 or 2020/21 tax years should receive income tax relief at 30% of the amount subscribed against their income tax liability in the year of subscription, provided that such shares are held for at least five years.

Tax-free dividends Private investors should be exempt from income tax on dividends received from a VCT.

Capital gains tax exemption There should be no capital gains tax on disposal of shares in a VCT; conversely there is no relief for losses.

Personal taxation benefits All the reliefs described above are available to individual investors, provided certain conditions are met and the shares are acquired within the permitted maximum of £200,000 in any one tax year. Relief from income tax on investment only applies to subscriptions for new shares.

Professional investment team VCTs are advised by professional advisers with specific experience and proven track records. Prior to the launching of a VCT the investment manager(s) must meet certain criteria laid down by the FCA Rules and the VCT must have obtained approval (provisional or full) by HMRC.

Corporate governance VCTs must appoint a board of directors who are majority independent of the investment manager(s) and led by an independent Chairman.

Spread of investments VCTs spread their investments across a range of companies (either within the same sector or across several sectors), with a view to creating a more balanced portfolio than could be achieved by individuals investing in separate companies.

Tax-free realisations Capital gains realised by a VCT should be exempt from corporation tax within the VCT thereby potentially allowing increased distributions to shareholders.

Admission to the Official List The shares of a VCT must be listed on a European regulated market providing investors with a potential market to trade their shares and a means of assessing their value.

The above is only an outline of the tax reliefs associated with VCTs and should be read in conjunction with the detailed provisions of the current legislation, a summary of which appears in Parts 7 and 8 of this Prospectus.

Prospective investors are recommended to consult a professional adviser as to the taxation consequences of investment in a VCT.

PART 8

TAX POSITION OF INVESTORS

The tax reliefs set out below are available to individuals aged 18 or over who subscribe under the Offer. Whilst there is no specific limit on the amount of an individual's acquisitions of shares in a VCT, tax reliefs will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in VCTs in any tax year does not exceed £200,000. Tax treatment depends on the individual circumstances of each Investor and may be subject to change in the future.

Investors who intend to invest more than £200,000 in VCTs in any one tax year should consult their professional advisers.

(a) Income Tax

(i) Relief from income tax on investment

A private investor subscribing for New Ordinary Shares will be entitled to claim income tax relief on amounts subscribed (along with any other VCT shares subscribed for) up to a maximum of £200,000 in any tax year. For the 2019/20 and 2020/21 tax years the relief is given at 30% of the amount subscribed although the relief cannot exceed the amount which reduces the Investor's income tax liability to nil. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances. Tax relief is restricted on subscriptions for shares in a VCT where, within six months of subscription, the investor disposes of shares in the same VCT (or in another VCT which is known to be seeking a merger that VCT).

(ii) Dividend relief

An Investor who acquires in any tax year New Ordinary Shares having a value (along with any other VCT shares acquired by him in that tax year) of up to £200,000 will not be liable to income tax on dividends paid by the VCT on those shares.

The return to Investors from the Company will depend on the type of profit received by it. Capital gains realised by a VCT are tax-free. No tax is payable by a VCT on distributing these gains by way of dividend and such dividends are received tax-free by shareholders who benefit from dividend relief. However, income received by a VCT will usually constitute either interest (on which the VCT may be subject to tax) or a dividend from a UK company (on which the VCT would not be subject to tax). Such income as is reduced by the payment of tax (if applicable) can be distributed tax-free to shareholders who benefit from dividend relief. It is expected, however, that the bulk of the returns generated by the Company will derive from the realisation of capital gains from its portfolio (on which the VCT would not be subject to tax).

(iii) Purchases in the market

An individual purchaser of existing Ordinary Shares in the market will be entitled to claim dividend relief (as described in paragraph (ii) above) but not relief from income tax on the purchase price.

(iv) Withdrawal of relief

Relief from income tax on a subscription for shares in a VCT is withdrawn if the shares are disposed of (other than between spouses) within five years of issue or if the VCT loses its approval within this period (see below). Relief also ceases to be available on any dividend paid in respect of profits or gains in any accounting period ending at a time when VCT status has been lost.

(b) Capital Gains Tax

(i) Relief on the disposal of New Ordinary Shares

A disposal by an Investor of New Ordinary Shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of New Ordinary Shares acquired within the limit of £200,000 for any tax year, determined as for dividend relief.

(ii) Purchases in the market

An individual purchaser of existing Ordinary Shares in the market will be entitled to claim relief on disposal (as described in paragraph (i) above).

(iii) Withdrawal of relief

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn or treated as never having been given. The exemption from corporation tax on capital gains will not apply to any gain realised by the VCT after this time. If VCT approval is withdrawn, any gains on the New Ordinary Shares up to the date from which loss of VCT status is treated as taking effect will be exempt but gains thereafter will be taxable.

Obtaining tax reliefs

A VCT will provide to each investor a certificate which the investor may use to claim income tax relief, either by obtaining from HMRC an adjustment to his tax code under the PAYE system or by waiting until the end of the tax year and using his tax return to claim relief.

Investors not resident in the UK

Investors not resident in the UK should seek their own professional advice as to the consequences of making an investment in a VCT, as they may be subject to tax in other jurisdictions as well as in the UK.

The above is only a summary of the law as at the date of this document concerning the tax position of UK investors in VCTs. The tax rates and reliefs shown are those currently in use and could alter in future years. Prospective investors are recommended to consult a professional adviser as to the taxation consequences of investment in a VCT.

PART 9

TAX POSITION OF THE COMPANY

1. Qualification as a VCT

The legislation relating to VCTs sets out tests which a company has to satisfy in order to be treated as a VCT and attract tax benefits for itself and its shareholders. The legislation summarised below is that in force as at the date of this document.

To qualify as a VCT, a company must be approved as such by HMRC. To obtain approval:

(a) it must not be a close company;

(b) it must have each class of its ordinary share capital listed on a European regulated market throughout the accounting period following that in which the application for approval is made;

(c) it must derive its income wholly or mainly from shares or securities;

(d) at least 70% by value of its investments must be represented by shares and securities comprising Qualifying Investments (rising to 80% for accounting periods commencing on or after 6 April 2019); and

(e) at least 30% of new monies raised in accounting periods commencing on or after 6 April 2019 must be invested in qualifying holdings within 12 months of the end of accounting period in which the relevant VCT shares are issued;

(i) at least 70% by value of its Qualifying Investments must be represented by holdings of 'eligible shares'. Eligible shares are shares which carry no present or future preferential rights to a portfolio company's assets on its winding-up, and no present or future right to be redeemed, but which may have certain preferential rights to dividends (investments made before 6 April 2018 from funds raised before 6 April 2011 are excluded from this requirement);

(f) at least 10% of its total investment in any Qualifying Company must consist of eligible shares;

(g) loan investments made by the Company after 14 March 2018 must be made on an unsecured basis at a commercial rate of interest;

(h) not more than 15% by value of its investments may be in a single company or group (other than a VCT or a company which would, if its shares were listed, qualify as a VCT);

(i) not more than 15% of its income derived from shares and securities in any accounting period may be retained;

(j) the VCT must only make Qualifying Investments, or certain non-qualifying investments permitted by section 274 ITA 2007;

(k) no investment by a VCT can cause a company to receive more than a total of £5 million in any period of twelve months (£10 million for "knowledge intensive" companies), nor more than £12 million (£20 million for "knowledge intensive" companies) over its lifetime;

(l) a VCT cannot invest in a company whose first commercial sale was more than seven years ago (ten years for a "knowledge intensive" company) unless the company had previously received State Aid risk finance within that period or it is seeking to break into a new product or geographic market and a turnover test is met. In the case of "knowledge intensive" companies, the company may elect for the 10 year period to commence from the end of the accounting period in which its annual turnover exceeds £200,000; and

(m) an investment by a VCT cannot be used by an investee to acquire a trade, business or shares in a company.

For the purpose of conditions (j) above, permitted investments include ordinary shares or securities listed on a regulated market (such as the London Stock Exchange) and shares or units in alternative investment funds and UCITS which may be repurchased or redeemed on seven days' notice.

2. Qualifying Investments

To be a Qualifying Investment, an investment must consist of shares or securities first issued to the VCT (and held by it ever since) by an unquoted company satisfying certain conditions. The conditions are complex but include conditions that any investment must be in a qualifying company which must:

(a) meet a principles-based "risk to capital" gateway test requiring the company to have genuine plans to grow and develop over the long term and for there to be a significant risk to the VCT that invested capital of an amount greater than its net investment return will be lost;

(b) have gross assets not exceeding £15 million immediately before and £16 million immediately after the VCT's investment (these tests are applied on a group basis if applicable);

(c) have fewer than 250 full-time employees (or their equivalents) at the date on which the VCT investment is made (this test is applied on a group basis if applicable) (fewer than 500 for a "knowledge intensive" company);

(d) not have raised more than £5 million in the 12 month period ending on the date of the VCT's investment (£10 million for a "knowledge intensive" company), nor more than a lifetime total of £12 million (£20 million for a "knowledge intensive" company), from State aid sources including from VCTs and under the Enterprise Investment Scheme;

(e) have made its first commercial sale less than seven years ago (ten years for a "knowledge intensive" company which can also elect to start this ten year period from the last day of the accounting period in which it first reaches a turnover of £200,000) unless one or more of the exemptions set out at paragraph 1(l) above applies;

(f) apply the money raised for the purposes of a qualifying trade carried on by the company or its qualifying 90% subsidiary within certain time periods and more generally for the purpose of growth and development of its business;

(g) must at all times have a permanent establishment in the United Kingdom; and

(h) not be controlled by another company nor control another company save where this is a qualifying 51% subsidiary.

Companies whose shares are traded on AIM are treated as unquoted companies for the purposes of eligibility as a Qualifying Investment. Unquoted company shares that subsequently become listed may still be regarded as a Qualifying Investment for a further five years following listing, provided all other conditions are met.

3. Qualifying Companies

A qualifying company must exist wholly or mainly for the purpose of carrying on a qualifying trade or be the parent company of a qualifying trading group. For this purpose, certain activities are prohibited such as dealing in land or shares or providing financial, legal or accountancy services, managing nursing homes or hotels (where the manager is in occupation or owns an interest in the land), property development, leasing or farming, shipbuilding, and coal and steel production. The trade must either be carried on by, or be intended to be carried on by, the qualifying company or by a qualifying subsidiary at the time of the issue of its shares or securities to the VCT (and by such company or its qualifying subsidiary at all times thereafter). A qualifying subsidiary for these purposes is at least 90% directly owned by the qualifying company, or is a 100% subsidiary of at least a 90% subsidiary of the qualifying company, or is at least a 90% subsidiary of a 100% subsidiary of the qualifying company.

A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT.

A qualifying company can be the parent company of a trading group. If this is the case, the group, when taken together as one business, must carry on activities which constitute a qualifying trade. Any subsidiary must be more than 50% owned. However, if a subsidiary is one which carries on the trade by reference to which the investment is to qualify as a Qualifying Investment, that subsidiary must be a 90% qualifying subsidiary as described above.

4. Approval as a VCT

A VCT must be approved at all times by HMRC. Approval has effect from the time specified in the approval. A VCT cannot be approved unless the tests are met throughout the most recent complete accounting period of the VCT and HMRC is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, in order to facilitate the launch of a VCT, HMRC may provisionally approve a VCT notwithstanding that certain of the tests are not met at the time of application, provided that HMRC is satisfied that the tests will be met within certain time limits. In particular, in the case of the test described at 1(d) and (f) above, approval may be given if HMRC is satisfied that this will be met throughout an accounting period of the VCT beginning no more than three years after the date when approval takes effect.

5. Withholding Tax at Source

There is no withholding tax on dividends paid by a UK company and, consequently, the Company does not assume responsibility for withholding tax at source on dividends.

6. Definition of "Knowledge Intensive" Company

In order to meet the definition of a knowledge intensive company, a company must meet one or both of the two "operating costs conditions" set out below and one or both of the "innovation condition" and the "skilled employee condition".

The first "operating costs condition" is that in at least one of the relevant three preceding years at least 15% of the relevant operating costs constituted expenditure on research and development or innovation.

The second "operating costs condition" is that in each of the relevant three preceding years at least 10% of the relevant operating costs constituted such expenditure.

The "innovation condition" is met where the relevant company is engaged in intellectual property creation and it is reasonable to assume that, within 10 years of the date of investment, one or a combination of the exploitation of relevant intellectual property held by the company and business which results from new or improved products, processes or services utilising relevant intellectual property held by the company will form the greater part of its business.

The "skilled employee condition" is met if at least 20% of a company's full time employees hold a relevant higher education qualification and are engaged directly in research and development.

PART 10

GENERAL INFORMATION

1. The Company

1.1 Draper Esprit VCT plc was incorporated in England and Wales on 26 August 1997 with the name Downing Street VCT plc. The Company's name was changed to Elderstreet Downing VCT plc on 20 October 1997 and to Elderstreet VCT plc on 26 January 2005 before changing to its current name on 10 January 2019. The Company's legal entity identifier is 2138003I9Q1QPDSQ9Z97.

1.2 The Company is incorporated and operates under the Act as a public company limited by shares, with registered number 03424984. The Company is not part of a group.

1.3 The registered office of the Company is 6th Floor, St Magnus House, 3 Lower Thames Street, London EC3R 6HD. Its principal place of business is at 20 Garrick Street, London WC2E 9BT and its telephone contact number 020 7416 7780.

1.4 HMRC provisional approval was granted to the Company to trade as a VCT under the Income and Corporation Taxes Act 1988 (as amended) on 28 January 1998 and since that date the Company has carried on its business in accordance with that act and the ITA. The Company intends to continue to carry on its business such that its VCT status will be maintained. The various requirements are now contained within the ITA.

1.5 The Company's auditors are BDO LLP of 55 Baker Street, London W1U 7EU.

1.6 Current share capital:

1.6.1 As at 2 October 2019, being the latest practicable date prior to the publication of this document, the issued share capital of the Company was 80,293,973 fully paid up Ordinary Shares with a nominal value of 5p each. The ISIN of the Ordinary Shares is GB0002867140. Ordinary Shares to be issued pursuant to the Offer will rank *pari passu* in all respects with the existing Ordinary Shares.

1.6.2 At close of the Offer, assuming the Maximum Subscription is raised and the Offer is not increased, Existing Shareholders will hold approximately 66.7% of the enlarged Ordinary Share capital of the Company.

1.6.3 No single Shareholder currently holds more than 3.0% of the Company's Ordinary Shares nor is the Company directly or indirectly under the control of any person nor, to the Company's knowledge, are there any arrangements in place the operation of which may result in a change of control of the Company.

1.6.4 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option. No shares of the Company represent anything other than capital. No shares of the Company are held by or on behalf of the Company itself. There are no convertible securities, exchangeable securities or securities with warrants attached to them currently in issue by the Company.

2. The Investment Manager

2.1 Elderstreet Investments Limited (the "**Manager**") was incorporated in England and Wales on 18 June 1984 and operates under the Act as a private company limited by shares, with registered number 01825358. It is domiciled in the United Kingdom.

2.2 The registered office and principal place of business of the Manager is 20 Garrick Street, London WC2E 9BT and its telephone contact number is 020 7831 5088. The Manager is authorised and regulated by the FCA with registered number 148527 and, as a small authorised UK AIFM, has permission to manage Smaller Alternative Investment Funds under the Alternative Investment Fund Managers Directive (AIFMD).

2.3 The Manager is a venture capital fund management company. Funds managed by the Manager include the Company and the Elderstreet EIS portfolio. The Manager is a wholly owned subsidiary of Elderstreet Holdings Limited. Michael Jackson is a significant shareholder in Elderstreet Holdings Limited.

2.4 The Manager provides custody services to the Company by holding securities in certificated form on behalf of the Company. The Company has no other third party custodian.

3. The Directors

3.1 Each of the Directors is also a shareholder in the Company as set out in the table below:

Director	Shares	Shareholding %
Michael Jackson	801,790	1.00%
Nicholas Lewis	48,498	0.06%
David Brock	174,333	0.22%
Hugh Aldous	20,710	0.03%
Barry Dean	20,421	0.03%
Total	**1,065,752**	**1.32%**

3.2 No New Ordinary Shares under the Offer are being reserved for allocation to existing shareholders, directors or employees of the Company or the Manager.

3.3 Each of the Directors has a consultancy agreement with the Company; the current fees, term and notice periods of the Directors as follows:

Director	Agreement Date	Fees per Annum	Term	Performance Incentive / Fee Entitlement*	Notice Period
David Brock	30 Jan 1998	£30,000	rolling	0%	3 months
Hugh Aldous	1 Mar 2007	£26,500	rolling	0%	3 months
Barry Dean	25 Jan 2005	£24,000	rolling	0%	3 months
Michael Jackson**	30 Jan 1998	£24,000	rolling	100%	3 months
Nicholas Lewis***	30 Jan 1998	£24,000	rolling	0%	3 months

* Details of the performance incentive fees to which the Manager is, or may be entitled, are set out in paragraphs 5.1 below.

** Michael Jackson is a director of and 53.8% shareholder in Elderstreet Holdings Limited, a company of which the Manager is a wholly owned subsidiary. The Manager is entitled to 100% of the performance incentive fees and investment management fees from the Company from which it will pay a service charge to Draper Esprit going forward.

*** Nicholas Lewis is a member of Downing LLP, which provides administration services to the Company.

3.4 Save as disclosed in this document, the Directors do not have any other commission or profit-sharing arrangements with the Company. The agreements do not contain any provision for compensation payable upon early termination of the agreements.

3.5 The following are directorships (unless otherwise stated) and partnerships held by the Directors in the five years prior to the date of this document and the principal activities of the Directors outside the Company where these are significant with respect to the Company:

David Brock	Current	Past 5 Years
	ECS Global Group Ltd Hargreave Hale AIM VCT plc Leeson Limited Honest Brew Ltd Primrose Group Limited Puma 12 VCT plc	Park Regis Birmingham LLP* Puma 8 VCT plc*

Hugh Aldous	**Current** DKP Consultants Limited Downing Strategic Micro Cap Investment Trust plc Innospec Inc KCSB Properties Ltd Savile AD9 Limited SPL Guernsey ICC Ltd	**Past 5 Years** Fundamentum Supported Housing REIT plc Link Alternative Fund Administrators Limited Polar Capital Holdings plc Financial Ventures Limited Savile AD4 Limited* Savile AD7 Limited* Savile AD8 Limited* Savile Durham 1 Limited* Savile Exeter 1 Limited* Savile ML1 Limited Schroder Asian Total Return Investment Company plc The Peoples Investment Trust plc*
Barry Dean	**Current** Downing ONE VCT plc ProVEN VCT plc St James LP St James II LP	**Past 5 Years** Downing Absolute Income VCT 2 plc*
Michael Jackson	**Current** Access Intelligence plc Access Intelligence Media and Communications Limited Aimediadata Ltd Angloinfo Limited ASF Finance Limited Baldwin & Francis Limited Contis Group Limited Elderstreet Capital Partners Nominees Limited Elderstreet Holdings Limited Elderstreet Investments Limited Elderstreet Nominees Limited Elderstreet Private Equity Limited Fords Packaging Systems Limited Fords Packaging Systems 1998 Limited (in liquidation) Fords Packaging Topco Limited Image Source Limited Image Source Group Limited Image Source Trading Ltd Itim Group Limited Lyalvale Express Limited Macranet Limited MWS Technology Ltd Netcall PLC Old Vicarage Nominees Limited RAH Concerts Ltd Royal Albert Hall Developments Limited Select Software Tools PLC Structured Software Limited Syncissue Limited Uvenco UK PLC The Kellan Group PLC Zoich Limited	**Past 5 Years** Aconite Technology Limited Advance Computer Software Group Limited A.I. Talent Ltd Auto Service Finance Limited B&F Management Limited* Backup and Running plc* Bright Network (UK) Limited Concorde Solutions Ltd Contact London (Services) Limited Due North Limited Elderstreet Ballater Limited* E-Trader Group Limited* Evolve Capital PLC* Intercede 2445 Limited Lyalvale Property Limited* One Voice Software Limited Oneview Group Limited Pelham Gardens Freehold Limited Snacktime UK Limited Soames Limited Starcom Technologies Limited Traillight Ltd

Nicholas Lewis

Current

Baron House Hotel Limited
Blakes Partnership LLP
BOV LLP
Broad Street Commercial Limited
Broad Street Unit A Limited
Broad Street Unit B Limited
Cumberland House Hotel Birmingham Limited
Cumberland House Properties Limited
Downing Corporate Finance Limited
Downing LLP
Downing Members Limited
Ebury Corporate Services Limited
Fenkle Street BPRA Property Fund LLP
Fenkle Street Hotel Limited
Frame Wiesbaden LLP
Harrogate Street BRPA LLP
Horseferry Associated Limited
Horseferry Developments LLP
London Luton Hotel 2010 Limited
London Luton BPRA Property Fund LLP
Ludorum Plc (in liquidation)
Moor House Hotel Liverpool Limited
Snow Hill BPRA LLP
Snow Hill Hotel Limited
St Chad's (Birmingham) Holdings Limited
St Chad's (Birmingham) Hotel Limited
West Bar Hotel Limited

Past 5 Years

Bowman Care Homes Limited
Cheers Dumbarton Limited
City Falkirk Limited
Congress House Limited
Dalian House Hotel Limited*
Downing Absolute Income VCT 2 plc*
Downing (Alton) Limited
Downing Care Homes Holdings Limited
Downing (Chertsey Road) Limited
Downing Management Services Limited*
Downing Managers 2 Limited*
Downing Managers 3 Limited*
Downing Managers 6 Limited*
Downing Managers 7 Limited*
Downing Managers 8 Limited*
Downing Managers 9 Limited*
Downing (Pirbright Road) Limited
Downing Planned Exit VCT 6 PLC*
Downing Planned Exit VCT 7 PLC*
Downing Planned Exit VCT 8 plc*
Downing Planned Exit VCT 9 plc*
Fubar Stirling Limited
Heyford Contracting (South) Limited*
Honeycombe Pubs VCT Limited*
Kimbolton Lodge Limited
N.W.B. Developments Limited

*Company has been dissolved

3.6 None of the Directors nor any director of the Manager has for at least the previous five years: (i) had any convictions in relation to fraudulent offences; or (ii) been associated with bankruptcies, receiverships or liquidations (save for members' voluntary liquidations) in relation to an entity for which they have been acting as members of the administrative, management or supervisory bodies or senior management who was relevant to establishing that the entity had the appropriate expertise and experience for the management of its business; or (iii) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including designated professional bodies) or been disqualified by a Court from acting as a director or member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any issue

3.7 The Company complies with the provisions of the UK Corporate Governance Code, with the exception of the following, for the reasons set out below:

(i) new Directors do not receive a full, formal and tailored induction on joining the Board and such matters are addressed on an individual basis as they arise. In addition, as the Company does not have any major shareholders, shareholders are not given an opportunity to meet any new nonexecutive directors at specific meetings other than at the general meetings of the Company;

(ii) due to the size of the Board, there are no formal performance evaluations of the Board, their committees, the individual Directors or the Chairman. Specific performance issues are dealt with as they arise; and

(iii) the Directors do not have service contracts but do have consultancy agreements, further details of which are set out at 3.5 above, whereas the recommendation in the UK Corporate Governance Code is for fixed term renewable contracts.

The Board comprises five members, all of whom are non-executive Directors and the majority of whom (including the Chairman) are considered to be independent of the Manager.

The Board meets regularly throughout the year (normally at least quarterly) and all necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. Additionally, special meetings take place or other arrangements are made when Board decisions are required in advance of regular meetings. The Board is responsible for controlling the Company. The Board is responsible for the determination and calculation of the Company's Net Asset Value, which will be undertaken in accordance with the Company's accounting policies (the Company's current accounting policies are set out on pages 36 and 37 of its report and accounts for the year ended 31 December 2015) and published on an appropriate regulatory information service (including in the announcement of annual and half yearly results of the Company). In the unlikely event that valuation was suspended, where the underlying data necessary to value the investments of the Company could not readily, without undue expenditure, be obtained, such suspension would be communicated to shareholders in a similar manner.

3.8 As the Company has a small Board of non-executive Directors, all Directors sit on the Nomination Committee and Remuneration Committee. David Brock is the Chairman of both Committees. David Brock and Hugh Aldous sit on the Audit Committee. Hugh Aldous is Chairman of the Audit Committee. Committee meetings are held in conjunction with the Board meetings. The Audit Committee is responsible for

- monitoring the Company's financial reporting;
- reviewing internal controls and risk management systems; and
- matters regarding audit and external auditors.

The Remuneration Committee meets, as required, to discuss the existing levels of remuneration for the non-executive Directors and whether they reflect the time commitment and responsibilities of the positions and are comparable with industry standards. Where deemed necessary, they will recommend adjustments to the remuneration levels.

4. General Information

4.1 There have not been any governmental, legal or arbitration proceedings in the 12 months prior to the publication of this document which may have or have had in the recent past a significant effect on the financial position or profitability of the Company, nor are there any such proceedings pending or threatened of which the Company is aware.

4.2 No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase New Ordinary Shares.

4.3 Shareholders' authority to create, allot and issue new Ordinary Shares up to an aggregate maximum nominal value of £3,000,000, with pre-emption rights dis-applied in respect of such issues, was obtained at the annual general meeting of the Company held on 24 September 2019. All Shareholders will have the same voting rights in respect of the existing share capital of the Company. An existing holder of Ordinary Shares who does not subscribe for New Ordinary Shares pursuant to the Offer would experience no dilution in terms of NAV per share (as the assets of the Company will be increase by the proceeds of the Offer and the upfront costs of the Offer are borne by subscribers) but would experience dilution in terms of their voting power. The New Ordinary Shares are ordinary shares of five pence each (ISIN: GB0002867140) created under the CA 2006 and are freely transferable.

4.4 No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All applicants under the Offer will be required to warrant that they are not a US Person.

4.5 All information regarding Draper Esprit in this document has been sourced by the Company from Draper Esprit and has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

4.6 Where other information set out in this document has been sourced from third parties the source has been identified at the relevant place in the document and the Company confirms that this information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published, no facts have been omitted which would render the reproduced information inaccurate or misleading.

5. Material Contracts

5.1 Under an agreement (the "Investment Management Agreement") dated 30 January 1998 between the Company and the Manager (which was subsequently novated to the subsidiary of the Manager, Elderstreet Private Equity Limited, varied by an agreement dated 1 July 2009 and subsequently novated back to the Manager and varied again on 23 November 2016), the Manager provides investment advisory services to the Company in respect of its portfolio of Qualifying Investments for a fee of 2% of net assets (as defined in the agreement), together with a performance incentive fee. Performance incentive fees are payable when dividend payments and/or distributions equivalent to not less than 3.5p per Share in any one financial year are made provided that the NAV, before the distribution, is higher than 70.6p per Share. Where such threshold is met, the Manager will receive 20% of the distribution amount over 3.5p per Share. The performance incentive fee will also have a catch-up (subject to the cap mentioned below) should any previous year's distribution not be met. This catch-up will be cumulative so that in any years where the distribution is less than 3.5p the shortfall must be made up prior to awarding any further incentive fees. Any performance incentive fee payable in any period of 12 months has been capped so that in any 12 month period, the fee payable under the incentive arrangements (together with any other fees payable to the Manager by the Company which have not been approved by Shareholders) is capped at 24.9% of the lesser of the Company's current Net Assets, market capitalisation or gross assets. Any such fees which result in this cap being exceeded will be waived, will not be carried over to another period and will cease to be payable to the Manager. These fees are calculated in respect of each year ended 31 December following approval of the audited accounts by Shareholders.

Further, under the Investment Management Agreement, the annual running costs of the Company (including VAT) are restricted to 3.5% of its net asset value (as defined in the agreement) with any excess being refunded by way of a reduction in the fees payable to the Manager and to the Administration Manager pro rata. The Manager is also entitled to certain non-executive directors' fees, arrangement fees and expenses in respect of any investee company.

5.2 Under an agreement dated 30 January 1998 originally between the Company and Downing Management Services Limited and novated by a deed of novation dated 25 August 2011 such that since 1 June 2011 the parties thereto are the Company and Downing LLP, and as amended by a deed of variation dated 3 October 2019 (the "**Administration Agreement**"), Downing will provide or procure the provision of certain administration services to the Company for a capped fee of £65,000 per annum (excluding VAT).

5.3 A promoter agreement dated 3 October 2019 between the Company (1), the Directors (2) the Promoter (3) and SPARK (4) whereby the Promoter has agreed to act as promoter in connection with the Offer. The agreement contains warranties given by the Company and the Directors to the Promoter. The Company will pay to the Promoter a fee of up to 3.5% of funds raised under the Offer, depending on the category of subscriber and subject to an overall cap, and is also responsible for paying initial and trail commission in respect of the Offer where applicable.

5.4 A letter of engagement dated 30 August 2019 from SPARK Advisory Partners Limited ("**SPARK**") pursuant to which SPARK have been appointed as sponsor to the Company in connection with the Offer. The Company has agreed to indemnify SPARK for any loss suffered in respect of its role as sponsor to the Offer (save for when such loss has arisen out of SPARK's breach, wilful default, misconduct or gross negligence). The Company's liability under this indemnity is unlimited.

5.5 Michael Jackson is a director of and shareholder in the Manager which is entitled to performance incentive fees and investment management fees from the Company, as well as Promotion Fees in relation to the Offer described in paragraphs 5.1 and 5.3 above.

5.6 Nicholas Lewis is a member of Downing LLP, which provides administration services to the Company in relation to the agreement described in paragraph 5.2 above.

5.7 Other than as disclosed herein, there are no potential conflicts of interests between the duties of the Directors to the Company and their private interests or other duties.

5.8 There are no material potential conflicts of interest as between the duties of Elderstreet Investments Limited or Downing LLP, the Company's investment adviser and administration provider respectively, to the Company and duties owed by those service providers to third parties or their other interests.

5.9 The typical investor for whom investment in the Company is designed is an individual retail investor aged 18 or over who is a UK tax payer.

6. Historical Financial Information

Audited statutory accounts for the Company for the years ended 31 December 2016 and 31 March 2019, as well as for the 15 month period to 31 March 2018, on which unqualified audit reports (not containing a statement under section 237(2) or (3) of the Companies Act 2006) have been given by the auditors BDO LLP have been filed with the Registrar of Companies. BDO LLP is registered with the Institute of Chartered Accountants of England and Wales to carry out audit work.

Copies of the audited annual accounts and the unaudited half year accounts referred to above are also available at the following websites: www.elderstreet.com and www.downing.co.uk and from the registered office of the Company and the Manager.

These financial statements also contain a description of the Company's financial condition, changes in financial condition and results of operations for each financial period.

	Report and Accounts for Year Ended 31 December 2016	**Report and Accounts for Period Ended 31 March 2018**	**Report and Accounts for Year Ended 31 March 2019**
Income Statement	page 33	page 36	page 34
Dividends per share	page 2	page 2	page 2
Balance sheet	page 35	page 38	page 36
Cash flow statement	page 36	page 39	page 37
Notes to financial statements	page 37	page 40	page 38
Accounting policies	page 37	page 40	page 38
Independent auditors' report	page 29	page 31	page 29

Operating and Financial Review

A description of the changes in the performance of the Company, both capital and revenue, and changes to the Company's portfolio of investments is set out in the sections headed "Chairman's Statement", "Investment Adviser's Report" and "Investment Portfolio" in the published audited statutory accounts of the Company for the periods stated.

	Report and Accounts for Year Ended 31 December 2016	**Report and Accounts for Period Ended 31 March 2018**	**Report and Accounts for Year Ended 31 March 2019**
Chairman's Statement	page 4	page 5	page 4
Manager's Report	page 7	page 8	page 7
Investment Portfolio	page 8	page 10	page 9

Significant change

Since 31 March 2019, the Company has raised additional funds of c.£7 million pursuant to a previous offer for subscription which closed on 10 May 2019 and has made three investments totalling c.£1.6 million. As at 31 August 2019, the Company's unaudited net assets were £45.2 million (56.2p per Share).

There has been no material adverse change in the prospects of the Company since the date of its last published audited financial statements. Other than as noted above, there has been no significant change in the financial position of the Company since the end of the last financial period for which financial information has been published to the date of this Prospectus (being the audited financial information to 31 March 2019.

Incorporation by Reference

The audited statutory accounts for the Company, for the years ended 31 December 2016 and 31 March 2019 and the 15-month period ended 31 March 2018 are being incorporated by reference in this Prospectus and are available at the registered office of the Company and the Manager set out on page 61. Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this Prospectus. Those parts of the annual statutory accounts referred to above which are not being incorporated into this Prospectus by reference are either not relevant for investors or are covered elsewhere in this Prospectus.

Document	**Website**
Annual Report – 31 December 2016	https://assets-us-01.kc-usercontent.com/8c961317-6aee-00a7-e4b6-ae38cd847d2d/1012d779-45b0-432d-ac38-f0e4091ee6f2/elderstreet_vct_plc_-_annual_report_-_31_dec_2016.pdf
Annual Report – 31 March 2018	https://assets-us-01.kc-usercontent.com/8c961317-6aee-00a7-e4b6-ae38cd847d2d/1d726025-2179-4ac8-9ffc-4f612978f7e1/elderstreet_vct_plc_-_annual_report_-_31_mar_2018.pdf
Annual Report – 31 March 2019	https://assets-us-01.kc-usercontent.com/8c961317-6aee-00a7-e4b6-ae38cd847d2d/0e646617-8bbd-49d8-90ab-df0001121063/Draper%20Esprit%20VCT%20plc%20-%20Annual%20Report%20to%2031%20March%202019.pdf

7. Working capital

The Company is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.

8. Capitalisation and Indebtedness

The table below shows the capitalisation of the Company as at 31 August 2019, the most recent date to which unaudited financial information of the Company has been published.

	£'000
Total current debt	
Guaranteed	-
Secured	-
Unguaranteed/secured	-
Total non-current debt	
Guaranteed	-
Secured	-
Unguaranteed/secured	-
Shareholders' equity	
Share capital	4,022
Other reserves	40,639
TOTAL	44,661

There has been no material change in the capitalisation of the Company, total debt or shareholders' equity since 31 August 2019.

The following table shows the Company's net indebtedness as at 31 August 2019 (within 90 days of the publication of this Prospectus).

		£'000
A	Cash	15,356
B	Cash equivalent	-
C	Trading securities	-
D	**Liquidity (A+B+C)**	15,356
E	**Current financial receivables**	143
F	Current bank debt	-
G	Current position of non-current debt	-
H	Other current financial debt	-
I	**Current financial debt (F+G+H)**	-
J	**Net current financial indebtedness (I-E-D)**	(15,489)
K	Non-current bank loans	-
L	Bonds issued	-
M	Other non-current loans	-
N	**Non-current financial indebtedness (K+L+M)**	-
O	**Net financial indebtedness (J+N)**	(15,489)

The Company does not have any contingent or indirect indebtedness.

9. Articles

9.1 The Company's principal object is to carry on business as an investment company and a venture capital trust. The Memorandum of Association and Articles of Association are available for inspection at the address specific in paragraph 12 below.

9.2 Set out below is a summary of certain key provisions of the Company's Articles of Association which were adopted on 23 June 2017:

A. **Voting rights**

Every Shareholder present in person at a general meeting shall upon a show of hands have one vote and every Shareholder present in person or by proxy shall upon a poll have one vote for every share held by him.

The share capital of the Company is divided into Ordinary Shares and Sustainable Technology Shares (none of which are currently in issue), each with a nominal value of 5p per share.

B. **Dividends**

The Company in general meeting may declare a dividend to be paid to the Shareholders according to their respective rights and interests in the profits, but no larger dividend shall be declared than is recommended by the Directors.

The Ordinary Shareholders shall be entitled to receive, in that capacity, any dividends paid out of the profits available for distribution derived from the assets attributable to the Ordinary Shares.

The Sustainable Technology Shareholders shall be entitled to receive, in that capacity any dividends paid out of the profits available for distribution derived from the assets attributable to the Sustainable Technology Shares.

C. **Distribution of assets on liquidation**

On a winding up the capital and assets of the Company shall be applied as follows: (a) the Ordinary Share Surplus, being the net assets of the Company less those attributable to the Sustainable Technology Shares and a proportion of the fees and expenses of the liquidator, shall be divided amongst the holders of the Ordinary Shares *pro rata* according to their holding of Ordinary Shares and (b) the Sustainable Technology Share Surplus, being the net assets of the Company less those attributable to the Ordinary Shares and a proportion of the fees and expenses of the liquidator, shall be divided amongst the holders of Sustainable Technology Shares pro rata according to their holding of Sustainable Technology Shares.

D. **Transfer of Shares**

Shares may be transferred by means of the CREST system.

The Directors may, in their absolute discretion and without assigning any further reason therefore, refuse to register any share transfer unless

- it is in respect of a fully paid share;
- it is in respect of a share on which the Company does not have a lien;
- it is in respect of only one class of shares;
- it is in favour of not more than four joint holders as transferees; and
- the conditions referred to in the next succeeding Article have been satisfied in respect thereof.

If the Directors refuse to register a transfer they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal and return to him the instrument of transfer. The registration of transfers may be suspended at such times and for such period as the Directors may from time to time determine and either generally or in respect of any class of shares provided that the register shall not be closed for more than thirty days in any year.

E. **Variation of rights**

If at any time the capital is divided into different classes of shares all or any of the rights or privileges attached to any class may be varied or abrogated (a) in such manner (if any) as may be provided by such rights, or (b) in the absence of any such provision either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class, but not otherwise.

The creation or issue of shares ranking pari passu with or subsequent to the shares of any class shall not (unless otherwise expressly provided by these Articles or the rights attached to such last mentioned shares as a class) be deemed to be a variation of the rights of such shares.

F. **Increase or reduction of capital**

The Company may, from time to time, by Ordinary Resolution, increase the capital of the Company by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution may prescribe.

The Company may from time to time by Special Resolution reduce its share capital, any capital redemption reserve fund and any share premium account in any manner authorised by law. The Company may also by Ordinary Resolution cancel any shares not taken or agreed to be taken by any person and diminish the amount of its share capital by the nominal value of the shares so cancelled.

G. **Directors**

Unless and until otherwise determined by the Company in General Meeting the number of Directors shall not be less than two nor more than ten. The continuing Directors may act notwithstanding any vacancy in their body, provided that if the number of the Directors be less than the prescribed minimum the remaining Director or Directors shall forthwith appoint an additional Director or Directors to make up such minimum or shall convene a general meeting of the Company for the purpose of making such appointment. If there is no Director or are no Directors able or willing to act then any two holders may summon a general meeting for the purpose of appointing Directors.

At the next Annual General Meeting following a Director's first appointment such Director shall retire from office and may stand for re-election.

The Directors shall be paid out of the funds of the Company by way of fees for their services an aggregate sum not exceeding £1,000,000 per annum. The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties.

H. **Meetings of Directors**

The Directors may meet together in person or by for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit, and determine the quorum necessary for the transaction of business. Until otherwise determined two Directors shall constitute a quorum. Questions arising at any meeting shall be determined by a majority of votes. In case of any equality of votes the Chairman shall have a second or casting vote.

I. **Directors' Interests**

The Board may, provided the quorum and voting requirements are satisfied, authorise any matter that would otherwise involve a Director breaching his duty under the Companies Act 2006 to avoid conflicts of interest. Where the Board gives authority in relation to such a conflict, it may impose terms upon the Director concerned including, without limitation, the exclusion of that Director from the receipt of information, or participation in discussion (whether at meetings of the Board or otherwise) related to the conflict and the Director concerned and any other Director with a similar interest will be obliged to conduct himself in accordance with any terms imposed by the Board from time to time.

J. **General Meetings**

Annual general meetings shall be held at such time and place as may be determined by the Directors and within a period of six months beginning on the day following the Company's accounting reference date.

An annual general meeting called for the passing of a special resolution and/or ordinary resolution shall be called by not less than twenty-one days' notice in writing, and all other general meetings of the Company shall be called by not less-than fourteen days' notice in writing unless it is proposed to pass a resolution of which special notice is required by law, in which case 28 days' notice is required.

The quorum for a general meeting shall not be less than two Shareholders present in person or by proxy. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened by or upon the requisition of Shareholders, shall be dissolved. In any other case it shall stand adjourned to such time (being not less than fourteen days and not more than twenty eight days hence) and at such place as the Chairman shall appoint. At any such adjourned meeting the Shareholder or Shareholders present in person or by proxy and entitled to vote shall have power to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place.

K. **Borrowing Powers**

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking property and uncalled capital, or any part thereof and to issue debentures and other securities. The Directors shall restrict the borrowings of the Company that the aggregate amount at any one time owing by the Company shall not at any time without the previous sanction of the Company in general meeting exceed the greater of the sum of ten per cent of the aggregate of the paid up share capital of the Company and amount standing to the credit of the consolidated reserves of the Company and its subsidiaries whether distributable or undistributable and including (without limitation) share premium account, capital redemption reserve and profit and loss account.

10. Consent to use prospectus

The Company and the Directors consent to the use of the Prospectus by financial intermediaries and accept responsibility for the information contained in the Prospectus in respect of any final placement of New Ordinary Shares by any financial intermediary which was given consent to use this document. There are no conditions attaching to this consent. The offer period within which subsequent resale or final placement of securities by financial intermediaries can be made and for which consent to use this prospectus is given commences 3 October 2019 and closes on 31 May 2020 (subject to the extension of the Offer at the discretion of the Directors). Information on the terms and conditions of the Offer by any financial intermediary is to be provided at the time of the Offer by the financial intermediary. All financial intermediaries may use this Prospectus in the UK. Any new information with respect to the financial intermediaries, unknown at the time of the approval of this Prospectus, can be found at www.downing.co.uk/existing-investor/draper-esprit-vct.

Any financial intermediary that uses this document must state on its website that it uses this document in accordance with the Company's consent. Financial intermediaries are required to provide the terms and conditions of the Offer to any prospective investor who has expressed an interest in participating in the Offer to such financial intermediary. No financial intermediary will act as principal in relation to the Offer.

11. Consents

The Sponsor and the Manager have given and have not withdrawn their written consents to the issue of this document with the references to them in the form and context in which they appear.

12. Documents on display

Copies of this document are available for download at www.elderstreet.com and may be obtained free of charge at the Company's registered office, where they are also on display, at 6th Floor, St Magnus House, 3 Lower Thames Street, London EC3R 6HD, and at its principal place of business at 20 Garrick Street, London WC2E 9BT during the period in which the Offer remains open. Also available from www.downing.co.uk/existing-investor/draper-esprit-vct are copies the Company's annual report and accounts for the periods ended 31 December 2016, 31 March 2018 and 31 March 2019. The Company's Memorandum and Articles of Association are available from https://beta.companieshouse.gov.uk/company/03424984/filing-history.

DIRECTORY

Directors
David Brock (Non-executive Chairman)
Hugh Aldous (Non-executive Director)
Barry Dean (Non-executive Director)
Michael Jackson (Non-executive Director)
Nicholas Lewis (Non-executive Director)

Company Secretary
Grant Whitehouse

Sponsor
SPARK Advisory Partners Limited
5 St John's Lane
London EC1M 4BH

VCT Status Monitor
Philip Hare & Associates LLP
4-6 Staple Inn
High Holborn
London WC1V 7QH

Auditor
BDO LLP
55 Baker Street
London W1U 7EU

Registrars
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Investment Manager
Elderstreet Investments Limited
20 Garrick Street
London WC2E 9BT

Administration Manager
Downing LLP
St Magnus House
3 Lower Thames Street
London EC3R 6HD

Solicitors
RW Blears LLP
29 Lincoln's Inn Fields
London WC2A 3EG

Fixed Income Securities Manager
Smith & Williamson Investment Services Limited
25 Moorgate
London EC2R 6AY

Receiving Agent
The City Partnership (UK) Ltd
110 George Street
Edinburgh EH2 4LH

Marketing Adviser
RAM Capital Partners LLP
4 Staple Inn
London WC1V 7QH

For intermediary enquiries:

Telephone: 0203 006 7530
Email: taxsolutions@ramcapital.co.uk

DEFINITIONS

In this document the following words and expressions shall, unless the context requires otherwise, have the following meanings:

"Act"	the Companies Act 2006 (as amended)
"Administration Manager"	the administration manager of the Company, Downing LLP
"Admission"	admission of the New Ordinary Shares to the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities
"Adviser Charge"	a fee, payable to a financial intermediary, agreed with the Investor for the provision of a personal recommendation and/or related services in relation to an investment in New Ordinary Shares, and detailed on the Application Form
"AIM"	AIM, a market operated by the London Stock Exchange, formerly known as the Alternative Investment Market
"Applicant"	an investor whose name appears in an Application Form
"Application"	an application for New Ordinary Shares under the Offer
"Application Amount"	amount (in pounds sterling) due from an Applicant in respect of his Application or such part (if any) of his Application as is accepted
"Application Form(s)"	a validly completely application form in the form contained at the end of this document
"Articles"	the articles of association of the Company from time to time
"Business Days"	any day (other than a Saturday or Sunday) on which clearing banks are open for normal banking business in sterling
"Company"	Draper Esprit VCT plc (company number 03424984)
"Commission"	commission paid to the financial intermediaries of limited classes of eligible Investors
"CREST"	the computerised settlement system to facilitate the transfer of the title to shares in uncertificated form operated by Euroclear UK & Ireland Limited
"Direct Investor"	an Investor who applies under the Offer directly without any financial intermediary (whether advisory or non-advisory)
"Directors" or "Board"	directors of the Company as at the date of this document, whose names are set out on page 61 of this document
"Draper Esprit"	Draper Esprit plc and/or Esprit Capital Partners LLP and their associates, and co-investors of the Draper Venture Network as the context dictates
"Early Bird Incentive"	the additional New Ordinary Shares offered to Applicants who subscribe for New Ordinary Shares within the relevant period referred to in the section "Offer Statistics" of this document, such additional New Ordinary Shares being issued pursuant to the Pricing Formula
"Elderstreet Funds"	funds managed by the Investment Manager

"Estimated Offer Price"	the amount of 57.9p per New Ordinary Share, calculated on the basis of the assumptions referred to on page 10 of this document
"Existing Shareholder"	a Shareholder who holds shares in the Company subscribed for prior to the launch of the Offer
"FCA"	Financial Conduct Authority
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"Gross Proceeds"	the amount of monies subscribed by Applicants for New Ordinary Shares under the Offer (disregarding any Adviser Charges or Commission)
"HMRC"	Her Majesty's Revenue & Customs
"Investment Management Agreement" or "IMA"	the investment management agreement entered into between the Company and the Manager on 30 January 1998 (which was subsequently novated to Elderstreet Private Equity Limited, and then back to the Manager on 1 June 2009), as varied from time to time
"Investment Management Team"	those people whose details are set out in Part 5 of this document
"Investment Manager" or "Manager" or "Promoter" or "Elderstreet"	Elderstreet Investments Limited, a subsidiary of Elderstreet Holdings Limited
"Investor"	an individual investor, who is aged 18 or over, investing no more than £200,000 in VCTs in any one tax year
"ITA"	Income Tax Act 2007 (as amended)
"Link Asset Services"	Link Asset Services Limited and/or Link Market Services Limited
"Listed"	admitted to the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities
"Listing Rules"	the listing rules issued by the FCA
"London Stock Exchange"	London Stock Exchange plc
"Maximum Subscription"	approximately 34.6 million New Ordinary Shares
"MiFID II"	Directive 2014/65/EU of the European Parliament and of the Council, as amended and supplemented
"Money Laundering Regulations"	the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, (as amended)
"Net Asset Value" or "NAV"	net asset value per Ordinary Share
"Net Assets"	gross assets less all liabilities (excluding contingent liabilities) of the Company
"New Ordinary Shares"	the Ordinary Shares available for subscription pursuant to the Offer
"Offer"	the offer for subscription for New Ordinary Shares contained in the Prospectus
"Offer Price"	the price paid (sterling) by Applicants for each New Ordinary Share issued under the Offer calculated according to the Pricing Formula on page 39 as applied by the Board

"Official List"	official list of the FCA
"Ordinary Shares"	ordinary shares of 5p (sterling) each in the capital of the Company with ISIN GB0002867140
"Pricing Formula"	the mechanism by which the Offer Price may be adjusted by the Board according to the latest announced NAV, the level of the Promotion Fee, Commission or Adviser Charges (as relevant) to intermediaries, as described on page 39 of this document and in the Terms and Conditions of Application
"Promotion Fee"	the fees payable by the Company to, or as directed by, the Manager (as promoter of the Offer), calculated as a percentage of each Applicant's gross subscription in the Offer in the amounts set out on page 10 of this document
"Prospectus"	this document and any supplemental prospectus which relates to this prospectus issued from time to time by the Company
"Prospectus Regulation"	Regulation (EU) 2017/1129 (as amended)
"Qualifying Company"	an unquoted (or AIM listed) company which satisfies the requirements of Chapter 4 of Part 6 of ITA
"Qualifying Investment"	shares in, or securities of, a Qualifying Company held by a VCT which meet the requirements of Chapter 4 of Part 6 of ITA
"Qualifying Investor"	an individual who subscribes for or acquires shares in a VCT and satisfies the conditions of eligibility for tax relief available to investors in a VCT
"Receiving Agent"	The City Partnership (UK) Ltd
"Shareholders"	holders of Shares
"Shares"	Ordinary Shares of £0.05 each issued in the capital of the Company from time to time
"Sponsor"	SPARK Advisory Partners Limited
"Terms and Conditions"	terms and conditions of Application as set out at the end of this document
"US Person"	as defined in the United States Securities Act of 1933 (as amended)
"Venture Capital Trust" or "VCT"	a venture capital trust as defined in Section 259 of ITA

TERMS & CONDITIONS OF APPLICATION

1. The right is reserved to reject any Application in whole or in part or to accept any Application in whole or in part and to allot New Ordinary Shares notwithstanding that the Offer is not subscribed in full. If any Application is not accepted, or if any contract created by acceptance does not become unconditional, or if any Application is accepted for a lesser amount than was applied for, the application monies or the balance of the amount paid on Application will be returned without interest by post at the risk of the Applicant.

2. By completing and delivering an Application Form, you:

   (a) irrevocably offer to subscribe the amount of money specified in your Application Form or such lesser amount as is accepted (in each case such amount being referred to as the "Application Amount") which shall be applied to purchase New Ordinary Shares on the basis of the Pricing Formula set out on page 39 of this Prospectus and subject to the provisions of the Prospectus including these Terms and Conditions and the Articles. An Investor whose Application Form is received and accepted before 4.00 p.m. on 16 December 2019 will receive a 1.5% rebate from the Promotion Fee and an Investor whose Application Form is received and accepted before 4.00 p.m. on 31 January 2020 will receive a 1.0% rebate from the Promotion Fee, in each case as additional New Ordinary Shares through the application of the Pricing Formula;

   (b) accept that the Net Asset Value used will be the most recently announced net asset value per Ordinary Share, updated at the discretion of the Board should there be a material movement in Net Asset Value, and adjusted where necessary for the subsequent payment of dividends, expressed in pence (sterling) prior to the date of allotment of the relevant New Ordinary Shares (and will ordinarily be unaudited);

   (c) authorise your financial adviser, or whoever he or she may direct, Link Asset Services or the Company to send a document of title for the number of New Ordinary Shares for which your Application is accepted, and/or a crossed cheque for any monies returnable, by post at your risk to your address as set out on your Application Form;

   (d) agree that in consideration of the Company agreeing that it will not, prior to the closing date of the Offer, offer any New Ordinary Shares to any persons other than by means of the procedures set out or referred to in this Prospectus, agree that your Application may not be revoked prior to the Offer closing and that this paragraph constitutes a collateral contract which will become binding upon despatch by post or delivery of your Application Form duly completed to the Company or to your financial adviser;

   (e) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive a share certificate for the New Ordinary Shares applied for or to enjoy or receive any rights or distributions in respect of such New Ordinary Shares unless and until you make payment in cleared funds for such New Ordinary Shares and such payment is accepted by the Company (which acceptance shall be in its absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Company of such late payment in respect of such New Ordinary Shares, the Company may (without prejudice to its other rights) treat the agreement to allot such New Ordinary Shares as void and may allot such New Ordinary Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such New Ordinary Shares (other than return of such late payment);

   (f) agree that all cheques and bankers' drafts may be presented for payment on the due dates and any definitive document of title and any monies returnable to you may be retained pending clearance of your remittance and the completion of any verification of identity required by the Money Laundering Regulations and that such monies will not bear interest;

   (g) undertake to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of the Company and the Manager) to ensure compliance with the Money Laundering Regulations;

(h) agree that, in respect of those New Ordinary Shares for which your Application has been received and processed and not rejected, acceptance of your Application shall be constituted by the Company instructing Link Asset Services to enter your name on the share register of the Company;

(i) agree that all documents in connection with the Offer and any returned monies will be sent at your risk and may be sent to you at your address as set out in the Application Form;

(j) agree that, having had the opportunity to read this document, you are deemed to have had notice of all information and representations contained therein including the risk factors contained on pages 12 to 14;

(k) confirm that (save for advice received from your financial adviser) in making such application you are not relying on any information or representation other than those contained in this document and you accordingly agree that no person responsible solely or jointly for this document will have any liability for any such other information or representation;

(l) agree that all Applications, acceptances of Applications and contracts resulting there from under the Offer shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such Applications, acceptance and contracts in any other manner permitted by law or in any court of competent jurisdiction;

(m) authorise the Company, Link Asset Services or the Manager or any other person authorised by them, as your agent, to do all things necessary to effect registration of any New Ordinary Shares subscribed by you into your name and authorise any representatives of the Company, Link Asset Services or the Manager to execute any document required therefor and to enter your name on the register of members of the Company;

(n) agree to provide the Company, Link Asset Services, The City Partnership (UK) Ltd or the Manager with any information which they may request in connection with your Application or to comply with the VCT regulations or other relevant legislation (as the same may be amended from time to time);

(o) warrant that, in connection with your Application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your Application in any territory and that you have not taken any action which will or may result in the Company or the Manager acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your Application;

(p) confirm that you have read and complied with paragraph 3 below;

(q) confirm that you have reviewed the restrictions contained in paragraph 4 below;

(r) warrant that you are not under the age of 18 years;

(s) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your Application, warrant that you have complied with all such laws and none of the Company or the Manager or any of their respective agents will infringe any laws of any such territory or jurisdiction directly or indirectly as a result or in consequence of any acceptance of your Application;

(t) agree that your Application Form is addressed to the Company;

(u) warrant that if you sign the Application Form on behalf of somebody else or yourself and another or others jointly or a corporation you have the requisite power to make such investments as well as the authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application and undertake (save in the case of signature by an authorised financial adviser on behalf of the Investor) to enclose a power of attorney or a copy thereof duly certified by a solicitor with the Application Form;

(v) warrant that you are not subscribing for the New Ordinary Shares using a loan which would not have been given to you, or not given to you on such favourable terms, if you had not been proposing to subscribe for the New Ordinary Shares;

(w) warrant that the New Ordinary Shares are allotted to you for bona fide investment purposes and not as part of a scheme or arrangement, the main purpose of which, or one of the main purposes of which, is the avoidance of tax;

(x) warrant that you are not a US Person or resident of Canada and that you are not applying on behalf of or with a view to the offer, sale or delivery, directly or indirectly, to or for the benefit of any US Person or resident of Canada; and

(y) warrant that the information contained in the Application Form is accurate.

3. No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application thereunder to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any of the formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

4. The New Ordinary Shares have not been and will not be registered under the United States Securities Act 1933, as amended, or under the securities laws of any state or other political subdivision of the United States, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. No Application will be accepted if it bears an address in the USA.

5. This Application is addressed to the Company. The rights and remedies of the Company and the Manager under these Terms and Conditions are in addition to any rights and remedies which would otherwise be available to either of them, and the exercise or partial exercise of one will not prevent the exercise of others.

6. The dates and times referred to in these Terms and Conditions may be altered by the Company. In particular, the Directors may close the Offer early at their sole discretion.

7. Authorised financial intermediaries who, acting on behalf of their clients, return valid Application Forms (in each case bearing their stamp and FCA number) following the provision of restricted advice to their professional clients or in respect of execution-only transactions where they can demonstrate and confirm to the Company that their duty to act honestly, fairly and professionally in the best interest of the client is not impaired and that they provide an enhanced value service in accordance with COBS 2.3A.6 to 2.3A.9, will be entitled to commission on the amount payable in respect of the New Ordinary Shares allocated for each such Application Form at the rates specified in the paragraph "Terms of the Offer" in Part 6 (Information relating to the Offer) of this document. Commission may also be payable where advisors have provided restricted advice to their professional clients. The Company reserves the right to amend its policy on the payment of commission at any time. Authorised financial intermediaries may agree to waive part or all of their initial commission in respect of an Application. If this is the case, then the Application Amount will be increased by an amount equivalent to the amount of commission waived. Financial intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for their commission. No commission is payable on reinvested commission or on any additional allocation received under the Early Bird Incentive arrangements described above. In addition, provided they continue to act for their client and the client continues to hold such New Ordinary Shares, such intermediaries will usually be paid an annual trail commission of 0.25% of the gross subscription for a maximum of five years. Annual trail commissions will be paid in October (commencing in October 2020) by the Company.

8. In respect of Applications received where commission is payable in accordance with applicable rules and guidance, such commission (but not annual trail commission) will be taken into account when calculating, and will reduce, the number of New Ordinary Shares which are to be issued on the basis of the Pricing Formula.

9. Where Application Forms are returned on your behalf by an authorised financial intermediary who has given you a personal recommendation in respect of your application, the Company will

facilitate the payment of any up-front Adviser Charge agreed between you and your intermediary, as validated by your completion of Box 3 on the Application Form. The amount of the agreed Adviser Charge will be facilitated by the Company making a payment on your behalf equal to the agreed up-front Adviser Charge to the intermediary from the Company's share premium account (or reserves created therefrom) in respect of share capital issued prior to 6 April 2014 and this will be taken into account when calculating, and will reduce, the number of New Ordinary Shares which are issued to you on the basis of the Pricing Formula. The Applicant will be issued fewer New Ordinary Shares to the equivalent value of the Adviser Charge. The Adviser Charge is inclusive of VAT, where applicable.

10. If you have agreed to pay on-going charges to an intermediary in respect of services related to your investment, for example, for conducting associated administrative tasks or managing your relationship with the Company, then the Company will not facilitate the payment of any such on-going adviser charge.

11. The section headed Application Procedure below forms part of these Terms and Conditions.

12. It is a condition of the Offer that compliance with the Money Laundering Regulations is ensured. The City Partnership (UK) Ltd is therefore entitled to require, at its absolute discretion, verification of identity from any Applicant including, without limitation, any person who either (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to The City Partnership (UK) Ltd to be acting on behalf of some other person. Pending the provision of evidence satisfactory to The City Partnership (UK) Ltd as to the identity of the Applicant and/or any person on whose behalf the Applicant appears to be acting, The City Partnership (UK) Ltd may, in its absolute discretion, retain an Application Form lodged by an Applicant and/or the cheque or other remittance relating thereto and/or The City Partnership (UK) Ltd may not enter the Applicant on the register of members of the Company or issue any share certificates in respect of such Application. If verification of identity is required, this may result in delay in dealing with an Application and in rejection of the Application. The Company reserves the right, in its absolute discretion, for it or The City Partnership (UK) Ltd to reject any Application in respect of which The City Partnership (UK) Ltd considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an Application being rejected in any such circumstances, the Company reserves the right in its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such Application Form (in which event the money payable or paid in respect of the Application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited) and/or to endeavour to procure other subscribers for the Shares in question (but in each case without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of an Application Form will constitute an undertaking by the Applicant to provide promptly to The City Partnership (UK) Ltd such information as may be specified by it as being required for the purpose of the Money Laundering Regulations.

13. The right is also reserved to treat as valid any application not complying fully with these Terms and Conditions for the Offer or not in all respects complying with the Application Procedure. In particular, but without limitation, the Company may accept Applications made otherwise than by completion of an Application Form where the Applicant has agreed in some other manner acceptable to the Company to apply in accordance with these Terms and Conditions. The Company reserves the right to make non-material amendments to these Terms and Conditions without notice to any person.

APPLICATION PROCEDURE

Before making an application to acquire New Ordinary Shares you are strongly recommended to consult an independent financial adviser authorised under the Financial Services and Markets Act 2000.

It is important that you complete all parts of the relevant Application Form in accordance with the instructions in these notes. Please send the completed Application Form, together with your cheque or bankers' draft, by post, or deliver it by hand (during normal business hours), to The City Partnership (UK) Ltd, 110 George Street, Edinburgh EH2 4LH. If you have any questions on how to complete the Application Form please contact Elderstreet Investments Limited on 020 7831 5088, email william@elderstreet.com or speak to your financial adviser. Elderstreet cannot offer any investment, tax or legal advice.

1. Insert in BLOCK CAPITALS your full name, permanent address, daytime telephone number, e-mail address (if you have one), date of birth and National Insurance Number and country of tax residence in Box 1. Applicants must be aged 18 or over and joint applications are not permitted.
2. Insert (in figures) in the relevant tax year the total monetary amount you wish to invest in the New Ordinary Shares (not the number of New Ordinary Shares you wish to apply for) in Box 2.

Please note that the minimum investment is £6,000 for New Ordinary Shares

Investors should note that the maximum investment on which tax reliefs on investments in VCTs are available is £200,000 per tax year (£200,000 per spouse).

Attach your cheque or bankers draft to the Application Form for the exact amount shown in Box 2. Your cheque or bankers' draft must be made payable to "City Partnership – Draper Esprit VCT" and crossed "A/C Payee only". Your payment must relate solely to this application. No receipt will be issued.

Money Laundering Regulations — Important note for applications of the Sterling equivalent of €15,000 (approx. £13,180) or more where no certificate is provided by your financial intermediary

The verification of identity requirements in the Money Laundering Regulations will apply and verification of the identity of the Applicant may be required. Failure to provide the necessary evidence of identity may result in your Application being treated as invalid or result in a delay.

If the amount of your Application is £13,180 or more (or is one of a series of linked applications, the value of which exceeds that amount) payment must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or bankers' drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to "City Partnership - Draper Esprit VCT".

Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by endorsing the cheque/bankers' draft to such effect. The account name should be the same as that shown on the application.

Cheques may be cashed immediately upon receipt. Post-dated cheques will not be accepted.

If the amount of your Application is £13,180 or more, (or is one of a series of linked applications, the value of which exceeds that amount), and if payment is not made by personal cheque, you must also ensure that enclosed with the Application Form is one document from list A below and one document from list B below. Original documents will be returned by post at your risk. Please do not send your original passport or driving licence. Alternatively, verification of the Applicant's identity may be provided by means of a "Letter of Introduction" in the prescribed form from a UK or European Economic Area financial institution (such as a bank or stockbroker) or other regulated person (such as a solicitor, accountant or independent financial adviser) who is required to comply with the Money Laundering Regulations. The relevant financial institution or regulated person will be familiar with the requirements and the relevant form.

For Applications of the Sterling equivalent of €15,000 (approx. £13,180) or more and subscription by way of a cheque drawn by a third party (one item from List A and one item from List B)

List A (Verification of Identity)

- Certified* copy of current signed passport
- Certified* copy of current full UK Driving Licence (a provisional licence is not acceptable)
- Original Inland Revenue Tax Notification
- Original Firearms Certificate

List B (Verification of Address)

- Original recent** utility bill (but not a mobile telephone bill)
- Original recent** local authority tax bill
- Original recent** bank or building society statement
- Original most recent mortgage statement from a recognised lender

* Certified as a true copy of the original by a UK lawyer, banker, authorised financial intermediary (e.g. an independent financial adviser or an FCA authorised mortgage broker), accountant, teacher, doctor, minister of religion, postmaster or sub-postmaster. The person certifying the document should state that the copy is a true copy of the original, print their name, address, telephone number and profession and sign and date the copy.

** Recent means within the last three months.

Read the declaration and sign and date the Application Form in Box 4. If someone other than the Applicant named in Box 1 signs on such Applicant's behalf, such signatory must ensure that the declaration given on behalf of such Applicant is correct.

Agents who are entitled to receive commission should stamp and complete the agent's box, giving their full name and address, telephone number and details of their authorisation under the Financial Services and Markets Act 2000. The right is reserved to withhold payment of commission if the Company is not, in its sole discretion, satisfied that the agent is so authorised.

For Promoter and Intermediary enquiries

RAM Capital Partners LLP
4 Staple Inn,
London, WC1V 7QH Tel: +44 (0)20 3006 7530
email: taxsolutions@ramcapital.co.uk
ramcapital.co.uk

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20 Garrick Street London,
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