



Elderstreet Draper Esprit VCT plc

Report & Accounts
for the period ended
31 March 2018

SHAREHOLDER INFORMATION

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 Investments Limited's website (www.elderstreet.com) and on Downing LLP's website (www.downing.co.uk).

Latest share price at 27 July 2018: 55.5p per share

Financial calendar

18 September 2018	Annual General Meeting
12 October 2018	Payment of final dividend
December 2018	Announcement of half yearly results

Dividends

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 (form can be downloaded from www.linkassetservices.com). Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's registrar, Link Asset Services, on 0871 664 0324 (calls cost 12p per minute plus network extras, lines open 9:00 a.m. to 5:30 p.m.), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

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.

The Company generally buys back shares several times each year. Details of the next planned share buyback can be obtained by contacting 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.

Share scam warning

We are 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. If you have any concerns, please contact Downing on 020 7416 7780.

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, Link Asset Services, under the signature of the registered holder.

Other information for Shareholders

Up-to-date Company information (including financial statements, share price and dividend history) may be obtained from Downing LLP's website at www.downing.co.uk. Financial information is also available on Elderstreet Investments Limited's website at www.elderstreet.com.

If you have any queries regarding your shareholding in Elderstreet Draper Esprit VCT plc, please contact the Registrar on the above number or visit Link's website at www.linkassetservices.com and click on "Share Portal".

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COMPANY INFORMATION

Directors

David Brock (Chairman)
Hugh Aldous
Barry Dean
Michael Jackson
Nicholas Lewis
all of
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3 Lower Thames Street
London EC3R 6HD

Company number

03424984

Secretary and Registered Office

Grant Whitehouse
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3 Lower Thames Street
London EC3R 6HD
Tel: 020 7416 7780

Investment Manager

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WC2E 9BT
Tel: 020 7831 5088
www.elderstreet.com

Administration Manager

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6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD
Tel: 020 7416 7780
www.downing.co.uk

Auditor

BDO LLP
55 Baker Street
London W1U 7EU

VCT Status Advisers

Philip Hare & Associates LLP
Suite C – First Floor
4-6 Staple Inn
London WC1V 7QH

Registrar

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0871 664 0324
(calls cost 12p per minute plus network extras
lines open Mon-Fri from 9:00 a.m. to 5:30 p.m.)
www.linkassetservices.com

Bankers

Royal Bank of Scotland plc
119/121 Victoria Street
London SW1E 6RA

Bank of Scotland plc
33 Old Broad Street
London BX2 1LB

FINANCIAL SUMMARY

	31 Mar 2018 pence	31 Dec 2016 pence
Net asset value per share ("NAV")	57.5	62.8
Cumulative dividends paid since launch	99.0	96.0
Total Return (NAV plus cumulative dividends paid per share)	<u>156.5</u>	<u>158.8</u>
Dividends in respect of financial period ended 31 March 2018		
Interim dividend paid per share	1.5	2.5
Final dividend per share (payable on 12 October 2018)	<u>1.5</u>	<u>1.5</u>
	<u>3.0</u>	<u>4.0</u>

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

FINANCIAL SUMMARY (continued)

Performance summary for investors (based on an original investment of £1.00)

Share issue date	Initial income tax relief available on investment %	Equivalent dividends received since issue pence	Equivalent NAV at 31 Mar 2018 pence	Gain (ignoring income tax relief) %	Gain (after initial income tax relief) %	Gain (after initial and ESB* and income tax relief) %
Elderstreet Millennium Venture Capital Trust plc (1996)	20%	87.2	22.2	9.4%	36.8%	44.5%
Feb-Aug 1998	20%	99.0	58.3	57.3%	96.6%	116.9%
Mar-Jun 2005 (C Share issue)	40%	67.5	39.0	6.5%	77.5%	95.5%
Apr 2006	40%	100.9	84.6	85.5%	209.2%	248.4%
Apr 2008	30%	67.9	63.4	31.3%	87.6%	
Jun 2008	30%	64.6	63.8	28.3%	83.3%	
Apr 2009	30%	75.0	78.0	53.0%	118.6%	
May 2009	30%	73.6	78.0	51.7%	116.7%	
Apr-May 2010	30%	65.9	72.5	38.4%	97.8%	
Mar 2011	30%	60.4	71.9	32.3%	89.0%	
Apr-May 2011	30%	62.8	74.7	37.6%	96.5%	
Apr-May 2012	30%	63.6	82.5	46.1%	108.7%	
Nov 2012	30%	66.5	94.6	61.1%	130.1%	
Apr 2013	30%	60.7	86.4	47.1%	110.2%	
Dec 2014	30%	26.4	85.6	12.0%	60.0%	
Mar-Apr 2015	30%	25.0	81.0	6.0%	51.4%	
Apr 2016	30%	11.3	82.2	(6.6%)	33.5%	
Apr 2017	30%	4.7	92.1	(3.2%)	38.3%	
May 2017	30%	4.7	91.8	(3.4%)	37.9%	
Aug 2017	30%	2.4	94.2	(3.4%)	38.0%	
Oct 2017	30%	-	96.5	(3.5%)	37.9%	
Nov 2017	30%	-	96.3	(3.7%)	37.6%	

Not applicable

* In November 2012, the Company offered an Enhanced Share Buyback (“ESB”) which allowed Shareholders who had already held their shares for more than five years to sell their shares and reinvest the proceeds, receiving additional income tax relief at the rate of 30% on the new issue. Offers from April 2008 onwards were not eligible for the ESB in November 2012.

In the table above, initial income tax relief has been deducted from cost for the purpose of calculating gains after income tax relief. In respect of ESB the initial income tax relief has been treated as additional income.

Original ‘C’ Shareholders

Shareholders investing under the ‘C’ Share offer were issued 0.6691 Ordinary Shares for every one ‘C’ Share held. Dividends of 30.0p per ‘C’ Share were paid prior to the merger, equivalent to 44.8p per Ordinary Share.

Elderstreet Millennium Shareholders

In 2007, Elderstreet Millennium Venture Capital Trust plc (“EMVCT”) merged with the Company. Shareholders in EMVCT were issued 0.381 Ordinary Shares in Elderstreet Draper Esprit VCT plc for every one share held. Dividends of 61.5p per EMVCT share were paid prior to the merger, equivalent to 161.5p per Ordinary Share in Elderstreet Draper Esprit VCT plc.

INVESTMENT OBJECTIVES

The Company's principal investment objectives are to:

- invest in a diversified portfolio of companies, focusing on smaller unquoted companies;
- pay regular annual dividends (subject to liquidity); and
- maintain its VCT status.

The detailed Investment Policy adopted to achieve the investment objectives is set out in the Strategic Report on pages 17 to 20.

DIRECTORS

David Brock (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 and non-executive director of Hargreave Hale AIM VCT 1 and Puma VCT 12 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) and Polar Capital Holdings plc. He has chaired venture capital backed companies since 2000 including two of this company's more successful investments. He was a partner in Grant Thornton UK LLP, a DTI Company Inspector and a Member of the Competition Commission.

Barry Dean 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 founded Elderstreet Investments Limited in 1990 and is its executive chairman. 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. For the past 23 years, he has specialised in raising finance and investing in the smaller companies in the quoted and unquoted sector. From 1983 until 2006 he was a director of FTSE 100 company, The Sage Group plc, becoming chairman in 1997. He was also chairman of PartyGaming plc, another FTSE 100 company, and additionally is chairman of Netcall plc. He is also on the board of a number of Elderstreet portfolio companies, including Access Intelligence plc, AngloINFO Limited, Baldwin & Francis Limited, Fords Packaging Topco Limited and Uvenco UK plc.

Nicholas Lewis is a partner of Downing LLP - a business he founded as Downing Corporate Finance Limited in 1986. Downing LLP specialises in managing, promoting and administering tax-based investments and has raised approximately £1 billion since 1991. Prior to founding Downing, he was with NatWest Ventures Limited and, before that, with Apax Partners & Co Limited.

All the Directors are non-executive and, with the exception of Michael Jackson, are independent of the Investment Manager.

CHAIRMAN'S STATEMENT

I present the Company's Annual Report for the period ended 31 March 2018. This has been a busy period for the Company in terms of new investment activity, as a number of opportunities arising from the arrangements with Draper Esprit have been backed with the proceeds from the last year's fundraising. Although most of the larger investments have performed satisfactorily, there have been some setbacks which have impacted performance for the year.

Change of year end

As reported previously, the Company changed its year end from 31 December to 31 March to better fit with the financial calendar of Draper Esprit plc, with whom the Company is now co-investing on most transactions. This report covers the 15-month period to 31 March 2018. The next Half-Year Report will be in respect of the six months ended 30 September 2018.

Net asset value and results

As at 31 March 2018, the Company's Net Asset Value per share ("NAV") stood at 57.5p, representing a decrease of 2.3p (3.7%) over the period, after adding back dividends paid during the period, of 3.0p per Share.

The Total Return to Shareholders who invested at the launch of the Company in 1998 (NAV plus cumulative dividends) now stands at 156.5p compared to the original cost (net of income tax relief) of 80.0p per share. A summary of the position for Shareholders who invested in the Company's various other fundraisings is included on page 3 of this report.

The loss on ordinary activities after taxation for the 15-month period (2016: year) was £1.65 million (2016: £1.0 million), comprising a revenue return of £92,000 (2016: £222,000) and a capital loss of £1.74 million (2016: £1.3 million).

Venture capital investments

Portfolio activity

During the period, the Company made five new and two follow-on investments totalling £5.6 million. A small number of realisations also occurred in the period, giving rise to realised gains of £757,000.

Further details on the investment activity can be found in the Investment Manager's report on page 8.

Investment valuations

At the period end, the Company held a portfolio of 26 Venture Capital investments valued at £20.8 million. The top ten investments constitute the majority of the overall portfolio value.

The Board has reviewed the investment valuations at the period end date and accordingly some adjustments have been made.

The most significant valuation uplift was in respect of Fords Packaging Topco Limited. The business continues to perform well, and a £2.4 million uplift has been recognised as a result.

Unfortunately, there was a major disappointment in respect of the investment in AngloINFO Limited. The Manager provided intensive support to the company throughout the year, bringing in new management and launching a new website, which it was hoped could unlock the company's potential. Ultimately, the company has not been able to make sufficient progress and, since the period end, in view of the considerable further funding that would be required in order for the business to meet its immediate operating commitments, the decision was taken not to support the company further and it has now gone into liquidation. A full provision has therefore been made, resulting in an unrealised loss of £2.8 million for the year.

Macranet Limited, which has been historically held at cost, was written down by £778,000 to reflect recent trading results.

Baldwin & Francis Limited has also experienced some further challenges of late, which have led to earnings being below budget. As a result, the valuation of the VCT's holding has been written down by £491,000.

Ridee Limited, the food delivery business trading under the Jinn brand, in which the VCT invested £499,000, has found competition from the likes of Deliveroo to be extremely aggressive. The investment has now been fully provided against.

Several of the Company's investments are quoted on AIM, and such investments have also been revalued at the period end date, in order to reflect their quoted prices. The most significant revaluation movement of the AIM investments was a £379,000 uplift to Fulcrum Utility Services Limited.

Overall, the unrealised valuation movements on the portfolio resulted in a net write down for the period, of £1.8 million.

Further commentary on the portfolio, together with a schedule of additions, disposals and details of the ten largest investments, can be found within the Investment Manager's Report and Review of Investments on pages 8 to 16.

CHAIRMAN'S STATEMENT (continued)

Fixed Interest investments

The small portfolio of Fixed Interest investments, managed by Smith & Williamson, was realised during the year. The portfolio generated proceeds of £1.5 million, resulting in a profit over cost of £26,000. Under VCT regulations no new fixed interest investments can be made, so the Board took the decision to realise the remaining holdings and refocus this capital.

Fundraising

In December 2016 the Company launched a Prospectus Offer for Subscription which raised gross proceeds of £18 million, with issue costs in respect of the offer amounting to £498,000.

The Company launched a further Prospectus Offer during December 2017, which closed on 31 May 2018, having raised a total of £3.9 million.

Dividends

The Board is proposing a final dividend of 1.5p per share, to be paid on 12 October 2018 to Shareholders on the register at 14 September 2018. This will bring the total dividends paid in respect of the period to 3.0p.

The Company has historically paid dividends in June and December each year. The Board expects that dividends will be paid in October and April in future years.

Share buybacks

Historically the Company has operated a policy of buying in shares that become available in the market, at a discount of approximately 7.5% to the latest published NAV. The Board has reviewed this policy, taking into account market factors, and has taken the decision to implement a revised policy. The revised policy will be to buy in shares at a discount of approximately 5% to the latest published NAV, subject to regulatory and liquidity constraints.

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.

During the period the Company purchased a total of 953,914 shares at an average price of 55.9p per share. Resolution 12 will be proposed at the AGM, to renew the authority for the Company to purchase its own shares.

Annual General Meeting ("AGM")

The next AGM of the Company will be held on 18 September 2018 at 20 Garrick Street, London, WC2E 9BT at 11:00 a.m.

Notice of the meeting is at the end of this document. Four items of Special Business are proposed; one ordinary resolution and three special resolutions in relation to the allotment of shares, share buybacks and the cancellation of Share Premium and the capital redemption reserve.

The Board is seeking authority to issue shares at the AGM, to allow the Company to consider launching a further share offer during the coming year, should market and other conditions be appropriate, without incurring the expense of issuing a Shareholder circular.

The Board is also seeking authority to cancel share premium and the capital redemption reserve, to allow the Company to utilise these reserves for the payment of dividends in future years.

VCT regulations and strategy

As Shareholders will be aware, the UK Government made a number of key changes to VCT regulations in November 2017, as part of the Autumn Budget.

One such change is the requirement to hold 80% (currently 70%) of funds in qualifying holdings, by 1 April 2020. This change has been brought in alongside further measures to refocus VCT investment into young growth companies. Since the arrangements with Draper Esprit have been in place, the Company's new investment activity has been focused on backing young growing technology businesses. Although investing in this area will increase the risk profile of the portfolio over time, the Board believes that the Company will be able to meet the new 80% threshold before its effective date.

As a result of this gradual shift, the delivery of good returns to Shareholders in the future will depend on major successes from at least a small number of investments, which can offset losses from the inevitable failures which we expect to suffer.

Investment Policy

In view of the recent changes to the VCT regulations and the co-investment arrangement with Draper Esprit, the Board has taken the decision to review and refine the Company's Investment Policy. We expect to publish a Shareholder Circular shortly setting out the proposed changes and seeking Shareholder approval to adopt the refined policy.

CHAIRMAN'S STATEMENT (continued)

Outlook

The Board is satisfied with the progress made during the period in investing the Company's funds. Despite the setbacks in the existing portfolio, most of the Company's older investments continue to perform satisfactorily and have the potential to provide profitable outcomes in due course.

For many of the Company's newer investments, it is too early to be confident that they will ultimately be successful, however, at this stage, most are making progress in line with their plans. We expect investment activity to remain at a high level over the next year, as the Manager continues to deploy the Company's available funds.

I look forward to meeting Shareholders at the AGM and to updating them in the next Half-Year Report to 30 September 2018, which we expect to be published in December.



David Brock
Chairman

30 July 2018

INVESTMENT MANAGER'S REPORT

The co-investment arrangements with Draper Esprit, to share deal flow, management experience and investment opportunities, have had a positive start from both an investment and a fundraising perspective.

Following this arrangement in late 2016, the VCT has allotted a total of £21.9 million from prospectus fundraisings which has almost doubled funds under management over the period.

During the period under review, £4.1 million of these funds were invested into five new companies and a further £4.9 million were invested or committed into six further investments ('committed' means subscription agreements have been signed and completion is pending HMRC advanced assurance).

Over the last 15 months the Company recorded a 2.3p decrease in the total return (net asset value including cumulative dividends), from 158.8p to 156.5p. The NAV per share decreased from 62.8p to 57.5p, after paying dividends of 3.0p during the period.

On a positive note, trading has performed better than expected in Fords Packaging Topco Limited ('Fords'), which repaid £450,000 of its VCT debt earlier than forecasted, and has reported its highest unaudited EBITDA results for ten years. The period end valuation has been increased by £2.4 million to reflect this. We believe that Fords has the potential to provide further growth to the portfolio.

During the year, we continued to support existing portfolio company, AngloINFO Limited, to launch its new website, SmartExpat. Unfortunately, the business has not been able to make sufficient progress and has now gone into liquidation. The consequent write-down of £2.8 million for the period has resulted in a full provision against the £3.5 million investment.

A provision of £0.8 million has been taken against Macranet Limited, and Ridee Limited has been fully provided against, due to the business going into administration.

Two realisations were made in the year. Concorde Solutions Limited was sold for a small return over the VCT's cost of £1.6 million, and Interquest Limited was sold for a small loss.

Within the AIM portfolio, Fulcrum Utility Services Limited and Access Intelligence plc continue to make upward valuation movements, rising by £0.4 million over the period. As at the date of this report, the valuation of the AIM portfolio had risen by a further £0.8m.

New investments, alongside the Draper Esprit group funds, were made into the following companies:

	£ million
IESO a digital platform for healthcare management	1.5
Push Dr a leading online GP consultation platform	0.7
StreetTeam (Verve) a peer to peer affiliate ticketing platform	1.3
Light Blue Optics (Kaptivo) a real-time whiteboard collaboration tool	0.3
AppUx (Droplet) enabling technology to deliver applications on any device	0.3

Further commitments have been made into the following companies, of which Podpoint, Evonetix, IXL Premfina and Endomag had been completed, as at the date of this report:

	£ million
Podpoint installation of electric vehicle charging points	0.86
Push Dr tranche 2 of the investment made above	0.8
Evonetix DNA synthesis and synthetic biology technology	0.8
IXL Premfina insurance broker credit software platform	0.8
Endomag cancer detection technology	0.9
Roomex B2B hotel booking portal	0.75

Together, the investments above total £9.0 million into ten separate companies. These investments are alongside over £80 million of funds from other corporate and venture capitalists. This corroborates the strategy of investing alongside a strong syndicate of investors. In all of these new investments, a member of the Draper Esprit group is a representative on the portfolio company board.

INVESTMENT MANAGER'S REPORT (continued)

Additionally, there is a pipeline of further deals, and we are confident that the new funds raised over the past two fundraising seasons can be invested within the next 12 months.

Over the period, additional new VCT qualification rules were introduced by HMRC. We do not currently see any issues around these new rules and the VCT's refined Investment Policy, as we are investing in knowledge intensive companies which have benefitted from the rule changes.

After the period end, the VCT allotted a further £3.9 million of shares from the prospectus fundraising. The Board is also considering a further fundraising for the current tax year.

In summary, it has been a busy period for the Company, which has seen a significant level of new investment activity. Whilst the new investments offer some exciting prospects for the future, these businesses are still at an early stage and it is too soon to judge whether they will ultimately be successful.

Although there have been some setbacks in several of the older investments, we are cautiously optimistic that the remainder of the legacy portfolio has potential for future growth.

Elderstreet Investments Limited

30 July 2018

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments were held at 31 March 2018. All companies are registered in England and Wales, with the exception of Fulcrum Utility Services Limited, which is registered in the Cayman Islands.

	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio by value
Ten largest venture capital investments (by value)				
Fords Packaging Topco Limited	2,433	5,766	2,421	15.7%
Lyalvale Express Limited	1,915	3,903	-	10.6%
Access Intelligence plc *	2,333	3,011	21	8.2%
Fulcrum Utility Services Limited *	500	2,525	379	6.9%
IESO Digital Health Limited	1,500	1,500	-	4.1%
StreetTeam Software Limited	1,286	1,286	-	3.5%
Push Dr Limited	724	724	-	2.0%
Baldwin & Francis Limited	1,534	422	(491)	1.1%
Cashfac plc	260	394	66	1.1%
AppUx Limited	326	326	-	0.9%
	<u>12,811</u>	<u>19,857</u>	<u>2,396</u>	<u>54.1%</u>
Other venture capital investments				
Light Blue Optics Limited	311	311	-	0.8%
Macranet Limited	1,037	259	(778)	0.7%
Servoca plc *	333	228	-	0.6%
Sift Digital Limited	125	48	-	0.1%
Sift Limited	125	42	-	0.1%
Uvenco UK plc*	1,326	36	(36)	0.1%
SparesFinder Limited	104	34	-	0.1%
Kellan Group plc*	657	7	-	-
Proxama plc*	860	6	(116)	-
AngloINFO Limited	3,527	-	(2,819)	-
Ridee Limited	499	-	(350)	-
Lyalvale Property Limited	300	-	(128)	-
Infoserve Group plc	128	-	-	-
The National Solicitors Network Limited	501	-	-	-
The QSS Group Limited	268	-	-	-
RB Sport & Leisure Holdings plc	188	-	-	-
	<u>10,289</u>	<u>971</u>	<u>(4,227)</u>	<u>2.5%</u>
	<u>23,100</u>	<u>20,828</u>	<u>(1,831)</u>	<u>56.6%</u>
Cash at bank and in hand		<u>15,987</u>		<u>43.4%</u>
Total investments		<u>36,815</u>		<u>100.0%</u>

All venture capital investments are unquoted unless otherwise stated

* Quoted on AIM

REVIEW OF INVESTMENTS (continued)

Investment movements for the period ended 31 March 2018

ADDITIONS

	£'000
Venture capital investments	
IESO Digital Health Limited	1,500
StreetTeam Software Limited	1,286
AngloINFO Limited	1,250
Push Dr Limited	724
AppUx Limited	326
Light Blue Optics Limited	311
Macranet Limited	175
	<u>5,572</u>

DISPOSALS

	Cost £'000	Value at 01/01/17 £'000	Proceeds £'000	Profit vs cost £'000	Realised profit/(loss) in the period £'000
Quoted investments					
Interquest Group plc *	226	156	172	(53)	16
Fixed income securities					
United Kingdom 1.25% Gilt 22/07/2018	892	925	920	28	(5)
United Kingdom 1.00% Gilt 07/09/2017	614	616	613	(2)	(3)
S&W Investment Funds Cash Fund	10	10	10	-	-
Venture Capital Investments					
Concorde Solutions Limited	1,650	1,525	1,749	99	224
Fords Packaging Topco Limited	450	450	450	-	-
Retention proceeds					
Wessex Advanced Switching Products Limited	-	-	525	525	525
	<u>3,842</u>	<u>3,682</u>	<u>4,439</u>	<u>597</u>	<u>757</u>

* Quoted on AIM

REVIEW OF INVESTMENTS (continued)

Further details of the ten largest investments are as follows:

Fords Packaging Topco Limited
www.ford-packsys.com

FORDS
PACKAGING SYSTEMS

Cost at 31/03/18:	£2,433,000	Valuation at 31/03/18:	£5,766,000	
Cost at 31/12/16:	£2,883,000	Valuation at 31/12/16:	£3,795,000	
Investment comprises:				
Equity shares:	£2,425,000	Valuation method:	Earnings multiple	
8% loan note:	£8,000			
Audited accounts:	30/06/17	30/06/16	Dividend income:	£Nil
Turnover:	£7.6m	£5.5m	Loan note income:	£4,000
Profit before tax:	£1.0m	£0.3m	Proportion of capital held:	48.7%
Net assets:	£3.2m	£2.4m	Diluted equity:	48.7%

Based in Bedford, Fords 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.

Lyalvale Express Limited
www.lyalvaleexpress.com

LYALVALE EXPRESS

Cost at 31/03/18:	£1,915,000	Valuation at 31/03/18:	£3,903,000	
Cost at 31/12/16:	£1,915,000	Valuation at 31/12/16:	£3,903,000	
Investment comprises:				
Equity shares:	£1,915,000	Valuation method:	Earnings multiple	
Audited accounts:	01/04/17	02/04/16	Dividend income:	£213,000
Turnover:	£7.8m	£7.3m		
Profit before tax:	£0.8m	£1.1m	Proportion of capital held:	44.2%
Net assets:	£8.9m	£8.7m	Diluted equity:	44.2%

Lyalvale is the 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.

Access Intelligence plc
www.accessintelligence.com

AccessIntelligence

Cost at 31/03/18:	£2,333,000	Valuation at 31/03/18:	£3,011,000	
Cost at 31/12/16:	£2,333,000	Valuation at 31/12/16:	£2,989,000	
Investment comprises:				
Equity shares:	£2,033,000	Valuation method:	Bid price with loan stock at cost	
10% loan note:	£300,000			
Equity share options:	£Nil			
Audited accounts:	30/11/17	30/11/16	Dividend income:	£Nil
Turnover:	£8.1m	£9.1m	Loan note income:	£103,000
Loss before tax:	(£3.8m)	(£3.4m)	Proportion of capital held:	14.1%
Net assets:	£0.3m	£2.0m	Diluted equity:	15.7%

Access Intelligence is a leading vendor of software for public relations, public affairs and stakeholder communication professionals seeking to identify, understand and engage with the right influencers.

REVIEW OF INVESTMENTS (continued)

Fulcrum Utility Services Limited www.fulcrumutilityserviceslimited.co.uk	Cost at 31/03/18:	£500,000	Valuation at 31/03/18:	£2,525,000
	Cost at 31/12/16:	£500,000	Valuation at 31/12/16:	£2,146,000
	Investment comprises:			



Equity shares:	£500,000	Valuation method:	Bid price	
Audited accounts:	31/03/17	31/03/16	Dividend income:	£108,000
Turnover:	£37.7m	£36.1m		
Profit before tax:	£6.5m	£4.3m	Proportion of capital held:	1.98%
Net assets:	£10.4m	£5.8m	Diluted equity:	1.98%

Fulcrum is a leading independent utilities organisation that provides gas and multi-utility infrastructure design, technical engineering, project management and consultancy across all sectors nationally.

IESO Digital Health Limited www.iesohealth.com	Cost at 31/03/18:	£1,500,000	Valuation at 31/03/18:	£1,500,000
	Investment comprises:			
	A Preference shares:	£1,500,000	Valuation method:	Price of recent investment



Unaudited accounts:	31/12/16	31/12/15	Dividend income:	£Nil
Turnover:	£2.7m	£1.6m	Loan note income:	£Nil
Loss before tax:	(£3.8m)	(£1.9m)	Proportion of capital held:	4.8%
Net (liabilities)/assets:	(£1.3m)	£2.3m	Diluted equity:	4.3%

Ieso Digital Health Limited is the UK's largest provider of online mental healthcare. Ieso is available through the NHS as part of Improving Access to Psychological Therapies (IAPT) and has transformed mental health delivery in the UK by making high quality, evidence-based Cognitive Behavioural Therapy (CBT) available to more than 9 million people.

StreetTeam Software Limited verve.co	Cost at 31/03/18:	£1,286,000	Valuation at 31/03/18:	£1,286,000
	Investment comprises:			
	A Preference shares:	£1,286,000	Valuation method:	Price of recent investment



Unaudited accounts	31/12/16	Dividend income:	£Nil
Turnover:	Unpublished information		
Profit before tax:	Unpublished information	Proportion of capital held:	3.2%
Net assets:	£4.0m	Diluted equity:	3.0%

StreetTeam Software Limited, trading as Verve, operates a peer-to-peer event marketing platform. Its platform enables users to start earning free tickets, rewards and festival experience by selling tickets and recommending the festival to friends.

REVIEW OF INVESTMENTS (continued)

Push Dr Limited
www.pushdoctor.co.uk



PUSH DOCTOR

Cost at 31/03/18:	£724,000	Valuation at 31/03/18:	£724,000
Investment comprises:			
Equity shares:	£724,000	Valuation method:	Price of recent investment
Audited accounts:	31/7/17 31/7/16	Dividend income:	£Nil
Turnover:	Unpublished information		
Profit before tax:	Unpublished information		Proportion of capital held: 1.2%
Net assets:	£10.6m £1.0m	Diluted equity:	1.0%

Push Dr Limited is the first truly digital health consumer brand in the UK, connecting patients to a smart network of thousands of UK qualified GPs, giving them access to a doctor in as little as six minutes on any device.

Baldwin & Francis Limited
www.baldwinandfrancis.com



Cost at 31/03/18:	£1,534,000	Valuation at 31/03/18:	£422,000
Cost at 31/12/16:	£1,534,000	Valuation at 31/12/16:	£912,000
Investment comprises:			
Equity shares:	£171,000	Valuation method:	Cost as reviewed for impairment
Loan notes:	£1,363,000		
Audited accounts:	27/03/17 27/03/16	Dividend income:	£Nil
Turnover:	£5.7m £11.6m	Loan note income:	£Nil
(Loss)/profit before tax:	(£1.9m) £0.3m	Proportion of capital held:	40.0%
Net (liabilities)/assets:	(£1.0m) £0.8m	Diluted equity:	40.0%

Baldwin & Francis manufactures flameproof switchgear for the mining, oil and rail industries, a significant percentage of which is currently exported. It has subsidiary or joint venture operations in China and Canada and has a long export record to other countries including the Russian Federation, India, Turkey and the Middle East.

Cashfac plc
www.cashfac.com

CASHFAC
TECHNOLOGIES

Cost at 31/03/18:	£260,000	Valuation at 31/03/18:	£394,000
Cost at 31/12/16:	£260,000	Valuation at 31/12/16:	£328,000
Investment comprises:			
Equity shares:	£260,000	Valuation method:	Earnings multiple
Unaudited accounts:	30/09/17 30/09/16	Dividend income:	£Nil
Turnover:	£9.4m £7.9m	Proportion of capital held:	5.3%
Profit before tax:	£1.2m £1.1m	Diluted equity:	5.3%
Net assets:	£8.5m £7.3m		

Cashfac is the leading Bank-to-Corporate Cash Management software provider. Cashfac's white-label solutions enable banks to provide their Corporate and Business banking clients with leading edge cash management solutions. Cashfac helps banks build long lasting relationships with their clients; locking in deposits, driving transaction volumes and generating fees.

REVIEW OF INVESTMENTS (continued)

AppUX Ltd	Cost at 31/03/18:	£326,000	Valuation at 31/03/18:	£326,000
www.dropletcomputing.com	Investment comprises:			
	Seed Preferred shares:	£326,000	Valuation method:	Price of recent investment



Unaudited accounts:	30/09/17	30/09/16	Dividend income:	£Nil
Turnover:	Unpublished information			
Profit before tax:	Unpublished information		Proportion of capital held:	5.9%
Net assets:	£44.8m	£48.6m	Diluted equity:	5.9%

AppUX (Droplet Computing) is the developer of software solutions which enable fully featured applications to run on any device, online or offline. The founders of Droplet include Steve Horne and Peter von Oven who, between them, have over 40 years combined experience in delivering end user computing solutions.

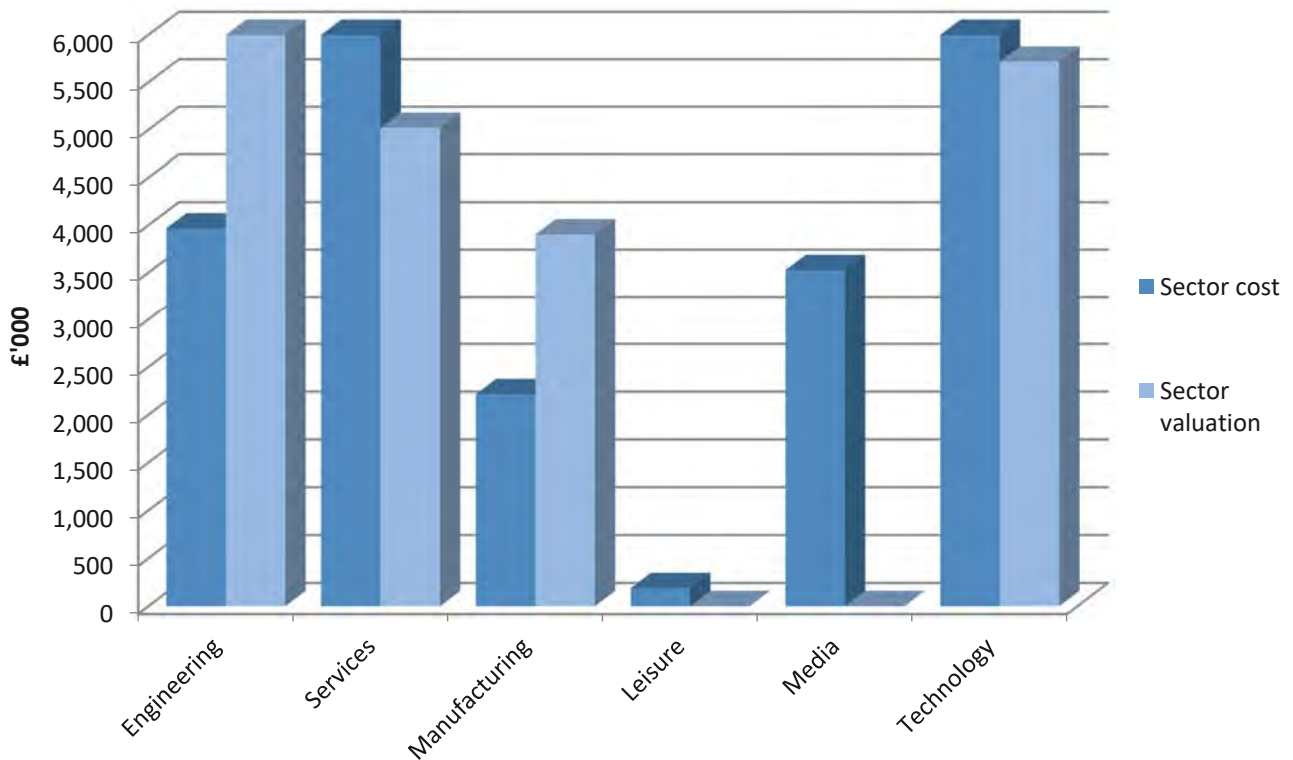
Note: Except where disclosed, the proportion of equity held by each investment also represents the level of voting rights held by the Company in respect of the investment.

Loan notes disclosed in the above tables are valued at current expected redemption value, which is normally at par.

REVIEW OF INVESTMENTS (continued)

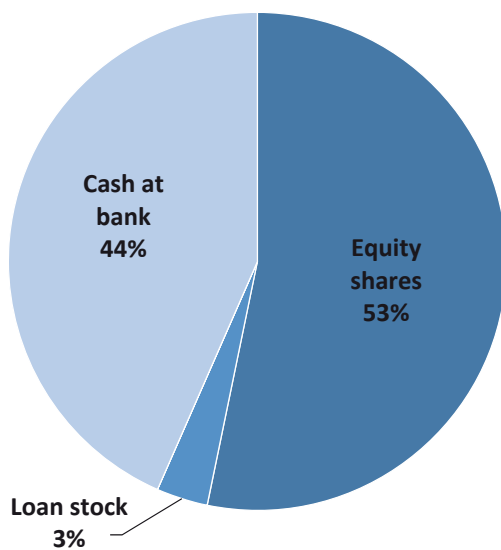
Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by cost and by value at 31 March 2018) is as follows:



Analysis of investments by nature of instrument

The following chart summarises the Company's investment portfolio by the nature of instrument held (by value at 31 March 2018):



Portfolio balance

At 31 March 2018, the Company assets employed were broadly in line with the targets within the Investment Policy. These are summarised as follows:

Type of investment (by value, according to HMRC regulations)	Actual	Target
VCT qualifying investments	87.8%	Minimum 70%
Non-qualifying investments (including cash at bank)	12.2%	Maximum 30%
Total	100.0%	100%

The above table excludes funds raised under the recent Offers for Subscription, which are not yet included in the VCT Qualification test.

STRATEGIC REPORT

The Directors present the Strategic Report for the period ended 31 March 2018. The Board have prepared this report in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Principal objectives and strategy

The Company is a Venture Capital Trust whose principal investment objectives are to:

- invest in a diversified portfolio of companies, focusing on smaller unquoted companies;
- target annual dividends of 3 pence per Ordinary share (subject to liquidity); and
- maintain its VCT status.

As a Venture Capital Trust, Investors are required to hold their shares for a minimum period of five years, in order to retain their income tax relief.

Business review and developments

At the period (2016: year) end, the existing investment portfolio had decreased in value by £1.8 million (2016: £1.3 million). Realised gains on investment disposals totalled £757,000 for the period (2016: £445,000 for the year).

Total running costs for the 15-month period (2016: year), including expenses charged to capital, exceeded revenue income by £578,000 (2016: £166,000), including performance fees of £nil (2016: £nil).

The annualised ongoing charges ratio was 3.0% (2016: 3.3%).

The total loss for the 15-month period (2016: year) was £1.65 million (2016: £1.0 million). Net assets as at 31 March 2018 were £36.7 million (31 December 2016: £23.3 million). Dividends paid during the period (2016: year) totalled £1.8 million (2016: £1.9 million).

The Company's business and developments during the period are reviewed further in the Chairman's Statement, the Investment Manager's Report and the Review of Investments.

Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's level of success in meeting its Investment Policy (as shown on pages 18 to 20). The Board believes the Company's key performance indicators, for comparison against similar VCTs, are Total Return (NAV plus cumulative dividends paid to date) and dividends per share (see page 2). In addition, the Board considers the Company's performance in relation to other VCTs.

Principal risks and uncertainties

The board carries out a regular and robust assessment of the risk environment in which the Company operates and the policies in place for managing each of these risks. The principal financial risks faced by the Company, which include interest rate, investment price, credit and liquidity risks, are summarised within note 15 of the financial statements.

Regulatory risk

In addition to these risks, the Company, as a fully listed Company on the London Stock Exchange with a premium listing, and as a Venture Capital Trust, operates in a complex regulatory environment and therefore faces the related risks. A breach of the VCT Regulations could result in the loss of VCT status and consequent loss of tax reliefs currently available to Shareholders and the Company being subject to capital gains tax. Serious breaches of other regulations, such as the Listing Rules of the Financial Conduct Authority, and the Companies Act, could lead to suspension from the Stock Exchange and damage to the Company's reputation.

In order to mitigate this risk, the Board monitors regulatory and legislative developments. The Company also has a strong compliance culture and systems in place to ensure that the Company complies with all of its regulatory requirements.

VCT qualifying status risk

A breach of the VCT regulations could result in the loss of VCT status and consequent loss of tax reliefs currently available to Shareholders, and the Company being subject to capital gains tax. Serious breaches of other regulations, such as the Listing Rules of the Financial Conduct Authority and the Companies Act, could lead to suspension from the Stock Exchange and damage to the Company's reputation.

The Board receives quarterly reports from the Managers, which monitor the compliance of these risks, and places reliance on the Managers to give updates in the intervening periods. These policies have remained unchanged since the beginning of the financial year. Philip Hare & Associates LLP provide regular independent reviews of the Company's VCT status, as well as advice on VCT compliance issues as and when they arise.

Economic risk

Fluctuations in the stock market or economic recession and movement in interest rates could affect the valuations of investee companies. This is mitigated by holding a diversified portfolio of investments across a wide range of sectors.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Stock market risk

The Company's quoted portfolio will be subject to both upward and downward market fluctuations. The investment manager actively monitors the quoted portfolio and the board receives quarterly updates on movements in valuations.

Viability statement

In accordance with C.2.1 and C.2.2 of the 2016 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board has conducted this review for a period of three years from the balance sheet date, as developments are considered to be reasonably foreseeable over this period.

The three-year review considers the principal risks facing the Company, which are summarised within note 15 as well as the Company's cash flows, dividend cover and VCT monitoring compliance over the period. The three-year review makes assumptions about the normal level of capital recycling likely to occur, expenses, dividends and share buybacks.

The Directors believe that the Company is well placed to manage its business risks successfully. Based on the results, the Board believes that, taking into account the Company's current position, and subject to the principal risks faced by the business, the Company will be able to continue in operation and meet its liabilities as they fall due, for a period of at least three years from the balance sheet date.

Business Model

The Company operates as a Venture Capital Trust to ensure that its Shareholders can benefit from tax reliefs available.

The business of the Company is to act as an investment company, investing in a portfolio which meets the conditions set within its Investment Policy, as shown below.

Investment Policy

The Company's current Investment Policy is as follows:

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

- Companies which meet the VCT criteria with proven sales and the ability to grow, which are seeking growth capital;
- A strong, balanced and well-motivated management team;
- Investments which, where appropriate, include unsecured loan notes to provide income. The Company may also invest in preference shares;
- Investments where Draper Esprit and Elderstreet Investments can typically act as lead investor and have an active involvement in the business through a board position.

The Company has a general portfolio mix by sector and, whilst its average deal size, measured by initial investment cost, is approximately £1.0 million, the Company is able to syndicate deals of up to £10.0 million with the Draper Esprit co-investment funds. Going forward, this average initial deal size is likely to rise to £1.5 million with a focus on the following technology sectors:

- 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;
- Enterprise Technology: companies developing the software infrastructure, applications and services that drive productivity improvements, convenience and cost reduction for enterprises;
- Hardware and Deep Tech: companies developing different technologies that underpin advances in computing, consumer electronics and other industries;
- Healthcare and Wellness: companies leveraging digital and other technologies to create new products and services for the health and wellness market.

Within Qualifying Investments, 30% of new investments will usually be into early stage companies (typically revenues of between £0.5 and £1.5 million) with high growth potential and 70% into larger growth investments (typically revenues exceeding £1.5 million) that meet the new VCT age limit restrictions. Because of the new VCT rules it is likely that a higher percentage of investments than in the past will be in companies which have not yet reached profitability. The Company will aim to have material influence, including board representation, in relation to all of its portfolio companies.

STRATEGIC REPORT (continued)

Investment Policy (continued)

Risk Diversification

The Company's portfolio will be diversified by investing in a portfolio of VCT qualifying investments covering a number of technology sectors.

Funds not invested in VCT qualifying investments have in the past been invested in fixed income securities and going forward will generally be held in cash. The maximum that the Company will hold in a single investment (by value at the time of investment) is 15% of funds invested.

VCT Qualifying Investments

It is the Directors' intention that Qualifying Investments made by the Company will be in companies which meet the criteria set out in the Investment Policy stated on the previous page.

The Manager will seek to ensure that the businesses in which the Company invests will have: strong management teams; opportunities for growth; products or services able to sustain a competitive advantage; and reasonable prospects of achieving a stock market flotation or trade sale.

In relation to investments to be made by the Company:

1. In order to provide income, the Company's investments may include, where appropriate, unsecured loan notes. The Company may also invest in preference shares;
2. The Company's policy is, where appropriate, to have a representative of the Manager or Draper Esprit, or an experienced individual well known to either party, appointed to the board of each portfolio company as a non-executive director, in order to play an active role in seeking to develop the full potential of the company concerned; and

3. The Manager will endeavour to add value to the portfolio companies in a number of ways, including strategic planning, assisting with the development of the management team, advising on acquisitions or mergers and helping to structure the company for a stock market flotation or trade sale.

Investments in AIM traded companies

Companies whose shares are traded on AIM will be considered for investment. Such investments will normally only be made where most of the same criteria for unquoted investments are met.

Non-Qualifying Investments

The approach historically adopted by the Manager, in relation to Non-Qualifying investments, was to invest in short-dated fixed interest securities of high credit quality (to provide protection for the capital invested), principally consisting of financial instruments and fixed income securities issued by the UK Government, major companies and institutions, as well as holding such funds in cash and bonds within a balanced portfolio, with a focus on higher yields while maintaining liquidity and downside protection. The Company also had shareholder approval to invest in property, equities, commodities and hedge funds however this was de-minimis.

Following recent changes to the VCT Rules, new funds raised will generally be held in cash or near cash assets pending investment. After the Company has satisfied the VCT investment qualification targets required by HMRC, the remaining cash will be invested in accordance with HMRC rules for Non-Qualifying Investments. Currently this includes cash, listed shares and securities, liquid AIFs, UCITS or other money market funds.

STRATEGIC REPORT (continued)

Investment Policy (continued)

Venture Capital Trust regulations

In continuing to maintain its VCT status, the Company complies with a number of regulations as set out in Part 6 of the Income Tax Act 2007. How the main regulations apply to the Company is summarised as follows:

1. The Company holds at least 70% of its investments in qualifying companies (as defined by Part 6 of the Income Tax Act 2007);
2. In respect of funds raised before 5 April 2011, at least 30% of the Company's qualifying investments (by value) are held in "eligible shares" ("eligible shares" generally being ordinary share capital). For funds raised after 5 April 2011 this is increased to 70%;
3. At least 10% of each investment in a qualifying company is held in "eligible shares" (by cost at time of investment);
4. No investment constitutes more than 15% of the Company's portfolio (by value at time of investment);
5. The Company's income for each financial year is derived wholly or mainly from shares and securities;
6. The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained; and
7. Prior to 5 April 2012, the maximum unit size of £1 million in each VCT qualifying investment (per tax year). Post 5 April 2012 the maximum investment by a VCT in any company is £5 million in the twelve months ending on the date of the VCT's investment.

Following the Autumn 2017 budget, there have been some changes to VCT regulations. The Board has considered the impact of such changes, as outlined on page 16 of this report.

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.

At 31 March 2018, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £3.7 million. There are no plans to utilise this ability at the current time.

The Board is currently undertaking a review of the Investment Policy to ensure it is aligned with the latest VCT Regulations and fully reflects the arrangements with Draper Esprit. The Company expects to present formal proposals to Shareholders for a refined Investment Policy shortly.

Environmental, social and human rights policy

The Company seeks to conduct its affairs responsibly. Where appropriate, the Board and the Managers take environmental, social and human rights factors into consideration when making investment decisions.

Global greenhouse gas emissions

The Company has no greenhouse emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Director's Reports) Regulations 2013.

Directors and senior management

The Company does not have any employees, including senior management, other than the Board of the five male non-executive directors. There are no female directors. The Company's policy regarding diversity is set out in full in the Corporate Governance Statement on page 28.

Whilst the Board have delegated the day to day operation of the Company to its advisers, details of which are contained within the Report of the Directors, they retain the responsibility of planning, directing and controlling the activities of the Company.

Future Prospects

The Company's future prospects are set out in the Chairman's Statement and Investment Manager's Report.

By order of the Board



Grant Whitehouse

Secretary of Elderstreet Draper Esprit VCT plc

Company number: 03424984

Registered office:

6th Floor, St. Magnus House

3 Lower Thames Street

London EC3R 6HD

30 July 2018

REPORT OF THE DIRECTORS

The Directors present the Annual Report and Financial Statements of the Company for the period ended 31 March 2018.

Share capital

During the period the Company allotted a total of 27,804,102 Ordinary Shares of 5p each ("Ordinary Shares") at an average price of 64.71p per share, under a Prospectus Offer that launched in December 2016. Gross proceeds received thereon were £18 million with issue costs in respect of the offer amounting to £498,000.

During the period, the Company purchased 953,914 Ordinary Shares for cancellation for an aggregate consideration of £536,000, equating to an average price of 55.90p per share. The purchase was undertaken at a price approximately equivalent to a 9.6% discount to the most recently published NAV at the time of purchase. These shares were subsequently cancelled.

The total number of Ordinary Shares in issue at 31 March 2018 was 63,884,554.

On 7 December 2017 the Company launched a further Prospectus Offer. On 31 May 2018, the Offer closed having raised a total of £3.9 million. Between the balance sheet date and 31 May 2018, 6,159,557 shares were allotted at an average price of 62.98p per Ordinary Share. At the date of this report the total number of Ordinary Shares in issue was 70,044,111. There are no other share classes in issue.

Results and dividends

	Pence £'000	Per share
Loss on ordinary activities after tax for the period ended	(1,652)	(2.9)
<i>Dividends paid in the period</i>		
30 June 2017	912	1.5
29 September 2017	934	1.5
	<u>1,846</u>	<u>3.0</u>

Your Company will pay a final dividend of 1.5p per Ordinary Share on 12 October 2018, to Shareholders on the register at 14 September 2018, subject to Shareholder approval at the AGM.

Directors

The Directors of the Company during the period were as follows:

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

In view of trends in corporate governance practice, all Directors retire at each AGM, with those wishing to do so putting themselves forward for re-election. Accordingly, at the forthcoming AGM all Directors will retire and all of them, being eligible, are offering themselves for re-election. The Board recommends that Shareholders take into consideration each Director's considerable experience in VCTs and other areas, as shown in their respective biographies on page 4, together with the performance of the Company over the years, in order to support the resolutions to re-appoint each of the Directors.

Each of the Directors has entered into an agreement for services which is terminable on three months' notice by either side. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires and their powers are bound by the Company's Articles of Association. Appointments of new Directors to the Board are considered by all existing Directors as and when required.

The Company provides Directors' and Officers' liability insurance, giving appropriate cover for legal action brought against its Directors, and has also agreed to indemnify Directors in circumstances where they are not considered to be culpable. The indemnity, which is a qualifying third-party indemnity provision for the purpose of the Companies Act, is for the benefit of all of the Company's current Directors.

Investment management fees

Elderstreet Investments Limited is the Investment Manager for the Company and receives a fee of 2.0% of net assets per annum. The agreement, originally entered into on 30 January 1998 for a fixed period of five years, is terminable by one year's prior written notice by either side.

The Board is satisfied with the performance of the Company and with Elderstreet Investments Limited's strategy, approach and procedures in providing investment management services to the Company. The Directors have therefore concluded that the continuing appointment of Elderstreet Investments Limited as Investment Manager remains in the best interest of Shareholders.

REPORT OF THE DIRECTORS (continued)

Performance incentive fees

No performance incentive fees are payable in respect of the year under review as the conditions have not been met. Performance incentive fees are payable to the Investment Manager when the Company has paid and/or proposed dividends totalling at least 3.5p per share in respect of any one financial year and when the NAV, before the dividends, is above 70.6p per share. If the test is met, the fee is calculated at a rate of 20% of the dividend per share in excess of 3.5p and is based on the shares in issue at the year end. The performance incentive fee will also have a catch-up if the dividend element of the test is not met.

Annual running costs cap

The Company's annual running costs (which exclude any performance fees payable) are capped at 3.5% of the net assets. Any excess will be paid by the Managers. The annualised expense ratio for the 15-month period, based on net assets as at 31 March 2018, was 3.0% (year ended 31 December 2016: 3.2%).

Administration management fees

Downing LLP provides administration services to the Company for a fee of £50,000 per annum. The agreement is terminable by one year's prior written notice by either side.

VCT Status

The Company has appointed Philip Hare & Associates LLP to advise it on compliance with VCT requirements, reporting directly to the Board. Philip Hare & Associates LLP work closely with the Managers of the Company, undertaking reviews of the VCT compliance status of new investment opportunities; providing regular compliance updates on the Company's existing portfolio of investments and providing advice on VCT compliance issues as and when they arise.

A summary of the VCT regulations is included in the Company's Investment Policy as shown on pages 18 to 20.

Compliance with the main VCT regulations as at 31 March 2018 and for the period then ended is summarised as follows:

1. 70% of its investments is held in qualifying companies; 87.8%
2. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares" for funds raised before 5 April 2011, and 70% thereafter; Complied
3. At least 10% of each investment in a qualifying company is held in "eligible shares"; Complied
4. No investment constitutes more than 15% of the Company's portfolio (by value at the time of investment); Complied
5. The Company's income for each financial year is derived wholly or mainly from shares and securities; 93.3%
6. The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained; and Complied
7. Prior to 5 April 2012, the maximum unit size of £1 million in each VCT qualifying investment (per tax year). Post 5 April 2012 the maximum investment by a VCT in any company is £5 million in the twelve months ending on the date of the VCT's investment. Complied

Substantial interests

As at 31 March 2018, and the date of this report, the Company was not aware of any beneficial interests exceeding three per cent of the issued Ordinary Share capital.

Auditor

Due to the current auditor's tenure, which is now in its tenth year, the Company was required to undertake an audit tender for the period ended 31 March 2018. The audit tender process took place during April 2017, after which a resolution to re-appoint BDO as the Company's Auditor was passed at the 2017 AGM.

REPORT OF THE DIRECTORS (continued)

Annual General Meeting

The Annual General Meeting will be held at 20 Garrick Street, London WC2E 9BT at 11:00 a.m. on 18 September 2018. The AGM Notice is at the end of this document.

Directors' responsibilities statement

The Directors are responsible for preparing the Report of the Directors, the Strategic Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Conduct Authority.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland (FRS 102). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, each of the Directors considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on page 4, confirms that, to the best of each person's knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the management report, comprising the Chairman's Statement, the Strategic Report, the Investment Manager's Report, the Review of Investments and the Report of the Directors, includes a fair review of the development and performance of the business and the position of the Company, together with the principal risks and uncertainties that it faces.

Electronic publication

The financial statements are published on www.elderstreet.com (maintained by the Investment Manager) and on www.downing.co.uk (maintained by the Administration Manager). Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Corporate Governance

The Company's compliance with, and departures from, the Financial Reporting Council's UK Corporate Governance Code (www.frc.org.uk), is shown on page 30.

REPORT OF THE DIRECTORS (continued)


Statement as to disclosure of information to Auditor

The Directors in office at the date of this report have confirmed, as far as they are aware, that there is no relevant audit information of which the Auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors, in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditor.

Other matters

Information in respect of financial instruments, greenhouse emissions and future developments which were previously disclosed within the Report of the Directors have been disclosed within the Strategic Report on pages 17 to 20.

By order of the Board



Grant Whitehouse

Secretary of Elderstreet Draper Esprit VCT plc

Company number: 03424984

Registered office:

6th Floor, St. Magnus House

3 Lower Thames Street

London EC3R 6HD

30 July 2018

DIRECTORS' REMUNERATION REPORT

Annual statement from the Chairman of the Remuneration Committee: David Brock

The committee, comprising Hugh Aldous, Barry Dean, Michael Jackson, Nicholas Lewis and myself, has reviewed the fee structure, which has been in place since the VCT commenced trading, and agreed that the remuneration levels should remain unchanged for the forthcoming year.

Remuneration policy report

Below is the Company's remuneration policy which is effective for three years commencing 1 January 2018. The current policy was approved at the AGM on 23 June 2017.

The Company's policy on Directors' remuneration is to seek to remunerate Board members at a level appropriate for the time commitment required and degree of responsibility involved for a Venture Capital Trust of this size.

Non-executive Directors are not entitled to any performance related pay or incentive.

Directors' remuneration is calculated in accordance with the Company's Articles of Association as follows:

- 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 also receive by way of additional fees such further sums (if any) as the Company in general meeting may from time to time determine. Such fees and additional fees shall be divided among the Directors in such proportion and manner as they may determine and in default of determination equally.
- 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 as Directors, including any expenses incurred in attending meetings of the Board or of Committees of the Board or general meetings and if in the opinion of the Directors it is desirable that any of their number should make any special journeys or perform any special services on behalf of the Company or its business, such Director or Directors may be paid reasonable additional remuneration and expenses as the Directors may from time to time determine.

A remuneration payment or payment for loss of office can only be made to a current or former director that is within the scope of the approved policy (subject to the Articles), unless approved by a separate shareholder resolution.

The Board receives feedback from Shareholders from time to time via direct correspondence, telephone calls and at the AGM. The Remuneration Committee will take account of any comments in respect of the remuneration policy when it undertakes its regular review of the Company's policy.

Agreement for services

Each of the Directors has signed an agreement for services with the Company which specifies a notice period of three months. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires.

Annual report on remuneration (audited)

The following disclosure is required to be audited under the requirements of section 497. The audit opinion thereon is contained within the Auditor's Report on pages 31 to 35.

Directors' remuneration for the 15-month period (2016: year) under review was as follows:

	Current annual fee	Period to 31 Mar 18	Year to 31 Dec 16
	£	£	£
David Brock	22,500	28,125	22,500
Hugh Aldous	17,500	21,875	17,500
Barry Dean	17,500	21,875	17,500
Michael Jackson	15,000	18,750	15,000
Nicholas Lewis	15,000	18,750	15,000
	<u>87,500</u>	<u>109,375</u>	<u>87,500</u>

No other emoluments, pension contributions or life assurance contributions were paid by the Company to, or on behalf of, any Director. The Company does not have any share options in place.

The committee consider these levels to be comparable to other similar VCTs and appropriate for the time commitment required and degree of responsibility involved in being a non-executive director of the Company.

Statement of voting at the AGM

Shareholders' views in respect of Directors' remuneration are communicated at the Company's AGM and are taken into account in formulating the Directors' remuneration policy. At the last AGM on 23 June 2017, the votes in respect of the resolution to approve the Directors' Remuneration Report were as follows: -

In favour	97.7%
Against	2.3%
Withheld	-

At the 2017 AGM, where the remuneration policy was last put to a Shareholder vote, 97.3% voted for the resolution and 2.7% against, showing significant Shareholder support.

DIRECTORS' REMUNERATION REPORT (continued)

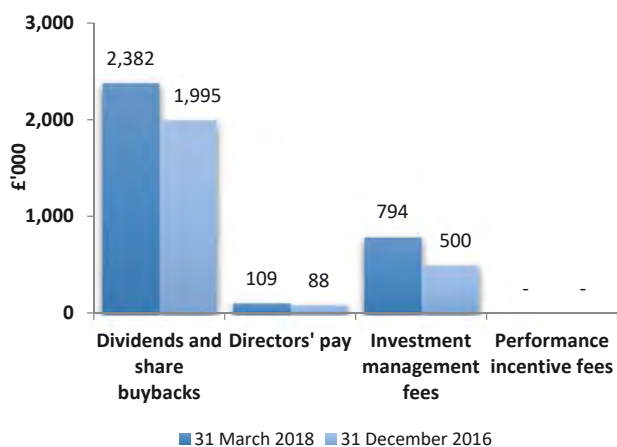
Directors share interests

The beneficial interests of the Directors in the issued Ordinary Shares in the Company at each period end and the date of this report were as follows:

	31 Mar 2018	31 Dec 2016
David Brock	104,281	104,281
Hugh Aldous	20,710	20,710
Barry Dean	20,421	20,421
Michael Jackson	801,790	801,790
Nicholas Lewis	48,498	48,498

Relative importance of spend on pay

The differences in actual spend between 31 March 2018 and 31 December 2016 on remuneration for all directors in comparison to distributions (dividends and share buybacks) and other significant spending are set out in the tabular graph below:



Performance graph

The graph at the foot of the page charts the total cumulative Shareholder return of the Company (assuming all dividends are re-invested) ("NAV Total Return") and Total Return of the Company's Share Price ("Share Price Total Return") over the past nine years, compared to Numis Smaller Companies Index (Total Return, excluding investment companies), each of which has been rebased to 100 pence.

The Board believes that NAV Total Return provides Shareholders with a fairer reflection of the Company's long-term value than the Company's share price, due to the long-term nature of an investment in Venture Capital Trust shares. The Numis Smaller Companies Index is considered to be the most appropriate broad equity market against which Investors can measure the relative performance of the Company, as it focuses on smaller companies and is more relevant than most other publicly available indices.

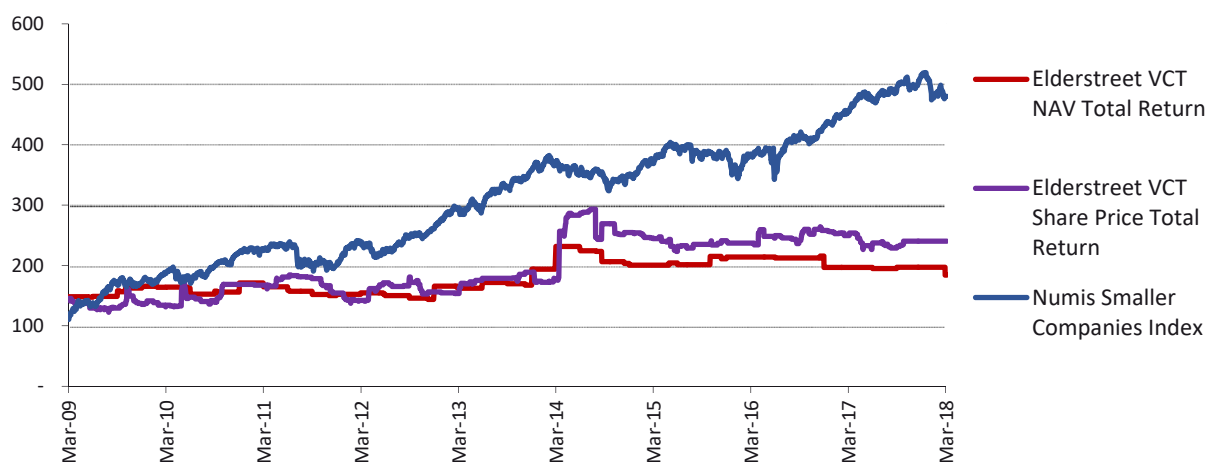
By order of the Board

Grant Whitehouse

Secretary of Elderstreet Draper Esprit VCT plc
 Company number: 03424984
 Registered office:
 6th Floor, St. Magnus House
 3 Lower Thames Street
 London EC3R 6HD

30 July 2018

Performance graph



CORPORATE GOVERNANCE STATEMENT

The Directors support the relevant principles of the UK Corporate Governance Code maintained by the Financial Reporting Council, being the principles of good governance and the code of best practice.

The Board

The Company has a Board comprising of five non-executive Directors. The Chairman is David Brock and the Senior Independent Director is Hugh Aldous. Biographical details of all Board members (including the significant commitments of the Chairman) are shown on page 4.

In accordance with Company Policy, all Directors are offering themselves for re-election at the next AGM.

Full Board meetings take place quarterly and the Board meets or communicates more regularly to address specific issues. The Board has a formal schedule of matters specifically reserved for its decision which includes, but is not limited to: considering recommendations from the Investment Manager; making decisions concerning the acquisition or disposal of investments outside of the scope of the discretionary management agreement; and reviewing, annually, the terms of engagement of all third-party advisers (including the Investment Manager and Administration Manager).

The Board has also established procedures whereby Directors wishing to do so in the furtherance of their duties may take independent professional advice at the Company's expense.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary provides the Board with full information on the Company's assets and liabilities and other relevant information requested by the Chairman, in advance of each Board meeting.

Share capital

The Board has authority to make market purchases of the Company's own shares. This authority for up to 14.9% of the Company's issued share capital was granted at the last AGM. A resolution will be put to Shareholders to renew this authority at the forthcoming AGM.

The Board will seek authority at the forthcoming AGM to issue new shares up to an aggregate nominal amount of £2,500,000.

The capital structure of the Company is disclosed on page 21.

Committees to the Board

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, Barry Dean 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. All Committees have defined terms of reference and duties, which are available from www.downing.co.uk.

Formal Board and Committee meetings

The following table sets out the Directors' attendance at the Board and Committee meetings held during the period.

	Board meetings attended (5 held)	Audit Committee meetings attended (2 held)
David Brock	5	2
Hugh Aldous	5	2
Barry Dean	5	2
Michael Jackson	5	n/a
Nicholas Lewis	4	n/a

There were no Nomination Committee meetings during the period.

Audit Committee

The Audit Committee is responsible for reviewing the Half-Yearly and Annual Reports before they are presented to the Board, the terms of appointment of the Auditor together with their remuneration, as well as a full review of the effectiveness of the Company's internal control and risk management systems.

In particular, the Committee reviews, challenges (where appropriate) and agrees the basis for the carrying value of the unquoted investments, as prepared by the Investment Manager, for presentation within the Half-Yearly and Annual Reports.

The Committee also takes into careful consideration, comments on matters regarding valuation, revenue recognition and disclosures arising from the Report to the Audit Committee prepared by BDO, as part of the finalisation process for the Annual Report.

As part of its annual review procedures, the Committee has obtained sufficient assurance from their own evaluation, the audit feedback documentation and from correspondence and discussions with the engagement partner of BDO LLP.

The Audit Committee met twice during the period. The Committee reviewed the internal financial controls and concluded that they remained appropriate.

CORPORATE GOVERNANCE STATEMENT (continued)

Audit Committee (continued)

Internal audit and control

The Committee has considered the need for an internal audit function and has concluded that this would not be appropriate for a company of this size and structure. The Committee seeks to satisfy themselves that there is a proper system and allocation of the responsibilities for the day-to-day monitoring of financial controls by receiving representations and information either upon request or voluntarily from the Manager. This is covered more fully under Risk Management and Internal Control.

Whistleblowing procedures

As the Company has no staff, other than directors, there are no procedures in place in respect of C.3.5 of the UK Corporate Governance Code ("UK Code"), relating to whistleblowing. The Audit Committee understands that the Investment Manager and Administration Manager have whistleblowing procedures in place.

External auditor

The Committee reviews and agrees the audit strategy paper, presented by the Auditor in advance of the audit, which sets out the key risk areas to be covered during the audit and confirms their status of independence.

The Committee confirms that the two main areas of risk for the period under review are the carrying value of investments and revenue recognition. The committee's consideration of these risks is set out in the Financial Reporting section on the previous page.

The Committee, after taking into consideration comments from the Investment Manager, Elderstreet Investments Limited, and the Administration Manager, Downing LLP, regarding the effectiveness of the audit process; immediately before the conclusion of the annual audit, will recommend to the Board either re-appointment or removal of the auditors.

Under the Competition and Markets Authority regulations, there is a requirement that an audit tender process be carried out every ten years and mandatory rotation at least every twenty years. As a result, the Company undertook an audit tender during April 2017. Four firms were invited to tender, including BDO. Each firm was considered to offer extensive experience of VCTs, together with accounting, tax and financial reporting and governance expertise. The result of the tender was that, on the recommendation of the Committee and taking discussions held with the engagement Partner at BDO into consideration, the Board took the decision to reappoint BDO for the period ended 31 March 2018. A resolution to re-appoint BDO as auditor was subsequently approved by Shareholders at the 2017 AGM.

Non-audit services

Any non-audit services provided by the Auditor are reviewed and approved by the Committee prior to being undertaken (such services being undertaken by a separate department to the Auditor), to ensure that the Auditor's objectivity and independence are safeguarded. In addition, the Auditor confirms their independent status on an annual basis.

The Company's Auditor has historically provided corporation tax compliance services, however the provision of such services ceased following the year ended 31 December 2016. The Auditor, may, however, continue to perform ad-hoc work at the request of the Board. The Committee recognises the requirement for the tax computation to be prepared annually and the appointment of a new corporate tax agent has now been agreed by the Board. In reference to ad-hoc work carried out by the Auditor, the Board will agree the maximum expected fee before such work being undertaken, to ensure that auditor objectivity and independence is safeguarded. The Auditor has not provided any non-audit services in respect of the period ended 31 March 2018. The fees paid to the Auditor for the period are disclosed in Note 4 of the Financial Statements.

Nomination Committee

The Nomination Committee's primary function is to make recommendations to the Board on all new appointments and to advise generally on issues relating to the Board composition and balance.

Diversity policy

When considering a new appointment to the Board, the Committee's responsibility is to ensure that Shareholders are safeguarded by appointing the most appropriate person for the position, (irrespective of gender) giving due regard to past and present experience in the sectors in which the Company invests. The Company therefore does not have a specific diversity policy in place.

Remuneration Committee

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.

Anti-bribery policy

The Company operates an anti-bribery policy to ensure that it meets its responsibilities arising from the Bribery Act 2010. This policy can be found on the website maintained by the Administration Manager at www.downing.co.uk.

CORPORATE GOVERNANCE STATEMENT (continued)

Relations with Shareholders

Shareholders have the opportunity to meet the Board at the AGM. The Board is also happy to respond to any written queries made by Shareholders during the course of the period, or to meet with Shareholders if so requested. As disclosed in the Report of the Directors, there were no Shareholders with a substantial interest in the Company at the period end or at the date of this report.

In addition to the formal business of the AGM, representatives of the management team and the Board are available to answer any questions a Shareholder may have.

Separate resolutions are proposed at the AGM on each substantially separate issue. Downing LLP collates proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM.

In order to comply with the UK Corporate Governance Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called, and are published immediately following the AGM. The notice of the next AGM and proxy form can be found at the end of these financial statements.

The conditions of appointment of non-executive Directors are available to Shareholders upon request.

Financial reporting

The Directors' responsibilities statement for preparing the accounts is set out in the Report of the Directors on page 23, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 35.

Risk management and internal control

The Board has adopted an Internal Control Manual ("Manual"), for which they are responsible, which has been compiled in order to comply with the UK Corporate Governance Code. The Manual is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, which it achieves by detailing the perceived risks and controls to mitigate them. The Board reviews the perceived risks in line with relevant guidance on an annual basis and implements additional controls as appropriate.

The Board reviews a Risk Register on an annual basis. The main aspects of internal control in relation to financial reporting by the Board were as follows:

- Review of quarterly reports from the Investment Manager on the portfolio of investments held, including additions and disposals;

- Quarterly reviews by the Board of the Company's investments, other assets and liabilities, revenue and expenditure and detailed review of unquoted investment valuations;
- Quarterly reviews by the Board of compliance with the Venture Capital Trust regulations to retain status, including a review of half yearly reports from Philip Hare & Associates LLP;
- A separate review of the Annual Report and Half Yearly report by the Audit Committee prior to Board approval; and
- A review by the Board of all financial information prior to publication.

The Board is responsible for ensuring that the procedures to be followed by the advisers and themselves are in place, and they review the effectiveness of the Manual, based on the report from the Audit Committee, on an annual basis to ensure that the controls remain relevant and were in operation throughout the period.

Although the Board is ultimately responsible for safeguarding the assets of the Company, the Board has delegated, through written agreements, the day-to-day operation of the Company (including the Financial Reporting Process) to the following advisers:

Investment Management Elderstreet Investments Limited

Administration Management Downing LLP

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman's Statement on page 5, the Investment Manager's Report on page 8 and the Strategic Report on page 17. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Balance Sheet on page 38; the Statement of Cash Flows on page 39 and the Strategic Report on page 20. In addition, note 15 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Company has sufficient 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.

CORPORATE GOVERNANCE STATEMENT (continued)

Going concern (continued)

The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, they believe that the Company continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

Compliance statement

The Listing Rules require the Board to report on compliance with the fifty-five UK Corporate Governance Code provisions throughout the accounting period. The preamble to the UK Corporate Governance Code does, however, acknowledge that some provisions may have less relevance for investment companies. With the exception of the limited items outlined below, the Company has complied throughout the accounting period ended 31 March 2018 with the provisions set out in the UK Corporate Governance Code:

- a) New Directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. Also, the Company has no major Shareholders so Shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the AGM. (B.4.1, B.4.2, E.1.1)
- b) Due to the size of the Board and the nature of the Company's business, a formal performance evaluation of the Board, its Committees, the individual Directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise. (A.4.1, A.4.2, B.6.1, B.6.3, B.7.2)

The Company does not have a majority of independent Directors, as defined by the UK Corporate Governance Code, as the majority of Directors have held office for more than nine years. The Board considers that all Directors have sufficient experience to be able to exercise proper judgement within the meaning of the UK Corporate Governance Code. (B.1.2) (Consequently, the composition of the Audit Committee does not comply with C.3.1.)

- c) The non-executive Directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts. (B.2.3) The Directors do have agreements for services in place. In the Directors' opinion, this does not make a substantive difference to the circumstances of the Company.

As an externally managed VCT, most of the Company's operations are delegated to third parties and the Company has no executive directors, employees or internal operations. The Board has therefore concluded, for the reasons set out in the AIC Corporate Governance Guide for Investment Companies and as explained in the UK Code that the specific provisions of the UK Code that relate to the requirement for an internal audit function, the role of the chief executive and executive directors pay are not relevant to the Company. The Company has therefore not reported in respect of these provisions.

By order of the Board



Grant Whitehouse

Secretary of Elderstreet Draper Esprit VCT plc
Company number: 03424984
Registered office:
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD

30 July 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELDERSTREET DRAPER ESPRIT VCT PLC

Opinion

We have audited the financial statements of Elderstreet Draper Esprit VCT plc (the 'Company') for the period ended 31 March 2018 which comprise the Income Statement, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report, set out on pages 17 and 18, that describes the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on pages 29 and 30 in the financial statements, about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELDERSTREET DRAPER ESPRIT VCT PLC (continued)

Key audit matter

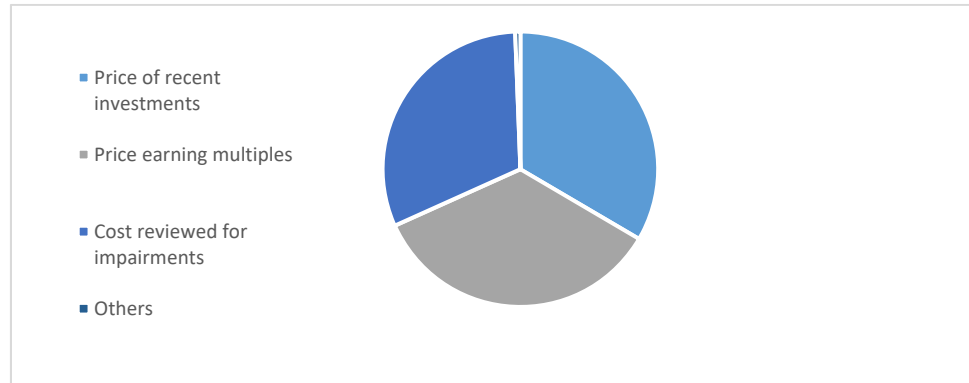
Valuation of investments:

We consider the valuation of investments to be the most significant audit area as there is a high level of estimation uncertainty involved in determining the unquoted investment valuations.

There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the Company.

Audit response

Our sample for the testing of unquoted investments was stratified according to risk considering, inter alia, the value of individual investments, the nature of the investment, the extent of the fair value movement and the subjectivity of the valuation technique. A breakdown of the investment portfolio valuation technique is shown below.



For all Investments in our sample we:

- Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and FRS 102;
- Recalculated the value attributable to the Company, having regard to the application of enterprise value across the capital structures of the investee companies;

For investments sampled that were valued using less subjective valuation techniques (cost and price of recent investment reviewed for changes in fair value) we:

- Verified the cost or price of recent investments to supporting documentation;
- Considered whether the investment was an arm's length transaction; and
- Considered whether there were any indications that the cost or price of recent investment was no longer representative of fair value considering, inter alia, the current performance of the investee Company and the milestones and assumptions set out in the investment proposal

For investments sampled that were valued using more subjective techniques (earnings multiples) we:

- Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements;
- Reviewed the historical financial statements and any recent management information available to support assumptions about maintainable revenues and earnings used in the valuations;
- Considered the earnings multiples applied by reference to observable listed Company market data; and
- Challenged the consistency and appropriateness of adjustments made to such market data in establishing the earnings multiple applied in arriving at the valuations adopted.

Where appropriate, we performed a sensitivity analysis by developing our own point estimate where we considered that alternative input assumptions could reasonably have been applied and we considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and free from bias.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELDERSTREET DRAPER ESPRIT VCT PLC (continued)

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum 2018	Quantum 2016
Financial statement materiality. (1.75% of gross investments)	Assessing whether the financial statements as a whole present a true and fair view.	<ul style="list-style-type: none"> The value of net assets The level of judgement inherent in the valuation The range of reasonable alternative valuations 	£360,000	£330,000
Performance materiality	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	<ul style="list-style-type: none"> Financial statement materiality Risk and control environment History of prior errors (if any) 	£270,000	£248,000
Specific materiality – classes of transactions and balances which impact on revenue profits. (5% gross expenditure)	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	<ul style="list-style-type: none"> Level of gross expenditure 	£63,000	£75,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £3,000 (2016: £9,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

We carried out a full scope audit of the financial statements. Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken on behalf of the Board by the Investment Manager and Administration Manager and, the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement and focussed our audit on those areas.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELDERSTREET DRAPER ESPRIT VCT PLC (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable [set out on page 23]** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting [set out on pages 27 and 28]** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code [set out on page 30]** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELDERSTREET DRAPER ESPRIT VCT PLC (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were originally appointed on 4 September 2007 to audit the financial statements of the Company for the year ended 31 December 2007. Following the recommendation of the audit committee, we were reappointed by the Company on April 2017 to audit the financial statements for the period ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement is eleven years, covering the years ending 31 December 2007 to 31 March 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Peter Smith (senior statutory auditor)

For and on behalf of BDO LLP

Statutory Auditor

55 Baker Street

London

W1U 7EU

30 July 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

INCOME STATEMENT

for the period ended 31 March 2018

	Note	Period ended 31 March 2018			Year ended 31 December 2016		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	673	-	673	603	-	603
Losses on investments	9	-	(1,074)	(1,074)	-	(867)	(867)
		673	(1,074)	(401)	603	(867)	(264)
Investment management fees	3	(198)	(596)	(794)	(125)	(375)	(500)
Other expenses	4	(383)	(74)	(457)	(256)	(13)	(269)
Return/(loss) on ordinary activities before tax		92	(1,744)	(1,652)	222	(1,255)	(1,033)
Tax on total comprehensive income and ordinary activities	6	-	-	-	-	-	-
Return/(loss) attributable to equity shareholders, being total comprehensive income for the period	8	92	(1,744)	(1,652)	222	(1,255)	(1,033)
Basic and diluted return/(loss) per share	8	0.2p	(3.1p)	(2.9p)	0.6p	(3.6p)	(3.0p)

All Revenue and Capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period. The total column within the Income Statement represents the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards ("FRS 102"). The supplementary revenue and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in February 2018 by the Association of Investment Companies ("AIC SORP").

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the period ended 31 March 2018

	Share capital £'000	Capital Redemption reserve £'000	Share premium £'000	Merger reserve £'000	Special reserve £'000	Capital reserve - unrealised £'000	Capital reserve - realised £'000	Revenue reserve £'000	Total £'000
For the year ended 31 December 2016									
At 1 January 2016	1,733	474	3,743	1,828	2,629	4,433	9,132	486	24,458
Total comprehensive income	-	-	-	-	-	(1,312)	57	222	(1,033)
Transfer between reserves*	-	-	-	-	(423)	40	383	-	-
<i>Transactions with owners</i>									
Issue of new shares	130	-	1,709	-	-	-	-	-	1,839
Share issue costs	-	-	-	-	(9)	-	-	-	(9)
Purchase of own shares	(11)	11	-	-	(139)	-	-	-	(139)
Dividends paid	-	-	-	-	-	-	(1,484)	(372)	(1,856)
At 31 December 2016	1,852	485	5,452	1,828	2,058	3,161	8,088	336	23,260
For the period ended 31 March 2018									
At 1 January 2017									
Total comprehensive income	-	-	-	-	-	(1,831)	87	92	(1,652)
Transfer between reserves*	-	-	-	-	(572)	4,185	(3,613)	-	-
<i>Transactions with owners</i>									
Issue of new shares	1,390	-	16,602	-	-	-	-	-	17,992
Share issue costs	-	-	-	-	(498)	-	-	-	(498)
Purchase of own shares	(48)	48	-	-	(536)	-	-	-	(536)
Dividends paid	-	-	-	-	-	-	(1,231)	(615)	(1,846)
At 31 March 2018	3,194	533	22,054	1,828	452	5,515	3,331	(187)	36,720

* A transfer of £4,185,000 (2016: £40,000), representing impairment losses during the year, as well as cumulative unrealised gains on investments which were disposed of during the period (2016: year), has been made from the Capital reserve - unrealised to the Capital Reserve – realised. A transfer of £572,000 (2016: £423,000), representing realised gains on investment disposals, plus capital expenses and capital dividends in the year, has been made from Capital Reserve – realised to the Special reserve.

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET
at 31 March 2018

	Note	£'000	31 Mar 2018 £'000	£'000	31 Dec 2016 £'000
Fixed assets					
Investments	9		20,828		20,769
Current assets					
Debtors	10	84		342	
Cash at bank and in hand		15,987		2,302	
		<u>16,071</u>		<u>2,644</u>	
Creditors: amounts falling due within one year	11	<u>(179)</u>		<u>(153)</u>	
Net current assets			<u>15,892</u>		<u>2,491</u>
Net assets			<u>36,720</u>		<u>23,260</u>
Capital and reserves					
Called up share capital	12		3,194		1,852
Capital redemption reserve	13		533		485
Share premium	13		22,054		5,452
Merger reserve	13		1,828		1,828
Special reserve	13		452		2,058
Capital reserve – unrealised	13		5,515		3,161
Capital reserve – realised	13		3,331		8,088
Revenue reserve	13		<u>(187)</u>		<u>336</u>
Total equity shareholders' funds	14		<u>36,720</u>		<u>23,260</u>
Basic and diluted net asset value per share	14		57.5p		62.8p

The financial statements on pages 36 to 53 were approved and authorised for issue by the Board of Directors on 30 July 2018 and were signed on its behalf by:



David Brock
Chairman
Company number: 03424984

STATEMENT OF CASH FLOWS
for the period ended 31 March 2018

	31 Mar 2018 £'000	31 Dec 2016 £'000
Cash flow from operating activities		
Loss on ordinary activities before taxation	(1,652)	(1,033)
Losses on investments	1,074	867
Decrease in debtors	258	1,415
Increase/(decrease) in creditors	26	(448)
Net cash (outflow)/inflow from operating activities	<u>(294)</u>	<u>801</u>
Cash flow from investing activities		
Purchase of investments	(5,572)	(1,892)
Proceeds from disposal of investments	4,439	445
Net cash outflow from investing activities	<u>(1,133)</u>	<u>(1,447)</u>
Cash flow for financing activities		
Equity dividends paid	(1,846)	(1,856)
Proceeds from share issue	17,992	1,839
Share issue costs	(498)	(9)
Purchase of own shares	(536)	(139)
Net cash inflow/(outflow) from financing activities	<u>15,112</u>	<u>(165)</u>
Net increase/(decrease) in cash	13,685	(811)
Cash and cash equivalents at start of period	2,302	3,113
Cash and cash equivalents at end of period	<u>15,987</u>	<u>2,302</u>
Cash and cash equivalents comprise		
Cash at bank and in hand	<u>15,987</u>	<u>2,302</u>
Total cash and cash equivalents	<u>15,987</u>	<u>2,302</u>

The accompanying notes form an integral part of these financial statements.

NOTES TO THE ACCOUNTS

for the period ended 31 March 2018

1. Accounting policies

General information

Elderstreet Draper Esprit VCT plc (“the Company”) is a venture capital trust established under the legislation introduced in the Finance Act 1995 and is domiciled in the United Kingdom and incorporated in England and Wales. The Company is a premium listed entity on the London Stock Exchange.

Basis of accounting

The Company has prepared its financial statements in accordance with the Financial Reporting Standard 102 (“FRS 102”) and in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” issued in February 2018 (“SORP”).

Presentation of Income Statement

In order to better reflect the activities of a venture capital trust, and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Part 6 of the Income Tax Act 2007.

Judgement in applying accounting policies and key sources of estimation uncertainty

Investments

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 documented Investment Policy.

Of the Company's assets measured at fair value, it is possible to determine their fair values within a reasonable range of estimates. The fair value of an investment upon acquisition is deemed to be cost. Thereafter, investments are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (“IPEV”) together with FRS 102 sections 11 and 12.

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 methodologies for unquoted entities used by the IPEV to ascertain the fair value of an investment are as follows:

- Price of recent investment;
- Multiples;
- Net assets;
- Discounted cash flows or earnings (of underlying business);
- Discounted cash flows (from the investment); and
- Industry valuation benchmarks.

The 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 as explained in the investment accounting policy above and addressed further in note 9.

Where an investee company has gone into receivership, liquidation, or administration (where there is little likelihood of recovery), the loss on the investment, although not physically disposed of, is treated as being realised. Permanent impairments in the value of investments are deemed to be realised losses and held within the Capital Reserve – Realised.

Gains and losses arising from changes in fair value are included in the Income Statement for the period as a capital item and transaction costs on acquisition or disposal of the investment expensed.

It is not the Company's policy to exercise significant influence over investee companies. Therefore, the results of these companies are not incorporated in the Income Statement, except to the extent of any income accrued. This is in accordance with the SORP and FRS 102 sections 14 and 15 that do not require portfolio investments to be accounted for using the equity method of accounting.

NOTES TO THE ACCOUNTS (continued)

for the period ended 31 March 2018

1. Accounting policies (continued)

Income

Dividend income from investments is recognised when the Shareholders' rights to receive payment have been established, normally the ex-dividend date.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable and only where there is reasonable certainty of collection.

Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the Income Statement, all expenses have been presented as revenue items except as follows:

- Expenses which are incidental to the acquisition of an investment are deducted as a capital item.
- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. The Company has adopted the policy of allocating investment manager's fees, 75% to capital and 25% to revenue as permitted by the SORP. The allocation is in line with the Board's expectation of long term returns from the Company's investments in the form of capital gains and income respectively.
- Performance incentive fees arising are treated as a capital item.

Taxation

The tax effects on different items in the Income Statement are allocated between capital and revenue on the same basis as the particular item to which they relate using the Company's effective rate of tax for the accounting period.

Due to the Company's status as a Venture Capital Trust and the continued intention to meet the conditions required to comply with Part 6 of the Income Tax Act 2007, no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments which arise.

Deferred taxation is not discounted and is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts.

Other debtors and other creditors

Other debtors (including accrued income) and other creditors are included within the accounts at amortised cost.

Issue costs

Issue costs in relation to the shares issued are deducted from the special reserve.

Dividends

Dividends payable are recognised as distributions in the financial statements when the company's liability to make payment has been established.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with an original maturity of three months or less.

NOTES TO THE ACCOUNTS (continued)
for the period ended 31 March 2018

2. Income

	31 Mar 2018 £'000	31 Dec 2016 £'000
Income from investments		
Loan note interest	285	156
Dividend income	341	419
Interest on fixed income securities	2	17
	<u>628</u>	<u>592</u>
Other income		
Deposit interest	45	11
	<u>673</u>	<u>603</u>

3. Investment management fees

	2018 £'000	2016 £'000
Investment management fees	794	500
	<u>794</u>	<u>500</u>

Performance incentive fees are payable to the Investment Manager when the Company has paid and/or proposed dividends totalling at least 3.5p per share in respect of any one financial year and when the NAV, before the dividends, is above 70.6p per share. If the test is met, the fee is calculated at a rate of 20% of the dividend per share in excess of 3.5p and is based on the shares in issue at the year end. The performance incentive fee will also have a catch-up if the dividend element of the test is not met. The test has not been met for the period under review and as such there is no charge payable in respect of the performance incentive fees (year ended 31 December 2016: £nil).

4. Other expenses

	31 Mar 2018 £'000	31 Dec 2016 £'000
Administration services	63	50
Directors' remuneration	109	88
Social security costs	8	6
Auditor's remuneration for statutory audit	26	25
Auditor's remuneration for non-audit services (corporation tax services)	-	3
Corporation tax services	4	-
Trail commission	63	16
Provision for doubtful income	74	13
Other running costs	110	68
	<u>457</u>	<u>269</u>

The annual running costs of the Company are also subject to a cap at 3.5% of the Company's net assets. The Manager's fees are, therefore, restricted accordingly if the cap is breached.

5. Directors' remuneration

Details of remuneration of the Directors (excluding employers' NI) can be found in the Directors' Remuneration Report on pages 25 to 26.

The Company had no employees other than the Directors during the period and accordingly the Directors are considered to be the Key Management Personnel of the Company. No other emoluments or pension contributions were paid by the Company to, or on behalf of, any Directors.

NOTES TO THE ACCOUNTS (continued)
for the period ended 31 March 2018

6. Taxation on ordinary activities

	31 Mar 2018 £'000	31 Dec 2016 £'000
(a) Tax charge for the period (2016: year)		
Current period		
UK corporation tax at 19.2% (year ended 31 December 2016: 20.0%)	-	-
Charged to capital expenses	-	-
	<u>-</u>	<u>-</u>
(b) Factors affecting tax charge for the period (2016: year)		
Loss on ordinary activities before tax	<u>(1,652)</u>	<u>(1,033)</u>
Tax charge calculated on loss on ordinary activities before tax at the applicable rate of 19.2% (year ended 31 December 2016: 20.0%)	(317)	(207)
Losses on investments	206	174
UK dividend income	(65)	(84)
Expenses disallowed for taxation purposes	14	3
Excess management fees carried forward	<u>162</u>	<u>114</u>
Tax charge	<u>-</u>	<u>-</u>

- (c) Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £5.3 million as at 31 March 2018 (31 December 2016: £4.6 million). The associated deferred tax asset at a rate of 17%, of £897,000 (31 December 2016: £773,000), has not been recognised due to the fact that it is unlikely that the excess management fees will be set off against taxable profits in the foreseeable future.

Due to the Company's status as a Venture Capital Trust and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

7. Dividends

		Period ended 31 March 2018			Year ended 31 December 2016		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividends paid in period							
2018 Interim	1.5p	311	623	934	-	-	-
2016 Final	1.5p	304	608	912	-	-	-
2016 Interim	2.5p	-	-	-	-	926	926
2015 Final	2.5p	-	-	-	372	558	930
		<u>615</u>	<u>1,231</u>	<u>1,846</u>	<u>372</u>	<u>1,484</u>	<u>1,856</u>
Forthcoming dividends							
2018 Final	1.5p	210	841	1,051	-	-	-
2016 Final	1.5p	-	-	-	370	185	555
		<u>210</u>	<u>841</u>	<u>1,051</u>	<u>370</u>	<u>185</u>	<u>555</u>

NOTES TO THE ACCOUNTS (continued)
for the period ended 31 March 2018

8. Basic and diluted return per share

	31 Mar 2018	31 Dec 2016
Return per share based on:		
Net revenue return for the financial period (£'000)	92	222
Net capital losses for the financial period (£'000)	<u>(1,744)</u>	<u>(1,255)</u>
Total Return for the financial period (£'000)	<u>(1,652)</u>	<u>(1,033)</u>
Weighted average number of shares in issue	<u>57,026,412</u>	<u>35,214,342</u>

As the Company has not issued any convertible securities or share options, there is no dilutive effect on return per share. The return per share disclosed, therefore, represents both basic and diluted return per share.

9. Investments

	Fixed income securities £'000	Quoted investments £'000	Unquoted investments £'000	Total £'000
Opening cost at 1 January 2017	1,516	6,234	13,619	21,369
Unrealised gains/(losses) at 1 January 2017	35	(513)	(122)	(600)
Opening fair value at 1 January 2017	<u>1,551</u>	<u>5,721</u>	<u>13,497</u>	<u>20,769</u>
Movement in period				
Purchased at cost	-	-	5,572	5,572
Disposal proceeds	(1,542)	(172)	(2,725)	(4,439)
Realised (losses)/gains in the income statement	(9)	16	750	757
Unrealised gains/(losses) in the income statement	-	248	(2,079)	(1,831)
Closing fair value at 31 March 2018	<u>-</u>	<u>5,813</u>	<u>15,015</u>	<u>20,828</u>
Retained investments at 31 March 2018				
Closing cost at 31 March 2018	-	6,008	17,092	23,100
Unrealised losses	-	(195)	(2,077)	(2,272)
Closing fair value	<u>-</u>	<u>5,813</u>	<u>15,015</u>	<u>20,828</u>

Costs of acquisition of investments acquired during the period were nil (2016: nil) and transaction costs incurred in respect of investments disposals during the period were nil (2016: nil). A schedule disclosing the additions and disposals during the period is shown on page 11.

The Company has categorised its financial instruments using the fair value hierarchy as follows:

- Level 1 Reflects financial instruments quoted in an active market (fixed interest investments, and investments in shares quoted on either the Main or AIM Markets);
- Level 2 Reflects financial instruments that have prices that are observable either directly or indirectly; and
- Level 3 Reflects financial instruments that use valuation techniques that are not based on observable market data (unquoted equity investments and loan note investments).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2018 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2016 £'000
Fixed interest securities	-	-	-	-	1,551	-	-	1,551
AIM quoted shares	5,332	-	181	5,513	4,516	-	204	4,720
Loan notes	-	-	1,230	1,230	-	-	4,839	4,839
Unquoted shares	-	-	14,085	14,085	-	-	9,659	9,659
	<u>5,332</u>	<u>-</u>	<u>15,496</u>	<u>20,828</u>	<u>6,067</u>	<u>-</u>	<u>14,702</u>	<u>20,769</u>

NOTES TO THE ACCOUNTS (continued)
for the period ended 31 March 2018

9. Investments (continued)

Reconciliation of fair value for Level 3 financial instruments held at the period end:

	AIM quoted shares £'000	Unquoted shares £'000	Loan notes £'000	Total £'000
Balance at 31 December 2016	204	9,659	4,839	14,702
<i>Movements in the income statement:</i>				
Unrealised (losses)/gains in the income statement	(23)	703	(2,783)	(2,103)
Realised gains in the income statement	-	224	-	224
	(23)	927	(2,783)	1,879
Purchased at cost	-	4,322	1,250	5,572
Disposal proceeds	-	(1,599)	(600)	(2,199)
Conversion	-	776	(1,476)	(700)
Balance at 31 March 2018	181	14,085	1,230	15,496

Level 3 unquoted shares and loan notes are valued in accordance with the IPEV as follows: -

	2018 £'000
Valuation methodology	
Recent investment price	10,609
Earnings multiple	4,706
	<u>15,315</u>

Changing one or more of the inputs to reasonable possible alternative valuation assumptions could result in a significant change in the fair value of the Level 3 investments. There is an element of judgement in the choice of assumptions for unquoted investments and it is possible that, if different assumptions were used, different valuations could have been attributed to some of the Company's investments.

The Board and the Investment Manager believe that the valuations as at 31 March 2018 reflect the most appropriate assumptions at that date, giving due regard to all information available from each investee company. Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown within note 15.

Significant interests

Details of shareholdings in those companies where the Company's holding, as at 31 March 2018, represents greater than 20% of the nominal value of any class of the allotted shares in the portfolio company, are disclosed below. All of the companies named are incorporated in England and Wales. The percentage holding in each class does not reflect the percentage voting rights in the Company as a whole.

Company	Registered office	Class of shares	Number held	Proportion of class held	Capital and reserves	Profit/(loss) for the year
Baldwin & Francis Limited	S4 7UR	Ordinary 'A'	79,999	100.0%	(£1.0m)	(£1.9m)
		Ordinary 'B'	26,666	22.2%		
Fords Packaging Topco Limited	MK42 7SH	Ordinary	77,706	42.2%	£3.2m	£1.0m
		Ordinary 'A'	23,394	100.0%		
Lyalvale Express Limited	WS13 8XA	Ordinary 'A'	95,210	100.0%	£8.9m	£0.8m
Macranet Limited	GU14 7JF	Ordinary	38,195	3.0%	(£1.8m)	*
		Ordinary 'A'	421,104	41.6%		
The QSS Group Limited	DE1 1UQ	Ordinary	125,329	44.4%	(£1.5m)	(£0.1m)

* Profit figures not publicly available.

NOTES TO THE ACCOUNTS (continued)
for the period ended 31 March 2018

10. Debtors

	31 Mar 2018 £'000	31 Dec 2016 £'000
Deferred consideration	74	194
Other debtors	5	5
Prepayments and accrued income	5	143
	<u>84</u>	<u>342</u>

11. Creditors: amounts falling due within one year

	31 Mar 2018 £'000	31 Dec 2016 £'000
Other creditors	94	94
Other taxes and social security	10	11
Accruals and deferred income	75	48
	<u>179</u>	<u>153</u>

12. Share capital

	31 Mar 2018 £'000	31 Dec 2016 £'000
Issued, allotted, called up and fully paid:		
63,884,554 (2016: 37,034,366) Ordinary Shares of 5p each	<u>3,194</u>	<u>1,852</u>

During the year the Company allotted 27,804,102 Ordinary Shares of 5p each ("Ordinary Shares") under a Prospectus Offer for Subscription that launched in December 2016, at an average price of 64.71p per share. Gross proceeds received thereon were £18 million with issue costs in respect of the offer amounting to £498,000.

During the period, the Company purchased 953,914 shares for cancellation for an aggregate consideration of £536,000 at an average price of 55.90p per share (approximately equal to a 9.6% discount to the most recently published NAV at the time of purchase) and representing 2.6% of the issued share capital in issue at 1 January 2017.

Management of capital

The Company defines capital as Shareholders funds, and is managed in accordance with its Investment Policy, as shown in the Strategic Report on pages 18 to 20, in pursuit of its principal investment objectives as stated on page 4. The Company has the authority to buy back shares as described in the Corporate Governance Statement on page 27. The Company does not have any externally imposed capital requirements.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide an adequate return to Shareholders by allocating its capital to assets commensurately with the level of risk.

By its nature, at least 70% (rising to 80% as of 1 April 2020) of the Company's capital, (as measured under the tax legislation) is, must be, and remain invested in the relatively high-risk asset class of small UK companies, within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

NOTES TO THE ACCOUNTS (continued)
for the period ended 31 March 2018

12. Share capital (continued)

Although, as the Investment Policy implies, the Board would consider levels of gearing, there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the levels of liabilities are small and the management of them is not directly related to managing the return to Shareholders. There has been no change in this approach from the previous year.

Fundraising

The Company launched a new offer for subscription on 7 December 2017, which sought to raise up to a maximum of £20 million. The offer closed on 31 May 2018, and 6,159,557 new shares were issued up to this date, at an average price of 62.98p per share. This allotment increased the number of shares in issue by 9.6%, to 70,044,111 Ordinary shares.

13. Reserves

Distributable reserves are calculated as follows:

	31 Mar 2018 £'000	31 Dec 2016 £'000
Special reserve	452	2,058
Capital reserve – realised	3,331	8,088
Revenue reserve	(187)	336
Merger reserve – distributable element	423	423
Capital Reserve – unrealised: excluding unrealised unquoted gains	<u>(788)</u>	<u>(657)</u>
	<u>3,231</u>	<u>10,248</u>

Capital redemption reserve

This reserve accounts for amounts by which the issued share capital is diminished through the repurchase and cancellation of the Company's own shares.

Share premium account

This reserve accounts for the difference between the price paid for shares and the nominal value of the shares, less transfers to the other distributable reserves.

Merger reserve

This reserve accounts for the premium arising on the issue of the shares to acquire Elderstreet Millennium VCT plc in 2007.

Special reserve

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 capital distributions, and also allows the Company to write back realised capital losses arising on disposals and impairments. Share issue costs are also charged to the special reserve.

Capital reserve – unrealised

Increases and decreases in the valuation of investments held at the period end against cost are included in this reserve.

Capital reserve – realised

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments;
- expenses, together with the related taxation effect, charged in accordance with the accounting policies; and
- dividends paid to equity holders.

Revenue reserve

This reserve accounts for movements from the revenue column of the Income Statement, the payment of dividends and other non-capital realised movements.

NOTES TO THE ACCOUNTS (continued)
for the period ended 31 March 2018

14. Basic and diluted net asset value per share

	Shares in issue		31 March 2018 Net asset value		31 December 2016 Net asset value	
	2018	2016	Pence per share	£'000	Pence per share	£'000
Ordinary Shares	63,884,554	37,034,366	57.5	36,720	62.8	23,260

As the Company has not issued any convertible securities or share options, there is no dilutive effect on net asset value per share. The net asset value per share disclosed therefore represents both basic and diluted net asset value per share.

15. Financial instruments

The Company's financial instruments comprise investments held at fair value through profit and loss, being equity and loan stock investments in quoted companies and unquoted companies; loans and receivables, being cash deposits and short-term debtors; and financial liabilities, being creditors arising from its operations. The main purpose of these financial instruments is to generate cash flow, revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short-term creditors and does not use any derivatives.

The fair value of investments is determined using the detailed accounting policy as shown in note 1. The composition of the investments is set out in note 9. Loans and receivables and other financial liabilities, as set out in the Balance Sheet, are stated at amortised cost, which the Directors consider is equivalent to fair value.

The Company's investment activities expose the Company to a number of risks associated with financial instruments and the sectors in which the Company invests. The principal financial risks arising from the Company's operations are:

- Market risks;
- Credit risk; and
- Liquidity risk.

The Board regularly reviews these risks and the policies in place for managing them. There have been no significant changes to the nature of the risks that the Company is exposed to over the period and there have also been no significant changes to the policies for managing those risks during the period.

The risk management policies used by the Company in respect of the principal financial risks and a review of the financial instruments held at the period end are provided on the next page.

NOTES TO THE ACCOUNTS (continued)
for the period ended 31 March 2018

15. Financial instruments (continued)

Market risks

As a VCT, the Company is exposed to investment risks in the form of potential losses that may arise on the investments it holds in accordance with its Investment Policy. The management of these investment risks is a fundamental part of investment activities undertaken by the Investment Manager and overseen by the Board. The Manager monitors investments through regular contact with management of investee companies, regular review of management accounts and other financial information and attendance at investee company board meetings. This enables the Manager to manage the investment risk in respect of individual investments. Investment risk is also mitigated by holding a diversified portfolio spread across various business sectors and asset classes.

The key investment risks to which the Company is exposed are:

- Investment price risk; and
- Interest rate risk.

The Company has undertaken sensitivity analysis on its financial instruments, split into the relevant component parts, taking into consideration the economic climate at the time of review in order to ascertain the appropriate risk allocation.

Investment price risk

Investment price risk arises from uncertainty about the future prices and valuations of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through investment price movements in respect of quoted investments, and changes in the fair value of unquoted investments that it holds.

Quoted investments

The Company's sensitivity to fluctuations in the share prices of its quoted equity investments (FTSE and AIM quoted but excluding fixed interest investments) is summarised below. A 50% movement in the share price in each of the quoted investments held by the Company which is considered to be a reasonable maximum movement in a period would have an effect as follows:

Sensitivity	31 Mar 2018 50% movement			31 Dec 2016 50% movement		
	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share pence	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share pence
Quoted stocks	5,513	2,757	4.3	4,720	2,360	6.4

Unquoted investments

As many of the Company's unquoted investments are valued using earnings multiples of comparable companies or sectors, a change in the relevant market sectors could impact on the valuation of the equity and preference shares held in the unquoted portfolio. Due to the nature of the security held, the relatively low residual term and no significant changes in risk premium, the loan notes in the investee companies would not be immediately impacted, nor would those investments held at price of recent investment. Accordingly, the impact of the 10% movement in valuation on the unquoted shares' portfolio valued using the earnings multiples method would have the following effect on the Company:

Sensitivity	31 Mar 2018 10% movement			31 Dec 2016 10% movement		
	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share pence	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share pence
Unquoted shares	14,085	1,409	2.2	9,659	966	2.6

NOTES TO THE ACCOUNTS (continued)
for the period ended 31 March 2018

15. Financial instruments (continued)

Investment price risk (continued)

In each case, the impact of such changes on the return for the period would be the same as that on net assets and NAV per share.

Interest rate risk

The Company accepts exposure to interest rate risk on floating-rate financial assets through the effect of changes in prevailing interest rates. The Company receives interest on its cash deposits at a rate agreed with its bankers and on liquidity funds at rates based on the underlying investments. Investments in loan notes and fixed interest investments attract interest predominately at fixed rates. A summary of the interest rate profile of the Company's investments is shown below.

Interest rate risk profile of financial assets and financial liabilities

There are three levels of interest which are attributable to the financial instruments as follows:

- "Fixed rate" assets represent investments with predetermined yield targets and comprise fixed interest and loan note investments.
- "Floating rate" assets predominantly bear interest at rates linked to Bank of England base rate and comprise cash at bank and Cash Trust investments.
- "No interest rate" assets do not attract interest and comprise equity investments, loans and receivables (excluding cash at bank) and other financial liabilities.

	Weighted average interest rate	Weighted average period until maturity	31 Mar 2018 £'000	31 Dec 2016 £'000
Fixed rate	9.6%	1,770 days	1,230	6,380
Floating rate	0.5%		15,987	2,302
No interest rate		1 day*	19,503	14,568
			<u>36,720</u>	<u>23,260</u>

* In respect of non-interest-bearing stock only

The Company monitors the level of income received from fixed, floating and non-interest rate assets and, if appropriate, may make adjustments to the allocation between the categories, in particular, should this be required to ensure compliance with the VCT regulations.

The Bank of England base rate increased from 0.25% per annum to 0.5% per annum on 2 November 2017. Any potential change in the base rate, at the current level, would have an immaterial impact on the net assets and Total Return of the Company.

NOTES TO THE ACCOUNTS (continued)
for the period ended 31 March 2018

15. Financial instruments (continued)

Credit risk

Credit risk is the risk that a counterparty to a financial instrument is unable to discharge a commitment to the Company made under that instrument. The Company is exposed to credit risk through its holdings of loan notes in investee companies, investments in fixed income securities, cash deposits and debtors.

The Company's financial assets that are exposed to credit risk are summarised as follows:

	31 Mar 2018 £'000	31 Dec 2016 £'000
<i>Fair value through profit or loss assets</i>		
Investments in fixed interest securities	-	1,551
Investments in loan notes	1,230	4,839
<i>Loans and receivables</i>		
Cash and cash equivalents	15,987	2,302
Deferred consideration	74	194
Interest and other receivables	-	6
	<u>17,291</u>	<u>8,892</u>

The Manager manages credit risk in respect of loan notes with a similar approach as described under market risks above. In addition, the credit risk is partially mitigated by registering floating charges over the assets of certain investee companies. The strength of this security in each case is dependent on the nature of the investee company's business and its identifiable assets. The level of security is a key means of managing credit risk. Similarly, the management of credit risk associated interest, dividends and other receivables is covered within the investment management procedures.

Cash is mainly held at Bank of Scotland plc, with a balance also maintained at Royal Bank of Scotland plc, both of which are A-rated financial institutions and ultimately part-owned by the UK Government. Consequently, the Directors consider that the risk profile associated with cash deposits is low.

There have been no changes in fair value during the period that can be directly attributable to changes in credit risk.

NOTES TO THE ACCOUNTS (continued)
for the period ended 31 March 2018

15. Financial instruments (continued)

Credit risk (continued)

As at 31 March 2018 of the investments in loan notes below, £Nil (31 December 2016: £1,628,000) relates to the principal of loan notes where, although the principal remains within term, the investee company is not fully servicing the interest obligations under the loan note and is in arrears. Notwithstanding the arrears of interest, the Directors do not consider that the loan note itself has been impaired or the maturity of the principal has altered.

As at 31 March 2018 there were no loan stock balances whereby the principal amount had passed its maturity date (31 December 2016: £150,000). As at 31 December 2016, the Directors did not consider that the £150,000 of loan notes which met this criteria had been impaired, or that the maturity of the principal had altered.

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments when required at their fair values or from the inability to generate cash inflows as required. The Company normally has a relatively low level of creditors (31 March 2018: £179,000, 31 December 2016: £153,000) and has no borrowings. The Company always holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as they arise. For these reasons, the Board believes that the Company's exposure to liquidity risk is minimal.

The Company's liquidity risk is managed by the Investment Manager, in line with guidance agreed with the Board and is reviewed by the Board at regular intervals.

The carrying value of loan note investments held at fair value through the profit and loss account at 31 March 2018, as analysed by expected maturity date, is as follows:

As at 31 March 2018	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Passed maturity date £'000	Total £'000
Fully performing loan notes	-	508	722	-	-	1,230
Past due loan stock	-	-	-	-	-	-
	-	508	722	-	-	1,230

As at 31 December 2016	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Passed maturity date £'000	Total £'000
Fully performing loan notes	500	459	396	1,706	-	3,061
Past due loan stock	762	-	866	-	150	1,778
	1,262	459	1,262	1,706	150	4,839

Financial liabilities

The Company has no financial liabilities or guarantees, other than the creditors disclosed within the balance sheet (31 December 2016: none).

Currency exposure

As at 31 March 2018, the Company had no foreign investments (31 December 2016: none).

Borrowing facilities

The Company has no committed borrowing facilities as at 31 March 2018 (31 December 2016: none).

NOTES TO THE ACCOUNTS (continued)

for the period ended 31 March 2018

16. Contingencies, guarantees and financial commitments

The Company had no commitments, contingencies or guarantees at the Balance Sheet date.

17. Related party transactions

Michael Jackson is a Director of Elderstreet Investments Limited which provides investment management services to the Company. During the 15-month period (2016: year), £794,000 (2016: £500,000) was due in respect of these services. No performance incentive fees were due to Elderstreet Investments Limited in respect of the period under review (year ended 31 December 2016: £nil).

Nicholas Lewis is a partner of Downing LLP, which provides administration services to the Company. During the 15-month period (2016: year), £62,500 (2016: £50,000) was due to Downing LLP in respect of these services.

During 2015, as a result of changes to the VCT rules, the Company was unable to convert its existing loans in Uvenco UK plc (formerly SnackTime plc). Following advice from specialist VCT advisors, the Company sold the loans to the Investment Manager, who converted the loans into equity. Under the terms of the transaction, the Company is due sums equal to 75% of any disposal proceeds that the Investment manager may receive on the shares. The market value of those shares decreased by £99,264 and accordingly the debtor due from the Investment Manager was reduced by £74,448, being 75% of the value adjustment, to £74,447.

18. Controlling party

In the opinion of the Directors there is no immediate or ultimate controlling party.

19. Events after the end of the reporting period

Since the period end, the Company allotted 6,159,557 Ordinary Shares of 5p each at an average price of 62.98p per Ordinary Share under the terms of the Offer for Subscription dated December 2017. The aggregate consideration for the shares was £3.9 million.

NOTICE OF THE ANNUAL GENERAL MEETING

of Elderstreet Draper Esprit VCT plc

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Elderstreet Draper Esprit VCT plc will be held at 20 Garrick Street, London WC2E 9BT at 11:00 a.m. on 18 September 2018 for the transaction of the following business:

As **Ordinary Business**, to consider and, if thought fit, pass the following resolutions which will be proposed as **Ordinary Resolutions**:

1. To receive and adopt the Report of the Directors' and Accounts of the Company for the period ended 31 March 2018, together with the Report of the Auditor thereon.
2. To approve the Directors' Remuneration Report in respect of the period ended 31 March 2018.
3. To approve the payment of a final dividend of 1.5p per share.
4. To re-appoint BDO LLP as Auditor of the Company, to hold office until the conclusion of the next Annual General Meeting, at which accounts of the Company are presented, and to authorise the Directors to determine their remuneration.
5. To re-elect as Director, Hugh Aldous, who retires and, being eligible, offers himself for re-election.
6. To re-elect as Director, David Brock, who retires and, being eligible, offers himself for re-election.
7. To re-elect as Director, Barry Dean, who retires and, being eligible, offers himself for re-election.
8. To re-elect as Director, Michael Jackson, who retires and, being eligible, offers himself for re-election.
9. To re-elect as Director, Nicholas Lewis, who retires and, being eligible, offers himself for re-election.

As **Special Business**, to consider and, if thought fit, pass the following resolutions:

Ordinary Resolution

10. That, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £2,500,000 during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in a general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted to subscribe for or to convert any security into shares in the Company after such expiry and all previous authorities given by the Directors in accordance with Section 551 of the Act be and are hereby revoked, provided that such revocation shall not have retrospective effect.

Special Resolutions

11. That, conditional upon the passing of Resolution 10 set out in this Notice, in substitution for any existing power under Section 570 of the Act, but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered, during the period commencing on the passing of this special resolution and expiring at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in a general meeting), pursuant to Section 570 of the Act, to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act, pursuant to resolution 10 above, as if Section 561 of the Act did not apply to any such allotment but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.

NOTICE OF THE ANNUAL GENERAL MEETING
of Elderstreet Draper Esprit VCT plc (continued)

12. That, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of Ordinary Shares of 5p each in the capital of the Company (“Ordinary Shares”) provided that:

- (i) the maximum number of Ordinary Shares hereby authorised to be purchased shall not exceed 10,436,573 Ordinary Shares, representing approximately 14.9% of the present issued capital of the Company;
- (ii) the minimum price which may be paid for an Ordinary Share is 5p, exclusive of all expenses;
- (iii) the maximum price which may be paid for an Ordinary Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the Ordinary Shares as derived from the Daily Official List of the London Stock Exchange, for each of the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and
- (iv) the Company may validly make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of Ordinary Shares in pursuance of any such contract;

and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Annual General Meeting of the Company next following the passing of this resolution or, if earlier, on the expiry of 15 months from the passing of this resolution.

13. That the share premium account and the capital redemption reserve each be cancelled.

By order of the Board



Grant Whitehouse

Secretary of Elderstreet Draper Esprit VCT plc

Company number: 03424984

Registered office:

6th Floor, St. Magnus House

3 Lower Thames Street

London EC3R 6HD

30 July 2018

Note: Information regarding the Annual General Meeting, including the information required by section 311A of the Companies Act 2006 (the “Act”), is available from www.downing.co.uk.

NOTICE OF THE ANNUAL GENERAL MEETING of Elderstreet Draper Esprit VCT plc (continued)

Notes:

- (a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointer. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) on the next page. Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:
- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
- (c) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing LLP, 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
 - by sending an e-mail to proxy@downing.co.uk.
- In either case, the revocation notice must be received by Downing LLP before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.
- (d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Copies of the Directors' Letters of Appointment and the Register of Directors' interests in the Ordinary Shares of the Company, will be available for inspection at the registered office of the Company during usual business hours on any weekday (excluding weekends and public holidays) from the date of this notice, until the end of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

NOTICE OF THE ANNUAL GENERAL MEETING of Elderstreet Draper Esprit VCT plc (continued)

Notes (continued):

- (f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 11:00 a.m. on 14 September 2018 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 11:00 a.m. on 14 September 2018 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.
- (g) As at 9:00 a.m. on 30 July 2018, the Company's issued share capital comprised 70,044,111 Ordinary Shares and the total number of voting rights in the Company was 70,044,111. The website referred to above will include information on the number of shares and voting rights.
- (h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights ("Nominated Person"):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights; and
 - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
- (j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
- (k) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out on page 1.
- (l) Members may not use any electronic address provided either in this notice of the Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

**ELDERSTREET DRAPER ESPRIT VCT PLC
FORM OF PROXY**

For use at the Annual General Meeting of the above-named Company to be held on 18 September 2018 at 20 Garrick Street, London WC2E 9BT at 11:00 a.m.

I/We* (in BLOCK CAPITALS please)

of

being the holder(s)* of Ordinary Shares of 5p in the capital of the above-named Company, hereby appoint the Chairman of the meeting (see note 1)

or

of

as my/our* proxy to attend for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held at 20 Garrick Street, London WC2E 9BT on 18 September 2018 or at any adjournment thereof.

I/We* desire to vote on the resolutions as indicated in the appropriate column below. Please indicate with an "X" how you wish your vote to be cast.

Details of the resolutions are set out in the Notice of the Annual General Meeting.

ORDINARY BUSINESS	FOR	AGAINST	WITHHELD
1. To receive and adopt the Directors' Report and Accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the payment of a final dividend of 1.5p per share	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint BDO LLP as the Auditor and authorise the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Hugh Aldous as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect David Brock as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect Barry Dean as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To re-elect Michael Jackson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. To re-elect Nicholas Lewis as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SPECIAL BUSINESS			
10. To authorise the Company to allot shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. To authorise the Company to disapply pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. To authorise the Company to make market purchases of its shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. That, the share premium account and the capital redemption reserve each be cancelled	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Dated this day of 2018

Signature(s)/.....

*Delete as appropriate



PLEASE RETURN TO DOWNING LLP IN THE PRE-PAID ENVELOPE PROVIDED, OR E-MAIL A SCANNED COPY OF THE SIGNED FORM TO PROXY@DOWNING.CO.UK

Notes:

1. Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointer. A member entitled to attend and vote at the meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
2. Delete “the Chairman of the meeting” if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.
3. Any alterations to the Form of Proxy should be initialled.
4. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
5. In the case of a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on that behalf.
6. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.
7. The completion and return of this Form of Proxy will not preclude you from attending and voting at the Annual General Meeting should you subsequently decide to do so. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

