



ELDERSTREET

VCT plc

Half-Yearly Report
for the six months ended
30 June 2014

SHAREHOLDER INFORMATION

Recent performance summary

	30 Jun 2014 pence	31 Dec 2013 pence	30 Jun 2013 pence
Net asset value per share	89.2	78.0	70.3
Cumulative distributions paid per share	64.0	62.0	60.0
Total return per share	<u>153.2</u>	<u>140.0</u>	<u>130.3</u>

Recent/forthcoming dividends

	Amount per share	Date of payment	Ex-div date	Record date
2013 Final	2.0p	30 Jun 2014	28 May 2014	30 May 2014
Special	15.0p	19 Sep 2014	27 Aug 2014	29 Aug 2014
2014 Interim	2.0p	12 Dec 2014	5 Nov 2014	7 Nov 2014

A full dividend history for the Company can be found at www.downing.co.uk

Dividends are paid by the registrar on behalf of the Company. Shareholders, who wish to have dividends paid directly into their bank account rather than by cheque to their registered address, can complete a mandate form for this purpose (forms can be downloaded from www.capitaassetservices.com). Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's Registrar, Capita Asset Services, on 0871 664 0324 (calls cost 10p per minute plus network extras, lines open 8:30am to 5:30pm Monday to Friday), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Share price

The Company's share price can be found on various financial websites with the TIDM/EPIC code **EDV**. A link to the share price is also available on Elderstreet Investment Limited's website (www.elderstreet.com) and on Downing LLP's website (www.downing.co.uk).

Latest share price 26 August 2014: 87.5p per share

Share scam warning

We have become aware that a significant number of shareholders of VCTs have recently received unsolicited telephone calls from a company purporting to be acting on behalf of a client who is looking to acquire their VCT shares at an attractive price. We believe these calls to be part of a "Boiler Room Scam". **Shareholders are warned to be very suspicious if they receive any similar type of telephone call.**

Further information can be found on Downing's website under "Existing Investments". If you have any concerns, please contact Downing on 020 7416 7780.

Shareholder information is continued on the inside back cover

CHAIRMAN'S STATEMENT

I am pleased to present the Half-Yearly Report for Elderstreet VCT plc for the six month period ended 30 June 2014. As Shareholders will be aware from my statement with the last Annual Report, the Company completed a very profitable disposal of Wessex Advanced Switching Products Limited ("WASP") during the period, which has resulted in a substantial increase in net asset value.

Net asset value, results and dividends

At 30 June 2014, the Company's net asset value ("NAV") per share stood at 89.2p, an increase of 13.2p or 16.9% since 31 December 2013 after adjusting for the dividend of 2p per share paid on 30 June 2014.

The return on activities after taxation for the period was £4.0 million (2013: £1.1 million), comprising a revenue return of £28,000 and a capital return of £4.0 million.

Dividends and dividend reinvestment

On 26 June 2014, the Board announced that, following the successful sale of WASP, the Company will pay an additional dividend ("Special Dividend") of 15p per share on 19 September 2014, to Shareholders on the register at 29 August 2014. This equates to approximately £4.5 million.

In conjunction with the Special Dividend, the Company also offered a dividend reinvestment option for those Shareholders who wished to receive further shares in the VCT instead of a cash payment. A circular was sent to all Shareholders with details of the dividend re-investment option.

In addition to the above, the Board intends to continue to pay regular biannual dividends and has announced that the target level has now been increased from 4p per share per annum to between 4p and 5p per share. The Board now announces that an interim dividend of 2p per share will be paid on 12 December 2014 to Shareholders on the register at 7 November 2014.

Venture capital investments

The Company experienced a fair level of investment activity during the period.

As mentioned above, the investment in WASP was sold in April realising a profit against previous carrying value of £4.2 million. The investment was originally made in 1999 and paid regular dividends throughout the time that it was held. The Investment Manager always worked closely with the company and played a significant role in supporting the business during the sales process and is congratulated for delivering this very profitable outcome.

There were also several other smaller disposals in the period which resulted in a realised profit in the period of £35,000.

The Company made one new investment and three follow-on investments during the period. £562,500 was invested in Macranet Limited, which trades as Sentiment Metrics. The company has developed software which allows businesses to monitor social media sources for data related to their business and then helps to manage how they respond.

The three follow-on investments were £100,000 into each of AngloINFO Limited and Aconite Technology Limited and £250,000 into Concorde Solutions Limited.

In addition, the investments in Baldwin & Francis Limited and B&F Management Limited were reorganised. In order to simplify the structure, trading in B&F Management Limited was wound down and effectively transferred to Baldwin and Francis Limited. The investment in B&F Management was then redeemed and funds reinvested in Baldwin and Francis Limited.

At the period end, the Company held a portfolio of 24 venture capital investments, valued at £16.3 million.

CHAIRMAN'S STATEMENT (continued)

Venture capital investments (continued)

The Board reviewed the unquoted investment valuations at the period end and has made some adjustments, the largest of which are noted below.

AngloINFO Limited operates a franchise business for websites for ex-pat communities. The company has undertaken a substantial amount of development in recent years and made good progress in building out its global footprint, however the business has fallen behind plan in growing turnover. A new CEO and digital marketing manager have now been brought in and have identified a number of areas that need attention in order to deliver the targeted financial performance. Since the period end, the Company has invested a further £200,000 to partly fund the additional work that has been planned. In view of the further funding requirement and the behind budget financial performance, the investment has been reduced in value by £498,000. Despite this, the Manager believes that there are now reasonable prospects for growth with the new management team in place.

Aconite Technology Limited, a smartcard technology business, is facing funding difficulties and the Board has decided that it is prudent to make a provision of against the holding value of £155,000 at the current time.

On the positive side, the investment in Baldwin and Francis Limited has been uplifted by £321,000 following the completion of the reorganisation discussed above, and the AIM quoted investments have reported a net uplift of £266,000, with Interquest Group contributing a £121,000 gain and Access Intelligence a £82,000 gain.

Overall, the portfolio showed net unrealised losses of £132,000 and recognised realised gains of £4.3 million over the period.

Fixed income securities

The Company continues to hold a small portfolio of fixed income investments which is managed by Smith & Williamson. The portfolio, valued at £1.5 million at the period

end, recognised unrealised capital losses of £2,000, realised losses of £3,000 and produced income of £9,000 in the period.

Share buybacks

In April, the Company announced that it had introduced a policy of buying in shares at approximately a 7.5% discount to the latest published net asset value (subject to applicable regulations and liquidity considerations).

In line with this policy, in May 2014, the Company purchased 370,720 shares for cancellation for an aggregate consideration of £319,000 at a price of 85.5p per share.

Any Shareholders who are considering selling their shares will need to use a stockbroker. Such Shareholders should ask their stockbroker to register their interest in selling their shares with Shore Capital, who act as the Company's corporate broker.

Outlook

The Board remains satisfied with the investment portfolio and believes that, with the improving economy, it has the potential to produce further profitable exits in the future.

Shareholders will be aware from the recent circular of the Board's plans to launch a new top-up share offer later in the year. This will give investors the opportunity to make a new VCT investment into a maturing portfolio which has demonstrated the rewards it can deliver and provide the Company with some extra funds to enable it to take advantage of further new investment opportunities. Full details of the offer will be sent to all Shareholders when it is launched and I look forward to updating Shareholder on developments in the next Annual Report.



David Brock
Chairman

28 August 2014

SUMMARY OF INVESTMENT PORTFOLIO

as at 30 June 2014

	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio by value
Top ten venture capital investments				
Smart Education Limited	380	2,989	-	12.6%
Fords Packaging Topco Limited	2,882	2,882	-	12.2%
Baldwin & Francis Limited	1,384	2,348	321	9.9%
Access Intelligence plc *	1,633	1,631	112	6.9%
Lyalvale Express Limited	915	1,369	-	5.8%
AngloINFO Limited	1,208	1,085	(498)	4.6%
Concorde Solutions Limited	750	750	-	3.2%
SnackTime plc *	1,775	630	(18)	2.7%
Macranet Limited	563	563	-	2.4%
Interquest Group plc*	267	558	121	2.4%
	<u>11,757</u>	<u>14,805</u>	<u>38</u>	<u>62.7%</u>
Other venture capital investments	4,433	1,506	(168)	6.3%
Fixed income securities	<u>1,516</u>	<u>1,501</u>	<u>(2)</u>	<u>6.3%</u>
	<u>17,706</u>	<u>17,812</u>	<u>(132)</u>	<u>75.3%</u>
Cash at bank and in hand		<u>5,853</u>		<u>24.7%</u>
Total investments		<u>23,665</u>		<u>100.0%</u>

All venture capital investments are unquoted unless otherwise stated.

* Quoted on AIM

SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 30 June 2014

Additions

	£'000
Venture capital investments	
Baldwin & Francis Limited	694
Macranet Limited	562
Concorde Solutions Limited	250
Aconite Technology Limited	100
AngloINFO Limited	100
	<u>1,706</u>
Other Investments	
United Kingdom 1.25% Gilt 22/07/2018	892
	<u><u>2,598</u></u>

Disposals

	Cost £'000	Value at 1 January 2014 £'000	Proceeds £'000	Profit vs cost £'000	Realised profit/ (loss) £'000
Venture capital investments					
B&F Management Limited	700	763	763	63	-
Interquest Group plc	69	112	147	78	35
Smart Education Limited	132	132	132	-	-
Wessex Advanced Switching Products Limited	60	4,627	8,918	8,858	4,291
	<u>961</u>	<u>5,634</u>	<u>9,960</u>	<u>8,999</u>	<u>4,326</u>
Other investments					
United Kingdom 2.25% Gilt 07/03/2014	830	848	845	15	(3)
	<u>1,791</u>	<u>6,482</u>	<u>10,805</u>	<u>9,014</u>	<u>4,323</u>

UNAUDITED BALANCE SHEET

as at 30 June 2014

	Note	30 Jun 2014 £'000	30 Jun 2013 £'000	31 Dec 2013 £'000
Fixed assets				
Investments		17,812	19,259	21,828
Current assets				
Debtors		3,632	152	831
Cash at bank and in hand		5,853	2,560	1,556
		9,485	2,712	2,387
Creditors: amounts falling due within one year		(207)	(220)	(238)
Net current assets		9,278	2,492	2,149
Net assets		27,090	21,751	23,977
Capital and reserves				
Called up share capital	7	1,519	1,547	1,537
Capital redemption reserve	8	464	436	446
Merger reserve	8	1,882	1,882	1,882
Share premium	8	856	856	856
Special reserve	8	4,531	7,290	6,950
Capital reserve - unrealised	8	3,844	7,741	8,683
Capital reserve - realised	8	13,764	1,768	3,118
Revenue reserve	8	230	231	505
Equity shareholders' funds	6	27,090	21,751	23,977
Basic and diluted net asset value per share	6	89.2p	70.3p	78.0p

UNAUDITED INCOME STATEMENT

for the six months ended 30 June 2014

	Six months ended 30 Jun 2014			Six months ended 30 Jun 2013			Year ended 31 Dec 2013	
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income		232	-	232	197	-	197	625
Gains/(losses) on investments:								
- realised		-	4,323	4,323	-	-	-	747
- unrealised		-	(132)	(132)	-	1,201	1,201	3,368
		<u>232</u>	<u>4,191</u>	<u>4,423</u>	<u>197</u>	<u>1,201</u>	<u>1,398</u>	<u>4,740</u>
Investment management fees		(60)	(180)	(240)	(52)	(154)	(206)	(423)
Performance incentive fees		-	-	-	-	-	-	(61)
Other expenses		(144)	-	(144)	(108)	-	(108)	(210)
Return on ordinary activities before taxation		28	4,011	4,039	37	1,047	1,084	4,046
Taxation		-	-	-	-	-	-	-
Return attributable to equity shareholders	4	28	4,011	4,039	37	1,047	1,084	4,046
Basic and diluted return per share	4	0.1p	13.1p	13.2p	0.1p	3.4p	3.5p	13.2p

All Revenue and Capital items in the above statement derive from continuing operations. The total column within the Income Statement represents the profit and loss account of the Company.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the six months ended 30 June 2014

	Note	30 Jun 2014 £'000	30 Jun 2013 £'000	31 Dec 2013 £'000
Opening Shareholders' funds		23,977	20,588	20,588
Issue of shares		-	871	871
Share issue costs		-	(48)	(48)
Purchase of own shares	7	(319)	(121)	(238)
Total recognised gains in the period		4,039	1,084	4,046
Dividends	5	(607)	(623)	(1,242)
Closing Shareholders' funds	6	27,090	21,751	23,977

UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 June 2014

	Six months ended 30 Jun 2014	Six months ended 30 Jun 2013	Year ended 31 Dec 2013	
Note	£'000	£'000	£'000	
Net cash outflow from operating activities and returns on investments	9	(19)	(178)	(105)
Capital expenditure				
Purchase of investments		(2,036)	(400)	(1,004)
Sale of investments		7,278	-	303
Net cash inflow/(outflow) from capital expenditure		5,242	(400)	(701)
Equity dividends paid		(607)	(623)	(1,242)
Net cash inflow/(outflow) before financing		4,616	(1,201)	(2,048)
Financing				
Proceeds from share issue		-	870	870
Share issue costs		-	(18)	(58)
Purchase of own shares		(319)	(121)	(238)
Net cash inflow from financing		(319)	731	574
Increase/(decrease) in cash	10	4,297	(470)	(1,474)

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 June 2014

- The unaudited half yearly financial results cover the six months to 30 June 2014 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 December 2013, which were prepared under UK Generally Accepted Accounting Practice and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" revised January 2009.
- The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
- The comparative figures are in respect of the six months ended 30 June 2013 and the year ended 31 December 2013 respectively.
- Basic and diluted return per share**

	Six months ended 30 Jun 2014	Six months ended 30 Jun 2013	Year ended 31 Dec 2013
Return per share based on:			
Net revenue gain for the period (£'000)	28	37	309
Capital return per share based on:			
Net capital gain/ for the period (£'000)	4,011	1,047	3,737
Weighted average number of shares	30,648,942	30,458,332	30,684,457

5. Dividends

		Six months ended 30 Jun 2014			Year ended 31 Dec 2013
	Per share pence	Revenue £'000	Capital £'000	Total £'000	Total £'000
Paid in the period					
2013 Final	2.0	303	304	607	-
2013 Interim	2.0	-	-	-	624
2012 Final	2.0	-	-	-	618
		303	304	607	1,242

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2014

6. Basic and diluted net asset value per share

	Six months ended 30 Jun 2014	Six months ended 30 Jun 2013	Year ended 31 Dec 2013
Net asset value per share based on:			
Net assets (£'000)	<u>27,090</u>	<u>21,751</u>	<u>23,977</u>
Number of shares in issue at the period end	<u>30,372,438</u>	<u>30,948,108</u>	<u>30,743,158</u>
Net asset value per share	<u>89.2p</u>	<u>70.3p</u>	<u>78.0p</u>

7. Called up share capital

	Six months ended 30 Jun 2014	Six months ended 30 Jun 2013	Year ended 31 Dec 2013
Ordinary shares of 5p each			
Number of shares in issue at the period end	<u>30,372,438</u>	<u>30,948,108</u>	<u>30,743,158</u>
Nominal value (£'000)	<u>1,519</u>	<u>1,547</u>	<u>1,537</u>

During the period, the Company purchased 370,720 shares for cancellation for an aggregate consideration of £319,000 at a price of 85.5p per share (approximately equal to a 7.5% discount to the most recently published NAV at the time of purchase) and representing 0.7% of the issued share capital in issue at 1 January 2014.

8. Reserves

	Capital redemption reserve £'000	Merger reserve £'000	Share premium £'000	Special reserve £'000	Capital reserve- unrealised £'000	Capital reserve- realised £'000	Revenue reserve £'000
At 1 January 2014	446	1,882	856	6,950	8,683	3,118	505
Purchase of own shares	18	-	-	(319)	-	-	-
Expenses capitalised	-	-	-	-	-	(180)	-
Gains/(losses) on investments	-	-	-	-	(132)	4,323	-
Transfer between reserves	-	-	-	(2,100)	(4,707)	6,807	-
Dividends paid	-	-	-	-	-	(304)	(303)
Retained net revenue for the period	-	-	-	-	-	-	28
At 30 June 2014	<u>464</u>	<u>1,882</u>	<u>856</u>	<u>4,531</u>	<u>3,844</u>	<u>13,764</u>	<u>230</u>

The special reserve is available to the Company to enable the purchase of its own shares in the market without affecting its ability to pay dividends, and also allows the Company to write back realised capital losses arising on disposals and impairments.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2014

8. Reserves (continued)

Distributable reserves are calculated as follows:

	Six months ended 30 Jun 2014 £'000	Six months ended 30 Jun 2013 £'000	Year ended 31 Dec 2013 £'000
Special reserve	4,531	7,290	6,950
Capital reserve - realised	13,764	1,768	3,118
Revenue reserve	230	231	505
Merger reserve – distributable element	477	477	477
Unrealised losses			
– excluding unrealised unquoted gains	(1,071)	(790)	(912)
	<u>17,931</u>	<u>8,976</u>	<u>10,138</u>

9. Reconciliation of return on operating activities before taxation to net cash flow from operating activities

	Six months ended 30 Jun 2014 £'000	Six months ended 30 Jun 2013 £'000	Year ended 31 Dec 2013 £'000
Return on ordinary activities before taxation	4,039	1,084	4,046
Gains on investments	(4,191)	(1,201)	(4,115)
Decrease/(increase) in other debtors	164	(61)	(94)
(Decrease)/increase in other creditors	(31)	-	58
Net cash outflow from operating activities	<u>(19)</u>	<u>(178)</u>	<u>(105)</u>

10. Analysis of changes in cash at bank and in period

	Six months ended 30 Jun 2014 £'000	Six months ended 30 Jun 2013 £'000	Year ended 31 Dec 2013 £'000
Beginning of period	1,556	3,030	3,030
Net cash inflow/(outflow)	<u>4,297</u>	<u>(470)</u>	<u>(1,474)</u>
End of period	<u>5,853</u>	<u>2,560</u>	<u>1,556</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued) for the six months ended 30 June 2014

11. Risks and uncertainties

Under the Disclosure and Transparency Directive, the Board is required in the Company's half-yearly results to report on principal risks and uncertainties facing the Company over the remainder of the financial year.

The Board has concluded that the key risks facing the Company over the remainder of the financial period are as follows:

- investment risk associated with investing in small and immature businesses;
- liquidity risk arising from investing mainly in unquoted businesses; and
- failure to maintain approval as a VCT.

In all cases the Board is satisfied with the Company's approach to these risks. As a VCT, the Company is forced to have significant exposure to relatively immature businesses. This risk is mitigated to some extent by holding a well-diversified portfolio.

With a reasonably illiquid venture capital investment portfolio, the Board ensures that it maintains an appropriate proportion of its assets in cash and liquid instruments.

The Company's compliance with the VCT regulations is continually monitored by the Administration Manager, who regularly reports to the Board on the current position. The Company also retains PricewaterhouseCoopers to provide regular reviews and advice in this area. The Board considers that this approach reduces the risk of a breach of the VCT regulations to a minimal level.

12. Going concern

The Company has considerable financial resources at the period end, and holds a diversified portfolio of investments. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued) for the six months ended 30 June 2014

13. The Directors confirm that, to the best of their knowledge, the half-yearly financial statements have been prepared in accordance with the "Statement: Half-Yearly Financial Reports" issued by the UK Accounting Standards Board and the half-yearly financial report includes a fair review of the information required by:
- (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the current financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.
14. The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies. The figures for the year ended 31 December 2013 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the Auditor's report on those financial statements was unqualified.
15. Copies of the unaudited half-yearly results will be sent to Shareholders shortly. Further copies can be obtained from the Company's registered office or downloaded from www.elderstreet.com and www.downing.co.uk.

SHAREHOLDER INFORMATION (continued)

Selling shares

The Company's shares are listed on the London Stock Exchange and can be bought or sold like any other listed shares using a stockbroker. If you wish to sell your shares, you should ask your stockbroker to contact Shore Capital, who act as the Company's Corporate Broker.

The Company will usually buy back shares several times each year. If you have any queries regarding the process, please contact the Administration Manager, Downing LLP on 020 7416 7780. Any Shareholder considering selling some or all of their shareholding should ensure that they are fully aware of any tax consequences, especially if they purchased shares within the last five years or took part in the Enhanced Share Buyback offer. If you are in any doubt please contact your financial adviser.

Notification of change of address

Communications with Shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrar, Capita Asset Services, under the signature of the registered holder.

Other information for Shareholders

Up-to-date Company information (including financial statements, company announcements and share price) may be obtained from Downing's website at www.downing.co.uk. Financial information is also available on Elderstreet Investment Limited's website at www.elderstreet.com by clicking on "investor information".

If you have any queries regarding your shareholding in Elderstreet VCT plc, please contact the Registrar on 0871 664 0324 or visit Capita's website at www.capitaassetservices.com and click on "Products and Services" and then Shareholders".

Directors

David Brock (Chairman)
Hugh Aldous
Barry Dean
Michael Jackson
Nicholas Lewis

Company Secretary and Registered Office

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(calls cost 10p per minute plus network extras)