



ELDERSTREET

VCT plc

Report & Accounts
for the year ended
31 December 2010

SHAREHOLDER INFORMATION

Share Price

The Company's Ordinary 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's website (www.downing.co.uk).

Latest share price (8 April 2011): **57.0p per share**

Financial Calendar

29 June 2011	Annual General Meeting
6 July 2011	Payment of final dividend
August 2011	Announcement of half yearly results

Dividends

Dividends will be 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.capitaregistrars.com). Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's Registrar, Capita Registrars, on 0871 664 0324 (calls cost 10p per minute plus network extras, lines open 8:30am to 5:30pm Monday to Friday), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

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 has stated that it plans to buy back shares twice each year. Details of the next planned share buyback can be obtained by contacting Downing Management Services Limited on 020 7416 7780. Shareholders will need a stockbroker to sell their shares. Any Shareholder considering selling some or all of their shareholding should ensure that they are fully aware of any tax consequences. If you are in any doubt, please contact your financial adviser.

Share scam warning

We have become aware that a significant number of shareholders of VCTs managed by both Downing and other VCT managers 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, Capita Registrars, 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's website at www.downing.co.uk. Financial information is also available on Elderstreet Investments Limited's website at www.elderstreet.com by clicking on "investor information".

If you have any queries regarding your shareholding in Elderstreet VCT plc, please contact the Registrar on the above number or visit Capita's website at www.capitaregistrars.com and click on "Shareholders".

CONTENTS

	Page
Company information	1
Financial highlights	2
Investment objectives and Directors	3
Chairman's statement	4
Investment manager's report	6
Review of investments	7
Report of the Directors	13
Directors' remuneration report	19
Corporate governance statement	21
Independent auditor's report	24
Income statement	25
Reconciliation of movements in Shareholders' funds	25
Balance sheet	26
Cash flow statement	27
Notes to the accounts	28
Notice of Annual General Meeting	42

COMPANY INFORMATION

Directors

David Brock (Chairman)
Hugh Aldous
Barry Dean
Michael Jackson
Nicholas Lewis
all of
10 Lower Grosvenor Place
London SW1W 0EN

Company number

03424984

Secretary and Registered Office

Grant Whitehouse
10 Lower Grosvenor Place
London SW1W 0EN
Tel No: 020 7416 7780

Investment Manager

Elderstreet Investments Limited
32 Bedford Row
London WC1R 4HE
Tel: 020 7831 5088
www.elderstreet.com

Administration Manager

Downing Management Services Limited
10 Lower Grosvenor Place
London SW1W 0EN
Tel: 020 7416 7780
www.downing.co.uk

Listed Fixed Income Securities Manager

Smith & Williamson Investment Management Ltd
25 Moorgate
London EC2R 6AY

Auditor

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London EC1M 3AP

VCT Status Advisers

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Registrar

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel No: 0871 664 0324
(calls cost 10p per minute plus network extras
lines open Mon-Fri from 8.30 am to 5.30pm)
www.capitaregistrars.com

Principal Banker

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

FINANCIAL HIGHLIGHTS

	2010 pence	2009 pence
Net asset value per share ("NAV")	76.6	76.7
Cumulative dividends paid since launch	50.0	46.0
Total return (NAV plus cumulative dividends paid per share)	126.6	122.7
Dividends in respect of financial year		
Interim dividend paid per share	2.0	2.0
Final proposed dividend per share (payable on 6 July 2011)	2.0	2.0
	4.0	4.0

Dividend History (Ordinary Shares) (since launch)

Year end (including interim dividends)	Gross Pence per share	Year end (including interim dividends)	Gross Pence per share
1998	3.0	2005	2.0
1999	2.5	2006	3.5
2000	12.0	2007	5.0
2001	3.5	2008	4.0
2002	3.5	2009	4.0
2003	2.0	2010 Interim	2.0
2004	3.0	Cumulative dividends paid to date	50.0
		2010 Final proposed	2.0

Performance summary for investors

Share issue date	Issue price per Ordinary Share or equivalent (pence)	Income tax relief available on investment (%)	Net cost of investment per Ordinary share (pence)	NAV at 31 Dec 2010 per Ordinary share (pence)	Dividends received since issue per Ordinary share (pence)	Total return (pence)
Feb 1998 – Aug 1998	100.0	20%	80.0	76.6	50.0	126.6
Apr 2005 (C Shares)	149.5	40%	89.7	76.6	51.8	128.4
Apr 2006	68.9	40%	41.3	76.6	20.5	97.1
Apr 2008	92.0	30%	64.4	76.6	13.5	90.1
Jun 2008	91.4	30%	64.0	76.6	10.0	86.6
Apr 2009	74.7	30%	52.3	76.6	7.0	83.6
May 2009	74.7	30%	52.3	76.6	6.0	82.6
Apr/May 2010	80.4	30%	56.3	76.6	4.0	80.6
Elderstreet Millennium Venture Capital Trust plc (1996)	262.5	20%	210.0	76.6	180.0	256.6

All the above figures are expressed in terms of equivalence to one Ordinary Share.

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

Shareholders in Elderstreet Millennium Venture Capital Trust ("EMVCT") were issued 0.381 Ordinary Shares in Elderstreet 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 VCT plc.

INVESTMENT OBJECTIVES

The Company's principal investment objectives are to:

- achieve long term capital growth and generate income for its Shareholders principally from private equity and AIM investments; and
- maintain its VCT status.

The detailed investment policy adopted to achieve the investment objectives is set out in the Report of the Directors on pages 13 to 15.

DIRECTORS

David Brock (Chairman) was, until July 1997, a main board director of MFI Furniture Group plc and managing director of MFI International Limited, having been involved at a senior level in both MFI's management buy-out and its subsequent flotation. He started his career at Marks & Spencer Plc. He is currently Chairman of Episys Group Limited and Puma VCT III plc and a non-executive director of Hargreave Hale AIM VCT 1 plc.

Hugh Aldous is chairman of SPL Guernsey ICC Limited, Capita Sinclair Henderson Limited and Smart Education Limited. He is a director of Henderson TR Pacific Investment Trust plc, The Eastern European Trust plc, Innospec Inc. (NASDAQ) and Polar Capital Holdings Plc. He was previously a partner of Grant Thornton UK LLP to which he is now a consultant. He was a member of the Competition Commission.

Barry Dean is a chartered accountant, and has over 25 years' experience in the private equity industry including 14 years as managing director of Dresdner Kleinwort Benson Private Equity Limited. He is currently a director of Henderson Private Equity Investment Trust Plc (a quoted investment trust investing in private equity), Downing Absolute Income VCT 2 plc and of ProVen VCT plc. Barry is also an Advisory Committee Member for Parallel Private Equity LLP and serves on the investment committee of Beamreach Capital LLP which invests in private equity.

Michael Jackson founded Elderstreet Investments Limited in 1990 and is its executive chairman. For the past 20 years he has specialised in raising finance and investing in the smaller companies quoted and unquoted sector. From 1983 until 1987 he was a director, and from 1987 until 2006 was chairman of FTSE 100 company The Sage Group plc. He was also Chairman of PartyGaming plc, another FTSE 100 company. He is also a director of, and investor in, many other quoted and unquoted companies, including Elderstreet portfolio companies, Snacktime plc and Access Intelligence plc. Michael studied law at Cambridge University and qualified as a chartered accountant with Coopers and Lybrand before spending five years in marketing for various US multinational technology companies.

Nicholas Lewis is a director of Downing Corporate Finance Limited, which he founded in 1986. Downing specialises in promoting, managing and administering tax-based investments, having raised approximately £1 billion since 1991. He is a director of a number of other venture capital trusts and an executive director of the companies which manage many of the Downing VCTs. He was formerly with NatWest Ventures Limited and, before that, with Apax Partners & Co Limited.

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

CHAIRMAN'S STATEMENT

I am pleased to present to Shareholders the Report and Accounts for the year ended 31 December 2010 and, despite the ongoing challenges produced by the economy, to report a further increase in Net Asset Value per share ("NAV").

Net Asset Value

At 31 December 2010, the Company's NAV stood at 76.6p, equivalent to an increase of 3.9p (5.1%) over the year after adding back dividends of 4.0p per share which were paid during the year. The Company had a particularly strong performance over the last six months of the year gaining 7.1p in value since the half-year date.

The Total Return to Shareholders who invested at the launch of the Company in 1998 (NAV plus cumulative dividends) is now 126.6p compared to the original cost (net of income tax relief) of 80p per share. A summary of net cost and Total Return for Shareholders who invested in the Company's various other fundraisings is included on page 2 of this report.

Venture capital investments

There was a moderate level of portfolio activity over the year, with £1.6 million being invested in new and follow-on investments, and £947,000 of disposal proceeds being received during the year.

The quoted portfolio fell in value over the year by a net amount of £767,000. The major part of this movement was accounted for by Snacktime plc (fall of £898,000) and is discussed further within the Investment Manager's Report.

The Board has reviewed the valuation of the unquoted investments at the year end and made a number of adjustments. Both Smart Education Limited and Wecomm Limited made good progress during the year. This has been reflected by significantly higher valuations for both investments.

Further commentary on the portfolio, together with a schedule of additions, disposals and details of the largest investments by value can be found within the Investment Manager's Report and Review of Investments on pages 6 to 12.

Fixed interest investments

The Company continues to hold a portfolio of fixed interest investments which are managed by Smith & Williamson Investment Management Limited. During the year this portfolio recognised unrealised gains of £16,000 and realised losses of £6,000.

Results and dividends

The return on activities after taxation for the year was £893,000 (2009: £1,628,000), comprising a revenue return of £185,000 (2009: £282,000) and a capital gain of £708,000 (2009: £1,346,000).

Subject to Shareholder approval at the forthcoming Annual General Meeting ("AGM"), your Board is proposing to pay a final dividend of 2.0p per share on 6 July 2011 to Shareholders on the register at 3 June 2011.

Ordinary Share fundraisings

As stated in the half yearly report to 30 June 2010, the Company issued 1,807,957 Ordinary Shares, under an Offer for Subscription launched on 1 December 2009 at an average price of 80.4p per Share. Net proceeds thereon, after accounting for issue costs, totalled £1.4 million.

On 21 December 2010, the Company launched a further Ordinary Share top-up fundraising seeking to raise up to £7 million. As at the date of this report, the Company had allotted shares producing net proceeds of approximately £3.3 million.

Performance incentive fee

Following the agreement by Shareholders at a General Meeting on 22 July 2010, a revised performance incentive scheme is now in place, with an effective date of 1 January 2009.

Under the revised scheme, the Investment Manager is entitled to 20% of any dividends paid in excess of 3.5p per annum, as long as the NAV before any such dividend payment exceeds 70.6p per Share.

Under these new arrangements, a fee of £23,000 has been paid in respect of the year ended 31 December 2009 and, subject to Shareholder approval of the final dividend, a fee of £25,000 will be payable in respect of the year ended 31 December 2010.

Share buybacks

In June 2010, the Company spent approximately £158,000 purchasing 250,000 Shares for cancellation at a price of 63.0p per Share. A further purchase was made in November 2010, with the Company purchasing a further 329,642 Shares for cancellation at a price of 57.5p per Share, equating to approximately £191,000. Both purchases were undertaken at prices approximately equivalent to a 15% discount to the most recently published NAV.

CHAIRMAN'S STATEMENT (continued)

Share buybacks (continued)

The Board intends to make funds of up to approximately £200,000 available for buybacks following the release of these results with a view to buying in any Shares that are available in the market at approximately a 15% discount to the latest published NAV. It is expected that the next buyback will take place at the end of May. Any Shareholders who wish to sell their shares will need to use a stockbroker. Such Shareholders should ask their stockbroker to register their interest that they wish to sell Shares with Shore Capital.

Annual General Meeting

The next AGM of the Company will be held at 32 Bedford Row, London WC1R 4HE at 11:00 a.m. on 29 June 2011.

Notice of the meeting is at the end of this document. Three items of Special Business are proposed; one ordinary resolution and one special resolution in relation to the allotment of shares; and a special resolution to make market purchases of its shares.

Outlook

The funds raised under the current share offer will give the Company the opportunity to participate in new investment opportunities as well as ensuring adequate liquid resources to continue to support the existing portfolio companies. The new funds will also ensure that the Company's existing liquid resources are available for the Board to continue with its policy of providing Shareholders with a healthy dividend stream.

The Board remains satisfied with the investment portfolio and believes that, with continued active involvement of the Investment Manager, the underlying companies have the potential to deliver good returns to Shareholders in the medium term.



David Brock
Chairman

8 April 2011

INVESTMENT MANAGER'S REPORT

In spite of the recovery in the UK economy remaining patchy it is pleasing to report that the Company recorded a positive movement in the total return, increasing from 122.7p to 126.6p after paying dividends of 4p per share over the year. Net Asset Value per share reduced slightly from 76.7p to 76.6p.

A number of new investment opportunities were reviewed resulting in two new investments. In March 2010 we completed an investment into Aconite Technology Limited, a financial processing software company, and in July 2010 an investment into Fulcrum Utility Services Limited, a gas utilities design and connections business. Within the portfolio a further £500,000 was invested in Access Intelligence plc by way of ordinary stock as part of a larger funding round to make an acquisition. There was one other small follow on investment into AngloInfo Limited.

During the year we fully realised holdings in two companies, Melorio plc and ComponentSource Inc raising £436,000, and made a partial realisation from The Engine Group Limited raising £161,000. In addition, Snacktime plc repaid loan capital of £350,000. These realisations, together with further loan and dividend income from the portfolio of £412,000, have provided a solid cash flow for paying the year's dividends.

Post year end, we are delighted to announce the sale of WeComm Limited resulting in a return of just above cost. This represents an uplift of 47% over the prior year carrying value. Additionally there is a potential further £100,000 consideration held in escrow for twelve months.

A full schedule of additions and disposals is shown on page 8.

Within the portfolio we continue to be cautiously optimistic over the resilience of the majority of the companies. Snacktime plc has completed an acquisition, which is forecast will double turnover and profits. However over the year the share price of Snacktime which is quoted on the AIM market, has fallen from £1.70 to £1.20 on very little trading volume. This has resulted in a decline in value of £898,000 equivalent to about 3.6p of NAV per share. Management are very busy integrating the acquisition and are confident considerable cost savings can be made across the combined businesses. The holding in Snacktime represented 11.6% of the investment portfolio at the year end of December 2010.

Two further acquisitions were made by portfolio companies Fords Packaging and Access Intelligence. Your Manager was heavily involved with sourcing and executing both of these acquisitions.

We are also seeing encouraging signs of growth within other companies; for the year end 2010 Smart Education has increased turnover by 45% and recorded an increase in EBITDA profit of 320%; AngloInfo has reported an increase in revenue of 40%. Elsewhere Fords, Lyalvale, and Wessex remain stable and are paying dividends. WeComm are forecasting a swing from an EBITDA loss to profit for the year and Baldwin and Francis, although facing some challenges, remains profitable and cash generative. Generally it is worth noting that in nine out of the top ten companies by value at 31 December 2010 we have at least one board seat or observer rights and are very actively involved with these businesses.

We continue to maintain a good level of liquidity so that we are able to respond to investment opportunities that become available and over the year have followed our strategy of investing into the existing portfolio to make acquisitions. Overall the low external debt position of the portfolio is well covered by earnings and comfortably within banking covenants, and gives us confidence for the future.

In conclusion your Manager holds a positive outlook but remains cautious.

Elderstreet Investments Limited

8 April 2011

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments were held at 31 December 2010. All companies are registered in England and Wales.

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
Ten largest venture capital investments (by value)				
Wessex Advanced Switching Products Limited	60	2,673	-	14.1%
Access Intelligence plc *	1,633	2,301	(25)	12.2%
Snacktime plc *	1,375	2,206	(898)	11.6%
Smart Education Limited	1,473	2,165	1,162	11.4%
Fords Packaging Systems Limited	1,047	1,152	-	6.1%
Lyalvale Express Limited	915	1,027	-	5.4%
Wecomm Limited	850	935	463	4.9%
Baldwin & Francis (Holdings) Limited	690	770	-	4.1%
Fulcrum Utility Services Limited *	500	646	146	3.4%
AngloINFO Limited	528	598	70	3.1%
	<u>9,071</u>	<u>14,473</u>	<u>918</u>	<u>76.3%</u>
Other venture capital investments				
Aconite Technology Limited	460	460	-	2.4%
Interquest Group plc *	336	391	110	2.0%
The Engine Group Limited	455	385	17	2.0%
Mears Group plc **	188	242	19	1.3%
Cashfac Initiative Limited	260	197	-	1.0%
Rosebowl plc	188	125	-	0.7%
Servoca plc *	333	84	(84)	0.5%
Sift Limited	250	38	-	0.2%
The Kellan Group plc *	657	13	(24)	0.1%
SparesFinder Limited	104	12	-	0.1%
Infoserve plc *	127	7	(10)	-
The National Solicitors Network Limited	501	-	-	-
The QSS Group Limited	268	-	(135)	-
	<u>4,127</u>	<u>1,954</u>	<u>(107)</u>	<u>10.3%</u>
Listed fixed income securities				
United Kingdom 2.25% Gilt 07/03/2014	830	861	29	4.5%
United Kingdom 2.75% Gilt 22/01/2015	559	546	(13)	2.9%
	<u>1,389</u>	<u>1,407</u>	<u>16</u>	<u>7.4%</u>
	<u>14,587</u>	<u>17,834</u>	<u>827</u>	<u>94.0%</u>
Cash at bank and in hand		<u>1,127</u>		<u>6.0%</u>
Total investments		<u>18,961</u>		<u>100.0%</u>

All venture capital investments are unquoted unless otherwise stated

* Quoted on AIM

** Quoted on the Main Market

REVIEW OF INVESTMENTS (continued)

Investment movements for the year ended 31 December 2010

ADDITIONS

	£'000
New investments	
Aconite Technology Limited	460
Fulcrum Utility Services Ltd	500
Follow on investments	
Access Intelligence plc	500
AngloINFO Limited	200
	<u>1,660</u>
Listed fixed income securities	
United Kingdom 2¼% Gilt 22/01/2015	743
	<u>2,403</u>

DISPOSALS

	Cost £'000	MV at 01/01/10* £'000	Proceeds £'000	Profit/ (loss) vs cost £'000	Realised gain/ (loss) £'000
<i>Full disposals</i>					
Component Source Inc.	250	8	8	(242)	-
Melorio plc	190	222	428	238	206
<i>Partial disposals</i>					
Snacktime plc	350	350	350	-	-
The Engine Group Limited	145	158	161	16	3
The National Solicitors Network Limited	400	-	-	(400)	-
<i>Liquidations and dissolutions</i>					
BusinessMeetings ASP Limited	12	-	-	(12)	-
Lanchon Holdings Limited	6	6	-	(6)	(6)
	<u>1,353</u>	<u>744</u>	<u>947</u>	<u>(406)</u>	<u>203</u>
<i>Listed fixed income securities</i>					
Nucleus Cash Trust	95	93	93	(2)	-
United Kingdom 3.25% Gilt 07/12/2011	719	716	711	(8)	(5)
United Kingdom 8% Stock 2013	711	718	717	6	(1)
United Kingdom 2.75% Gilt 22/01/2015	184	184	184	-	-
	<u>1,709</u>	<u>1,711</u>	<u>1,705</u>	<u>(4)</u>	<u>(6)</u>
	<u>3,062</u>	<u>2,455</u>	<u>2,652</u>	<u>(410)</u>	<u>197</u>

* Adjusted for purchases in the year

REVIEW OF INVESTMENTS (continued)

Further details of the ten largest investments (by value) follow:

Wessex Advanced Switching Products Limited



Cost:		£60,000	Valuation at 31/12/10:	£2,673,000
Investment comprises:			Valuation at 31/12/09:	£2,673,000
Equity shares:		£60,000	Valuation method:	Earnings multiple
Audited accounts:	31/12/09	31/12/08	Dividend income:	£113,000
Turnover:	£7.9m	£9.4m		
Profit before tax:	£1.4m	£2.0m	Proportion of equity held:	28.3%
Net assets:	£3.0m	£2.7m	Diluted equity:	28.3%

Based in Hampshire, the company manufactures rotary switches for military communications systems, membrane switches and touch screens for electronic control panels. It is a leading specialist in the supply of control panels and lighting for premium airline seats. The company is ungeared and continues to generate cash and pay dividends.

www.waspswitches.co.uk

Access Intelligence plc



Cost:		£1,633,000	Valuation at 31/12/10:	£2,301,000
Investment comprises:			Valuation at 31/12/09:	£1,826,000
Equity shares:		£1,133,000	Valuation method:	Bid price
6% Conv. Loan note:		£500,000		
Equity share options:		£Nil		
Audited accounts:	30/11/10	30/11/09	Dividend income:	£Nil
Turnover:	£8.0m	£6.0m	Loan note income:	£30,000
(Loss)/profit before tax:	(£1.5m)	£0.6m	Proportion of equity held:	12.8%
Net assets:	£7.8m	£4.3m	Diluted equity:	11.8%

Access Intelligence is an AIM-quoted group of software and computer service companies delivering a range of business critical support services to private and public sector organisations. The range of products include: data storage back-up and retrieval; sourcing and procurement software for industry and local government; electronic news and current awareness digests of Government initiatives; and compliance software for the financial services industry. The 6% loan note is convertible at any time at a price of 4p per share up until 9 July 2014, following which date it will be redeemed in full at par.

www.accessintelligence.com

Snacktime plc



Cost:		£1,375,000	Valuation at 31/12/10:	£2,206,000
Investment comprises:			Valuation at 31/12/09:	£3,453,000
Equity shares:		£1,325,000	Valuation method:	Bid price
10% Loan note:		£50,000		
Audited accounts:	31/03/10	31/03/09	Dividend income:	£Nil
Turnover:	£7.6m	£6.7m	Loan note income:	£25,000
Profit before tax:	£1.3m	£0.2m	Proportion of equity held:	11.0%
Net assets:	£11.5m	£4.7m	Diluted equity:	9.9%

Based in Wokingham, AIM-quoted, Snacktime was established in 2001 to provide agreement-free vending machines to sites with insufficient potential to support traditional large machines. The Company provided development capital to support its expansion. It has enabled Snacktime to develop a national network to support vending machines dispensing snacks, confectionary and soft drinks located primarily in businesses on retail parks. In 2009 the company acquired a competitor, SnackintheBox, and acquired Vendia UK's core operation in 2010. Vendia is a traditional vending business specialising in the sale of hot beverages, which complements SnackTime's confectionery and chilled drinks operations. Vendia trades under brands such as Simply Drinks in London, Integer in the Midlands, VMI in the north of England and Drinkmaster, a national table top and in cup specialist company, based in Plymouth.

www.snacktimeuk.co.uk

REVIEW OF INVESTMENTS (continued)

Smart Education Limited



Cost:	£1,473,000	Valuation at 31/12/10:	£2,165,000
Investment comprises:		Valuation at 31/12/09:	£1,003,000
Equity shares:	£90,000	Valuation method:	Earnings multiple
10.0% Loan note:	£596,000		
0% Loan note:	£787,000		

Abbreviated audited accounts:	31/12/09	31/12/08	Dividend income:	£Nil
Turnover:	Unpublished information		Loan note income:	£79,000
Profit before tax:	Unpublished information		Proportion of equity held:	30.8%
Net liabilities:	(£2.1m)	(£2.1m)	Diluted equity:	29.8%

www.smartteachers.co.uk

Smart provides both temporary and permanent staff to schools in the Greater London area. It also operates a teacher placement agency in Australia. The business has grown organically and by acquisition since it was established in 2005 and since the year end has repaid the first tranche of the 10.0% loan note.

Fords Packaging Systems Limited



Cost:	£1,047,000	Valuation at 31/12/10:	£1,152,000
Investment comprises:		Valuation at 31/12/09:	£1,152,000
Equity shares:	£588,000	Valuation method:	Earnings multiple
8.0% Loan note:	£459,000		

Audited accounts:	Period ended 30/06/10		Dividend income:	£Nil
Turnover:	£6.1m		Loan note income:	£37,000
Profit before tax:	£0.6m		Proportion of equity held:	50%
Net assets:	£0.7m		Diluted equity:	50%

www.fords-packsys.co.uk

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. The Company originally invested in 1998 but in 2009 it facilitated a change in management, which resulted in a refinancing through a new company whereby it increased its equity stake following a further investment.

Lyalvale Express Limited



Cost:	£915,000	Valuation at 31/12/10:	£1,027,000
Investment comprises:		Valuation at 31/12/09:	£1,027,000
Equity shares:	£915,000	Valuation method:	Earnings multiple

Abbreviated audited accounts:	27/03/10	28/03/09	Dividend income:	£32,000
Turnover:	Unpublished information		Proportion of equity held:	19.0%
Profit before tax:	£1.2m	£1.0m	Diluted equity:	19.0%
Net assets:	£5.5m	£4.8m		

www.lyalvaleexpress.com

Lyalvale, based on a large freehold site near Lichfield, is a leading UK manufacturer of shotgun cartridges, serving the clay, target and game shooting markets in the UK and overseas. It offers a comprehensive range of over 30 cartridge types developed to maximise the potential in all shots.

REVIEW OF INVESTMENTS (continued)

Wecomm Limited



Cost:		£850,000	Valuation at 31/12/10:	£935,000
Investment comprises:			Valuation at 31/12/09:	£472,000
Equity Shares:		£85,000	Valuation method:	Earnings multiple
Preference Shares:		£765,000		
Audited accounts:	31/03/10	31/03/09	Dividend income:	£Nil
Turnover:	£2.5m	£1.5m		
Loss before tax:	(£0.4m)	(£2.1m)	Proportion of equity held:	7.1%
Net (liabilities)	(£1.9m)	(£1.6m)	Diluted equity:	5.9%

Wecomm manufactures software for high performance mobile applications. Wecomm combines interactive mobile TV and music, infotainment and sports portals, betting and gaming and transactional applications into scalable, converged media experiences. Its customers include Sky, Turner Broadcasting, News International and Real Networks.

www.wecomm.com

Baldwin & Francis (Holdings) Limited



Cost:		£690,000	Valuation at 31/12/10:	£770,000
Investment comprises:			Valuation at 31/12/09:	£770,000
Equity shares:		£170,000	Valuation method:	Earnings multiple
9.0% Loan note:		£520,000		
Audited accounts:	27/03/10	27/03/09	Dividend income:	£Nil
Turnover:	£12m	£13m	Loan note income:	£47,000
Loss before tax:	(£0.1m)	(£0.1m)	Proportion of equity held:	30.0%
Net assets:	£1.1m	£1.2m	Diluted equity:	30.0%

Baldwin and Francis is a specialist switch gear manufacturer which designs and supplies products which meet international flameproof standards in the mining, petrochemical and process industries. A significant proportion of its sales are to export markets.

www.baldwinandfrancis.com

Fulcrum Utility Services Ltd



Cost:		£500,000	Valuation at 31/12/10:	£646,000
Investment comprises:			Valuation at 31/12/09:	Not held
Equity Shares:		£500,000	Valuation method:	Bid price
Audited accounts:	31/03/10	31/03/09	Dividend income:	£Nil
Turnover:	£38m	£54m		
Loss before tax:	(£17m)	(£8.9m)	Proportion of equity held:	2.7%
Net liabilities	(£16m)	(£4.5m)	Diluted equity:	2.7%

Fulcrum was formed as a purchase from National Grid plc by Marwyn Capital and is an independent gas transporter and provider of unregulated gas connection services. Fulcrum's experience is gained from completing an average of 140,000 domestic, industrial and commercial gas connections per year from multi-million pound technical developments such as Heathrow Terminal 5 to smaller scale commercial projects like the supply upgrade to The New Angel restaurant in Dartmouth.

www.fulcrumutilityserviceslimited.co.uk

AngloINFO Limited



Cost:		£528,000	Valuation at 31/12/10:	£598,000
Investment comprises:			Valuation at 31/12/09:	£328,000
Equity shares:		£328,000	Valuation method:	Earnings multiple
Loan note:		£200,000		
Abbreviated unaudited accounts:	31/12/09	31/12/08	Dividend income:	£Nil
Turnover:		Unpublished information	Loan note income:	£8,000
Profit before tax:		Unpublished information	Proportion of equity held:	12.3%
Net assets:	£0.1m	£0.1m	Diluted equity:	12.3%

AngloInfo is an online media company providing local business directory, classified advertising and information services in the English language at www.angloinfo.com. Anglo Info is the world's top network of websites for English-speakers living abroad. It operates in many regions of countries around the world providing vital support and information to the local international communities and operates over 51 websites.

www.angloinfo.com

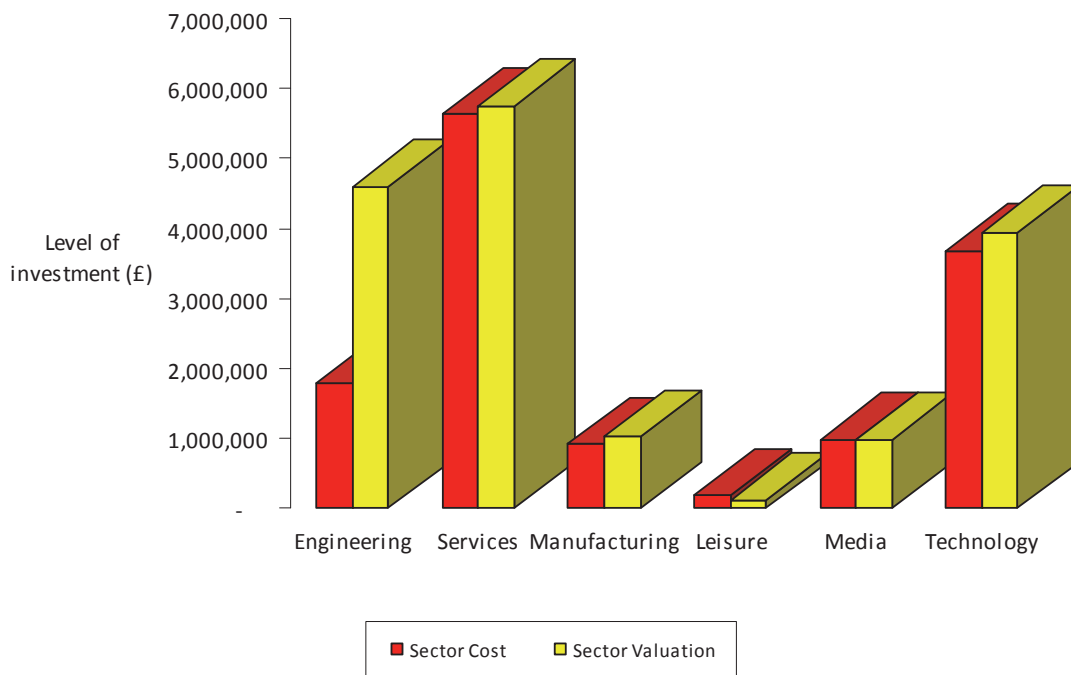
REVIEW OF INVESTMENTS (continued)

Note:

The proportion of equity held by each investment also represents the level of voting rights held by the Company in respect of the investment (with the exception of Baldwin and Francis where the Company has 50% of the voting rights).

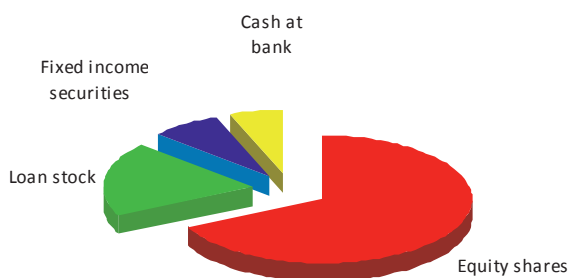
Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by cost and by value at 31 December 2010) 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 December 2010):



Portfolio balance

At 31 December 2010, 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	88.2%	Minimum 70%
Other investments	8.3%	-
Fixed income securities	2.7%	Maximum 30%
Cash at bank and in hand	0.8%	-
Total	100.0%	100%

REPORT OF THE DIRECTORS

The Directors present the Annual Report and Financial Statements of the Company for the year ended 31 December 2010.

Principal activity and status

The Directors initially obtained provisional approval for the Company to act as a venture capital trust from HM Revenue & Customs and have continued to meet the standards set out by HM Revenue & Customs.

The Company revoked its status as an investment company on 26 October 2000 upon the payment of a capital distribution. However, the Directors consider that the Company has conducted its affairs in a manner to enable it to continue to comply with Part 6 of the Income Tax Act 2007.

Business review and developments

Over the year, the investment portfolio rose in value by £827,000. Gains arising on portfolio realisations totalled £197,000.

Additionally, the total running costs of the Company exceeded revenue income arising from the portfolio investments by £131,000.

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

Share capital

During the year the Company purchased 579,642 Ordinary Shares of 5p each for cancellation for an aggregate consideration of £349,000, at a price of 60p per Ordinary Share of 5p each (approximately equal to a 15% discount to the most recently published NAV at the time of purchase), and representing 2.5% of the issued Ordinary Share capital held at 1 January 2010.

Between 1 April 2010 and 4 May 2010, the Company allotted 1,807,957 Ordinary Shares of 5p each, under the terms of a prospectus dated 1 December 2009, at 80.4p per share, with gross proceeds received thereon of £1.4 million. Issue costs in respect of the offer amounted to £80,000.

Between 22 March 2011 and 5 April 2011, the Company allotted 4,373,543 Ordinary Shares of 5p each, under the terms of a prospectus dated 21 December 2010, at an average price of 80.2p per share, with gross proceeds received thereon of £3.5 million. Issue costs in respect of these allotments amounted to £193,000.

At the date of this report the total number of Ordinary Shares of 5p each in issue was 28,889,745.

Results and dividends

	£'000	Pence per share
Return for the year	<u>893</u>	3.7p
<i>Dividends paid in respect of year ended 31/12/10</i>		
8 October 2010	<u>497</u>	2.0p
<i>Dividends paid in respect of year ended 31/12/09</i>		
23 June 2010	<u>502</u>	2.0p

Subject to Shareholder approval, at the forthcoming AGM, your Company is proposing to pay a final dividend of 2.0p per Ordinary Share (split as 0.5p revenue and 1.5p capital) on 6 July 2011 to Shareholders on the register at 3 June 2011.

Performance incentive fees

Performance incentive fees are payable to the Investment Manager, with effect from 1 January 2009, and only when the Company has paid and/or proposed distributions totalling 3.5p per Share, in respect of any one financial year and, the NAV, before the distribution is above 70.6p per Share. If the test is met, the fee is calculated at a rate of 20% of the distribution 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 should any previous year's distribution not be met. As the fee was agreed by Shareholders on 22 July 2010, the current year includes a catch up in respect of fees due in respect of the year to 31 December 2009.

Investment policy

The Company aims to invest at least 70% of its funds in qualifying holdings and up to 30% in fixed interest securities. Maximum exposure to such investments is 100%.

REPORT OF THE DIRECTORS (continued)

Investment policy (continued)

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

- Established companies which are seeking development capital or funding for management buy-outs. (Investments in early stage businesses should represent only a small proportion of the portfolio at any time.)
- A strong, balanced and well-motivated management team.
- Investments which, where appropriate, include loan stock and preference shares to enhance the security of the portfolio and to provide income.
- Investments where Elderstreet Investments Limited 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 its average deal size is approximately £1 million, although it will syndicate deals of up to £2 million. 30% of investments will usually be into early stage companies with high growth potential and 70% will be MBO and development capital investments – mature companies yielding dividends. The target deal size is £1 million across a broad range of industries. The Company will aim to have material influence, including board representation, in relation to all of its portfolio companies. Funds not invested in VCT qualifying investments will generally be invested in fixed income securities.

Unquoted investments

It is the Directors' intention that qualifying investments by the Company will be in companies supplying products and services to a range of markets. In particular, the Directors have specific experience and expertise in certain markets, such as information technology, manufacturing and retailing, and, where appropriate, the Company will invest in these sectors.

It is intended that most of the qualifying investments will be established businesses requiring development finance or funding for management buy-outs or buy-ins. Investments in early stage businesses should represent only a small proportion of the portfolio at any time; such investments could be made, for example, in a company whose management team the Company has previously backed or a start-up company which can demonstrate substantial and verifiable first year sales prospects.

In order to enhance the security of the portfolio and to provide income, the Company's investments may include, where appropriate, loan stock and preference shares.

The Company's policy is, where appropriate, to have a representative of the Investment Manager, or an experienced individual well known to it, appointed to the board of each investee company as a non-executive director in order to play an active role in seeking to develop the full potential of the company concerned. The Investment Manager will endeavour to add value to the investee 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.

The Investment 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 within three to five years.

AIM quoted 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.

Fixed income securities

The approach adopted by Smith & Williamson Investment Management Limited in respect of the fixed income securities will be to concentrate on the short-dated fixed interest securities of high credit quality to provide protection for the capital invested.

Accordingly, it is intended that the fixed income securities will principally consist of financial instruments and fixed income securities issued by the UK Government, major companies and institutions.

REPORT OF THE DIRECTORS (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. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares" ("eligible shares" generally being ordinary share capital);
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. A maximum unit size of £1 million in each VCT qualifying investment (per tax year).

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 credit of the consolidated reserves of the Company and its subsidiary.

At 31 December 2010, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £1.7 million. There are no plans to utilise this ability at the current time.

Environmental and social policy

As a VCT with all of its executive and administrative activities delegated to third parties, the Company does not have a policy on either environmental or social and community issues.

Investment management fees

Elderstreet Investments Limited is the Investment Manager for the Company, and receives a fee of 2% 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 pleased with the performance of the Company and is satisfied 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.

Administration management fees

Downing Management Services Limited provides administration services to the Company for a fee of £50,000 plus VAT per annum. The administration 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.

Fixed interest investment management

Smith & Williamson Investment Management Limited provides investment management services to the Company in respect of fixed income securities for a fee of 0.15% per annum (plus VAT where applicable) of the amount invested in fixed income securities subject to a maximum of £10,000 per annum (plus VAT where applicable).

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 Elderstreet Investments Limited and Downing Management Services Limited pro-rata to their respective fees received for investment management and administration respectively. The total expense ratio for the year, based on net assets at the year end, was 3.3% (2009: 2.9%).

REPORT OF THE DIRECTORS (continued)

Directors

The Directors of the Company during the year and their beneficial interests in the issued Ordinary Shares of 5p each, in the Company at each year end, were as follows:

Director	31 Dec 2010	31 Dec 2009
	Ordinary Shares	Ordinary Shares
David Brock (Chairman)	100,000	100,000
Hugh Aldous	20,000	20,000
Barry Dean	20,627	20,627
Michael Jackson	776,485	776,485
Nicholas Lewis	50,000	50,000

The Directors' holdings have remained unchanged between 31 December 2010 and the date of this report.

Michael Jackson will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming AGM. The remainder of the Board have reviewed his performance and believes that he continues to make valuable contributions to the VCT and remains committed to his role. The Board therefore recommends Shareholders to re-elect him as a Director at the forthcoming AGM.

Each of the Directors has entered into an agreement for services which are 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.

VCT status

The Company retains PricewaterhouseCoopers LLP ("PwC") to advise it on compliance with VCT requirements, including evaluation of investment opportunities, as appropriate, and regular review of the portfolio.

A summary of the VCT Regulations is included in the Company's Investment Policy as shown on page 15.

Compliance with the main VCT regulations as at 31 December 2010 and for the year then ended, is summarised as follows:

	Compliance as at 31 Dec 2010
1. The Company holds at least 70% of its investments in qualifying companies	88.2%
2. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares"	74.9%
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;	Complied
5. The Company's income for each financial year is derived wholly or mainly from shares and securities;	98.9%
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;	12.8%
7. A maximum unit size of £1 million in each VCT qualifying investment (per tax year).	Complied

Creditor payment policy

The Company's payment policy is to pay creditors within thirty days of receipt of an invoice except where other terms have been agreed. The Company did not have any trade creditors at the year end (2009: None).

Key performance indicators

The main key performance indicators for the Company are the Venture Capital Trust Regulations as shown in the table above. The Investment and Administration Managers, together with PwC, review compliance with the regulations monthly, and the Board reviews the position at the quarterly board meetings.

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in meeting its investment policy (as shown on pages 13 to 15). The Board believes the Company's key performance indicators, for comparison against similar VCTs, are Net Asset Value Total Return (NAV plus cumulative dividends paid to date) and dividends per share (see page 2).

REPORT OF THE DIRECTORS (continued)

Principal risks and uncertainties

The principal financial risks faced by the Company, which include interest rate, market price, credit and liquidity risks, are summarised within note 18 to the financial statements.

In addition to these risks, the Company, as a fully listed Company on the London Stock Exchange and as a Venture Capital Trust, operates in a complex regulatory environment and therefore faces a number of 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 UK Listing Authority Listing Rules and the Companies Act, could lead to suspension from the Stock Exchange and damage to the Company's reputation.

The Board reviews and agrees policies for managing each of these risks. They receive quarterly reports from the Investment and Administration Managers ("the Managers"), which monitor the compliance of these risks, and place reliance on the Managers to give updates in the intervening periods. These policies have remained unchanged since the beginning of the financial period.

Auditors

A resolution to re-appoint PKF (UK) LLP as the Company's Auditor will be proposed at the forthcoming AGM.

Substantial interests

As at 31 December 2010 the Company was aware of only one beneficial interest exceeding 3 per cent of the issued Ordinary Share capital. This was held by Michael Jackson, a Director of the Company, whose shareholding is disclosed on page 16; he held 3.2% of the Company's issued share capital at 31 December 2010. Following the recent share allotments, at the date of this report his percentage holding has reduced to 2.7% of the Company's issued share capital.

Annual General Meeting

The Annual General Meeting will be held at 32 Bedford Row, London WC1R 4HE at 11:00a.m. on 29 June 2011. The Notice of the Annual General Meeting and Form of Proxy are at the end of this document.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors, 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 Services 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). 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 and 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 estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

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.

REPORT OF THE DIRECTORS (continued)

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on page 3, confirms that, to the best of each person's knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and results of the Company; and
- the management report within the Report of the Directors, Chairman's Statement, Investment Manager's Report and the Review of Investments includes a fair review of the development and performance of the business and the position of the Company together with a description of 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).

Corporate Governance

The Company's compliance with, and departures from, the Financial Reporting Council's Combined Code on Corporate Governance June 2008 (www.frc.org.uk) is shown on pages 21 to 23.

Statement as to disclosure of information to Auditors

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 Auditors are 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.

By order of the Board



Grant Whitehouse

Secretary of Elderstreet VCT plc

Company number: 03424984

Registered Office:
10 Lower Grosvenor Place
London SW1W 0EN

8 April 2011

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of Section 420 of the Companies Act 2006. A resolution to approve this report will be put to the members at the AGM to be held on 29 June 2011.

Under the requirements of Section 497, the Company's Auditor is required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Independent Auditor's Report on page 24.

Directors' remuneration policy

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.

Directors' remuneration, as shown in the following table, is set at a level designed to reflect the time commitment and the high level of responsibility borne by the non-executive Directors and should be broadly comparable with those paid by similar companies.

Agreement for services

Each of the Directors has signed an agreement for services with the Company which specify 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.

Performance incentive fees (audited)

Following the agreement of the new performance incentive fee, Directors are no longer entitled to receive a share of any performance incentive fee payable.

Directors' remuneration (audited)

Directors' remuneration for the year under review was as follows:

	2010 Annual Fee	2009 Annual fee
David Brock (Chairman)	£15,000	£15,000
Hugh Aldous	£10,000	£10,000
Barry Dean	£10,000	£10,000
Michael Jackson	£10,000	£10,000
Nicholas Lewis	£10,000	£10,000
	£55,000	£55,000

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.

2011 Remuneration

The remuneration for the forthcoming year will be based on the current annual fee as highlighted in the above table.

DIRECTORS' REMUNERATION REPORT (continued)

Performance graph

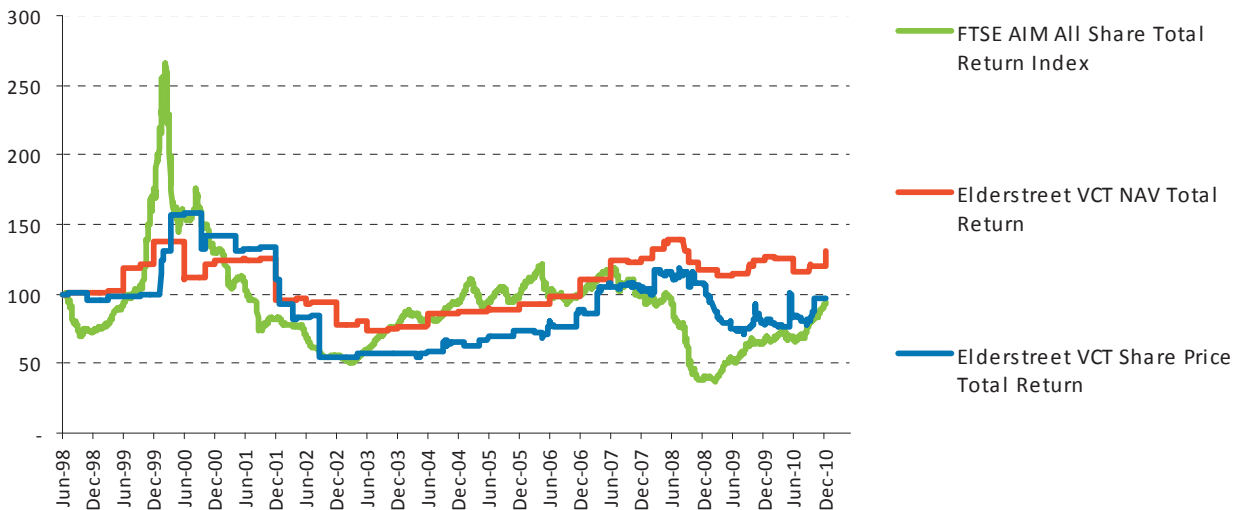
The following chart represents the Company's Ordinary Share price performance over the reporting periods since incorporation, and compares the Ordinary Share NAV Total Return of the Company (dividends reinvested) and Ordinary Share Price Total Return of the Company to the FTSE AIM All-Share Total Return Index. The FTSE AIM All-Share Total Return Index has been chosen as, although not a benchmark, the Board believes it is the most appropriate of the publicly available indices to compare the Company's performance against. The Index has been rebased to 100 at June 1998.

By order of the Board



Grant Whitehouse
Secretary
10 Lower Grosvenor Place
London SW1W 0EN

8 April 2011



CORPORATE GOVERNANCE STATEMENT

The Directors support the relevant principles of the Combined Code 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 and senior independent Director is David Brock. Biographical details of all Board members (including the significant commitments of the Chairman) are shown on page 3.

Directors are subject to re-election at the first AGM after their appointment and by rotation thereafter. In accordance with the Combined Code, two Directors were re-elected during the year. A further Director is offering himself for re-election at the next AGM.

Full Board meetings take place quarterly and the Board meets more regularly to address specific issues including considering recommendations from the Investment Manager, making all decisions concerning the acquisition or disposal of investments, and periodically reviews the terms of engagement of all third party advisers (including Investment Manager and Administration Manager). The Board has a formal schedule of matters specifically reserved for its decision.

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 also seek authority at the forthcoming AGM to issue new shares up to 10.0% of the current issued share capital.

The capital structure of the Company is disclosed on page 13.

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 and Hugh Aldous sit on the Audit Committee. Committee meetings are held in conjunction with the Board meetings. The Chairman of each committee is David Brock. All committees have defined terms of reference and duties.

Board and committee meetings

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

	Board meetings attended (4 held)	Audit committee meetings attended (2 held)
David Brock	4	2
Hugh Aldous	3	2
Barry Dean	4	N/A
Michael Jackson	4	N/A
Nicholas Lewis	4	N/A

Neither of the Nomination or Remuneration Committees met during the year.

Audit Committee

The Audit Committee is responsible for reviewing the half yearly and annual accounts 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.

Any non-audit services provided by the Auditor (e.g. provision of corporation tax services) are reviewed and approved by the Committee prior to being undertaken, to ensure that Auditor objectivity and independence is safeguarded. In addition, yearly reports are received from the Auditor confirming their independent status.

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 PKF (UK) LLP. Based on the assurance obtained the Committee has recommended to Shareholders that PKF (UK) LLP be re-appointed as Auditor for the forthcoming year.

CORPORATE GOVERNANCE STATEMENT (continued)

Audit Committee (continued)

The Committee reviewed the internal financial control manual during the period. They also considered the need for an internal audit function and concluded that this function would not be an appropriate control for a venture capital trust.

As the Company has had no staff, other than directors, there are no procedures in place in respect of C3.4 of the Combined Code, relating to whistle blowing. The Audit Committee understands that the Investment Manager and Administration Manager have whistle blowing procedures in place.

Nomination Committee

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

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.

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 year, or to meet with Shareholders if so requested. As disclosed in the Report of the Directors on page 16, one Shareholder held a substantial interest in the Company at 31 December 2010.

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 Management Services Limited 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 Combined 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 terms of reference of the Committees and terms and conditions of appointment of non-executive Directors are available to Shareholders upon request.

Financial reporting

The Directors' statement of responsibilities for preparing the accounts is set out in the Report of the Directors' on page 17, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 24.

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 Combined 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 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 year.

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:

<i>Investment Management</i>	Elderstreet Investments Limited
<i>Administration</i>	Downing Management Services Limited
<i>Listed Fixed Income Securities Management</i>	Smith & Williamson Investment Management Limited

CORPORATE GOVERNANCE STATEMENT (continued)

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 4, the Investment Manager's Report on page 6 and the Report of the Directors on page 13. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow Statement on page 27 and the Report of the Directors on page 15. In addition, notes 17 to 19 to the financial statements include 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 considerable financial resources at the year end, and holds a diversified portfolio of investments. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

Compliance statement

The Listing Rules require the Board to report on compliance with the forty-eight Combined Code provisions throughout the accounting period. The preamble to the Combined 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 year ended 31 December 2010 with the provisions set out in Section 1 of the Combined 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 at the Annual General Meeting. (A5-1, A3-3)
- b) The non-executive Directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts. (B1-6) The Directors do have consultancy agreements in place.
- c) Due to the size of the Board, 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. (A6, A7-2)

By order of the Board



Grant Whitehouse
Secretary
10 Lower Grosvenor Place
London SW1W 0EN

8 April 2011

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

We have audited the financial statements of Elderstreet VCT plc for the year ended 31 December 2010 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its return for the year 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.

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;
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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.

Under the Listing Rules we are required to review:

- the Corporate Governance Statement, set out on page 23, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.



Rhodri Whitlock
Senior Statutory Auditor
For and on behalf of PKF (UK) LLP
Statutory Auditor
London UK

8 April 2011

INCOME STATEMENT

for the year ended 31 December 2010

		2010			2009		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	493	-	493	571	-	571
Distribution in specie		-	-	-	-	5,110	5,110
Gains on investments	9	-	1,024	1,024	-	1,569	1,569
Loss on subsidiary undertaking		-	-	-	-	(5,110)	(5,110)
		493	1,024	1,517	571	1,569	2,140
Investment management fees	3	(88)	(263)	(351)	(78)	(234)	(312)
Performance incentive fees	3	-	(48)	(48)	-	-	-
Other expenses	4	(214)	(11)	(225)	(199)	(1)	(200)
Return on ordinary activities before tax		191	702	893	294	1,334	1,628
Tax on ordinary activities	6	(6)	6	-	(12)	12	-
Return attributable to equity Shareholders		185	708	893	282	1,346	1,628
Basic and diluted return per share	8	0.8p	2.9p	3.7p	1.2p	5.9p	7.1p

All Revenue and Capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year. The total column within the Income Statement represents the profit and loss account of the Company.

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement as shown above.

Other than revaluation movements arising on investments held at fair value through the Income Statement, there were no differences between the return as stated above and at historical cost.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Opening shareholders' funds		17,865	15,698
Issue of shares	12	1,455	1,478
Share issue costs	12	(80)	(81)
Purchase of own shares	12	(349)	(153)
Total recognised gains for the year		893	1,628
Dividends paid	7	(999)	(705)
Closing shareholders' funds		18,785	17,865

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

BALANCE SHEET
at 31 December 2010

	Note	£'000	2010 £'000	£'000	2009 £'000
Fixed assets					
Investments	9		17,834		17,059
Current assets					
Debtors	10	33		91	
Cash at bank and in hand		<u>1,127</u>		<u>899</u>	
		1,160		990	
Creditors: amounts falling due within one year	11	<u>(209)</u>		<u>(184)</u>	
Net current assets			951		806
Net assets			<u>18,785</u>		<u>17,865</u>
Capital and reserves					
Called up share capital	12		1,226		1,164
Capital redemption reserve	13		199		170
Merger reserve	13		2,082		2,211
Share premium	13		5,625		4,341
Special reserve	13		1,728		2,895
Revaluation reserve	13		3,875		2,481
Capital reserve – realised	13		3,775		4,395
Revenue reserve	13		275		208
Total equity shareholders' funds			<u>18,785</u>		<u>17,865</u>
Basic and diluted net asset value per share	14		76.6p		76.7p

The financial statements on pages 25 to 41 were approved and authorised for issue by the Board of Directors on 8 April 2011 and were signed on its behalf by:



David Brock
Chairman

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

CASH FLOW STATEMENT
for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Net cash (outflow)/inflow from operating activities	15	(42)	307
Capital expenditure			
Purchase of investments		(2,403)	(3,166)
Sale of investments		2,652	2,850
Net cash inflow/(outflow) from capital expenditure		<u>249</u>	<u>(316)</u>
Equity dividends paid		<u>(999)</u>	<u>(735)</u>
Net cash outflow before financing		(792)	(744)
Financing			
Proceeds from share issue		1,455	1,478
Share issue costs		(86)	(30)
Purchase of own shares		(349)	(153)
Net cash inflow from financing		<u>1,020</u>	<u>1,295</u>
Increase in cash	16	<u>228</u>	<u>551</u>

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

NOTES TO THE ACCOUNTS for the year ended 31 December 2010

1. Accounting policies

Basis of accounting

The Company has prepared its financial statements under UK Generally Accepted Accounting Practice and in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” revised January 2009 (“SORP”).

The financial statements are prepared under the historical cost convention modified by the revaluation of certain financial instruments.

The Company implements new Financial Reporting Standards issued by the Accounting Standards Board when required.

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.

Investments

Investments are designated as “fair value through profit or loss” assets 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. 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 FRS26.

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.

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.

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

It is not the Company's policy to exercise either significant or controlling influence over investee companies. Therefore, the results of these companies are not incorporated into the Income Statement except to the extent of any income accrued. This is in accordance with the SORP that does not require portfolio investments to be accounted for using the equity method of accounting.

NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2010

1. Accounting policies (continued)

Income

Dividend income from investments is recognised when the shareholders' rights to receive payment has 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, equivalent to the fair value of the expected balance receivable/payable by the Company.

Issue costs

Issue costs in relation to the shares issued are deducted from the share premium account.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2010

2. Income

	2010	2009
	£'000	£'000
Income from investments		
Loan stock interest	247	208
Dividend income	165	246
Interest on listed fixed income securities	76	111
	<u>488</u>	<u>565</u>
Other income		
Deposit interest	5	6
	<u>493</u>	<u>571</u>

3. Investment management fees

	2010	2009
	£'000	£'000
Basic fees	351	312
Performance incentive fees in respect of the year to 31/12/2009	23	-
Performance incentive fees in respect of the year to 31/12/2010	25	-
	<u>399</u>	<u>312</u>

Performance incentive fees, as shown above, are payable to the Investment Manager, with effect from 1 January 2009, when the Company has paid and/or proposed distributions totalling 3.5p per Share, in respect of any one financial year and, the NAV, before the distribution is above 70.6p per Share. If the test is met, the fee is calculated at a rate of 20% of the distribution 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 should any previous year's distribution not be met. As the fee was agreed by Shareholders on 22 July 2010, the current year includes a catch-up in respect of fees due in respect of the year to 31 December 2009.

4. Other expenses

	2010	2009
	£'000	£'000
Administration services	59	59
Directors' remuneration	55	55
Social security costs	3	4
Auditor's remuneration for	24	19
- audit		
- taxation services	2	2
Trail commission	5	-
Costs of acquisition of investments	11	1
Other running costs	66	60
	<u>225</u>	<u>200</u>

The annual running costs of the Company are also subject to a cap at 3.5% of the Company's net assets. The Investment Manager's and Administration Manager's fee 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 page 19.

The Company had no employees other than the Directors during the year. 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 year ended 31 December 2010

6. Taxation on ordinary activities

	2010 £'000	2009 £'000
(a) Tax charge for the year		
Current year		
UK corporation tax at 21.0% (2009: 21.0%)	6	12
Charged to Capital Expenses	<u>(6)</u>	<u>(12)</u>
	<u>-</u>	<u>-</u>
(b) Factors affecting tax charge for the year		
Return on ordinary activities before tax	<u>893</u>	<u>1,628</u>
Tax charge calculated on return on ordinary activities before tax at the applicable rate of 21.0% (2009: 21.0%)	187	342
Loss on subsidiary investment	-	1,073
Gains on investments	(215)	(330)
Distribution in Specie	-	(1,073)
UK dividend income	(35)	(51)
Expenses disallowed for taxation purposes	4	2
Losses carried forward	<u>59</u>	<u>37</u>
Current tax charge	<u>-</u>	<u>-</u>

- (c) A deferred tax asset has not been recognised in respect of timing difference relating to excess management expenses carried forward as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £190,000 (2009: £131,000) and would only be recovered if the Company were to make sufficient taxable profits in the future.

7. Dividends

			2010 Total £'000		2009 Total £'000
	Pence	Revenue £'000	Capital £'000	Revenue £'000	Capital £'000
Paid in year					
2010 Interim dividend	2.0	-	497	-	-
2009 Final dividend	2.0	118	384	-	-
2008 Final dividend	1.0	-	-	234	-
2009 Interim dividend	2.0	-	-	59	412
		<u>118</u>	<u>881</u>	<u>293</u>	<u>412</u>
Proposed					
Final dividend	2.0	<u>122</u>	<u>368</u>	<u>175</u>	<u>291</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2010

8. Basic and diluted return per share

	2010 £'000	2009 £'000
Return per share based on:		
Net revenue return for the financial year (£'000)	<u>185</u>	<u>282</u>
Capital return per share based on:		
Net capital gain for the financial year (£'000)	<u>708</u>	<u>1,346</u>
Weighted average number of Shares in issue	<u>24,429,890</u>	<u>23,010,569</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

“Fair value through profit or loss” assets

	Listed fixed income securities £'000	Quoted investments £'000	Unquoted investments £'000	Total £'000
Opening cost at 1 January 2010	2,354	4,689	8,202	15,245
Gains at 1 January 2010	5	1,539	270	1,814
Opening fair value at 1 January 2010	<u>2,359</u>	<u>6,228</u>	<u>8,472</u>	<u>17,059</u>
Movement in year				
Purchased at cost	743	1,000	660	2,403
Sales - proceeds	(1,705)	(777)	(170)	(2,652)
- realised (losses)/gains on sales	(6)	205	(2)	197
Unrealised gains/(losses) in the income statement	16	(767)	1,578	827
Closing fair value at 31 December 2010	<u>1,407</u>	<u>5,889</u>	<u>10,538</u>	<u>17,834</u>
Closing cost at 31 December 2010	1,389	5,149	8,049	14,587
Gains at 31 December 2010	18	740	2,489	3,247
	<u>1,407</u>	<u>5,889</u>	<u>10,538</u>	<u>17,834</u>

An analysis of venture capital investments between equity and non-equity elements is set out in note 17. Costs of acquisition of investments acquired during the year amounted to £11,000 (2009: £1,000) and costs of investments disposed of during the year amounted to £5,000 (2009: £2,000). A schedule disclosing the material additions and disposals during the year is shown on page 8.

During 2009, a loan note held in Baldwin & Francis Holdings Limited (“Baldwin”) reached its maturity date. Due to financing issues, Baldwin was unable to repay the loan, therefore due to the restrictive covenant terms attached to the loan note the Company gained effective, temporary, control of Baldwin. Baldwin have been working closely with the Investment Manager towards a solution for exiting this temporary control stake, which is now in the process of being implemented. The Board therefore do not believe it appropriate for the results of the effective subsidiary company to be consolidated within these accounts. Full details of the investment in Baldwin, including their financial results are shown on page 11.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2010

10. Debtors

	2010 £'000	2009 £'000
Other debtors	6	-
Prepayments and accrued income	27	91
	<u>33</u>	<u>91</u>

11. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Other creditors	132	132
Other taxes and social security	6	6
Accruals and deferred income	71	46
	<u>209</u>	<u>184</u>

12. Share capital

	2010 £'000	2009 £'000
Authorised:		
50,036,500 (2009: 50,036,500) Ordinary shares of 5p each	<u>2,502</u>	<u>2,502</u>
Issued, allotted, called up and fully paid:		
24,516,202 (2009: 23,287,887) Ordinary shares of 5p each	<u>1,226</u>	<u>1,164</u>

Between 1 April 2010 and 4 May 2010, the Company allotted 1,807,957 Ordinary Shares of 5p each, under the terms of a prospectus dated 1 December 2009, at 80.4p per share, with gross proceeds received thereon of £1.4 million. Issue costs in respect of the offer amounted to £80,000.

During the year the Company purchased 579,642 Ordinary Shares of 5p each for cancellation for an aggregate consideration of £349,000, at a price of 60p per Ordinary Share of 5p each (approximately equal to a 15% discount to the most recently published NAV at the time of purchase), and representing 2.5% of the issued Ordinary Share capital held at 1 January 2010.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2010

13. Reserves

	Capital redemption reserve £'000	Merger reserve £'000	Share premium £'000	Special reserve £'000	Revaluation reserve £'000	Capital reserve - realised £'000	Revenue reserve £'000
At 1 January 2010	170	2,211	4,341	2,895	2,481	4,395	208
Issue of new shares	-	-	1,364	-	-	-	-
Share issue costs	-	-	(80)	-	-	-	-
Purchase of own shares	29	-	-	(349)	-	-	-
Expenses charged to capital	-	-	-	-	-	(322)	-
Tax on capital expenses	-	-	-	-	-	6	-
Gains on investments	-	-	-	-	827	197	-
Realisation of revaluations from previous years	-	-	-	-	606	(606)	-
Realisation of fair value assets previously acquired	-	(129)	-	-	(39)	168	-
Transfer between reserves	-	-	-	(818)	-	818	-
Retained net revenue	-	-	-	-	-	-	185
Dividends paid	-	-	-	-	-	(881)	(118)
At 31 December 2010	199	2,082	5,625	1,728	3,875	3,775	275

The special reserve is a distributable reserve, which was created to enable the Company to purchase its own shares in the market without affecting its ability to pay dividends/capital distributions.

Distributable reserves comprise the special reserve and capital reserve – realised and revenue reserve, and are reduced by investment holding losses of £510,000 (2009: £1,329,000). The Merger Reserve is also partly distributable as follows:

	Non- Distributable £'000	Distributable £'000	Merger reserve £'000
At 1 January 2010	1,734	477	2,211
Realised investments, transferred to capital reserve - realised	(129)	-	(129)
At 31 December 2010	1,605	477	2,082

At the year end there were £5,745,000 (2009: £6,790,000) of reserves available for distribution.

14. Basic and diluted net asset value per share

	Shares in issue		2010 Net asset value		2009 Net asset value	
	2010	2009	pence per share	£'000	pence per share	£'000
Ordinary shares	24,516,002	23,287,887	76.6	18,785	76.7	17,865

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.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2010

15. Cash flow from operating activities and returns on investments

	2010 £'000	2009 £'000
Return on ordinary activities before tax	893	1,628
Gains on investments	(1,024)	(1,569)
Decrease in debtors	64	250
Increase/(decrease) in creditors	25	(2)
Net cash (outflow)/inflow from operating activities and returns on investments	<u>(42)</u>	<u>307</u>

16. Analysis of changes in cash at bank during the year

	2010 £'000	2009 £'000
Beginning of year	899	348
Net cash inflow for the year	<u>228</u>	<u>551</u>
End of year	<u>1,127</u>	<u>899</u>

17. Financial instruments and derivatives

The Company's significant financial instruments comprise investments in quoted companies, unquoted companies, listed fixed interest investments and are all designated as "fair value through profit or loss" assets. The main purpose of these instruments is to generate revenue and capital appreciation for the Company's operations. The fair value of investments is determined using the detailed accounting policy as shown in note 1.

Loans and receivables (including cash at bank and debtors) and other financial liabilities are stated at amortised cost which the Directors consider is equivalent to fair value.

The Company has not entered into any derivative transactions.

The Company has categorised its financial instruments designated as at fair value through profit or loss using the fair value hierarchy as follows:

- Level 1 Reflects financial instruments quoted in an active market (listed 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 are not based on observable market data (investments in unquoted shares, share options and loan note investments).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2010 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2009 £'000
Listed fixed interest securities	1,407	-	-	1,407	2,359	-	-	2,359
Shares quoted on the Main market	242	-	-	242	224	-	-	224
AIM quoted shares	4,864	-	233	5,097	4,872	-	233	5,105
Loan notes	-	-	3,564	3,564	-	-	2,881	2,881
Unquoted shares	-	-	7,524	7,524	-	-	6,490	6,490
	<u>6,513</u>	<u>-</u>	<u>11,321</u>	<u>17,834</u>	<u>7,455</u>	<u>-</u>	<u>9,604</u>	<u>17,059</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2010

17. Financial instruments and derivatives (continued)

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

	£'000
Balance at 31 December 2009	9,604
<i>Movements in the income statement:</i>	
Unrealised gains in the income statement	1,578
Realised gains in the income statement	(2)
	<u>1,576</u>
Purchases at cost	660
Sales proceeds	(519)
Balance at 31 December 2010	<u><u>11,321</u></u>

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	2010 £'000	2009 £'000
Fixed rate	6.5%	1,311 days	4,140	4,939
Floating rate	0.5%		1,127	993
No interest rate		1,462 days *	13,518	11,933
			<u>18,785</u>	<u>17,865</u>

* In respect of non interest bearing stock only

Financial liabilities

The Company has no financial liabilities or guarantees, other than the creditors disclosed within the balance sheet (2009: none).

Currency exposure

As at 31 December 2010, the Company had no foreign investments (2009: one valued at £8,000).

Borrowing facilities

The Company has no committed borrowing facilities as at 31 December 2010 (2009: none).

18. Principal financial risks

As a VCT, the majority of the Company’s assets are represented by financial instruments which are held as part of the investment portfolio. In order to ensure continued compliance with relevant VCT regulations and to be in a position to deliver the long term capital growth, which is part of the Company’s investment objective, the Board is very much aware of the need to manage and mitigate the risks associated with these financial instruments.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2010

18. Principal financial risks (continued)

The management of these risks starts with the application of a clear investment policy which has been developed by the Board who are experienced investment professionals. Furthermore, the Board has appointed an experienced Investment Manager to whom they have communicated the Company's investment objectives and whose remuneration is linked to the achievement of those objectives. The Investment Manager reports regularly to the Board on performance, and to facilitate the direct Board involvement with key decisions, on whether or not to invest, disinvest and the nature, terms and the security of investments being made.

Further information about the Company's investment policy is set out in the Report of the Directors on pages 13 to 15.

In assessing the risk profile of its investment portfolio, the Board has identified three principal classes of financial instrument, which are analysed within note 9. Investments are designated at "fair value through the profit and loss account" and are recognised as such on acquisition.

In addition to its investment portfolio, the VCT holds cash balances with two of the main UK banks and the Listed Fixed Income Securities Manager. The Directors consider that the risk profile associated with cash deposits is low and thus the carrying value in the Financial Statements is a close approximation of its fair value.

The Board has reviewed the Company's financial risk profile and concluded that the current sensitivity level remains appropriate.

A review of the specific financial risks faced by the Company follows.

Market risks

The key market risks to which the Company is exposed are interest rate risk and market price 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.

Interest rate risk

Board decisions in relation to amounts to be retained as cash deposits and held in fixed interest investments (including yields) are influenced by actual and potential changes in the Bank of England base rate. Sensitivity has been tested by the impact on the NAV over a one year period of a fall in the base rate to nil, being the largest possible fall, and also a graduating increase in base rate to 1.25%. The impact is summarised below.

Movement in interest rate	Risk exposure	Impact on Net Assets	2010 Impact on NAV per share	Risk exposure	Impact on Net Assets	2009 Impact on NAV per share
	£'000	£'000	Pence	£'000	£'000	Pence
Base rate changes to:						
Zero	1,127	(3)	-	899	(3)	-
1.25% (2009: 4%)	1,127	2	-	899	6	-

Market price risk

Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements. At 31 December 2010, the net unrealised gain on the quoted portfolios (quoted on the Main Market, AIM-quoted and fixed income investments) was £758,000 (2009: £1,544,000).

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2010

18. Principal financial risks (continued)

Market price risk (continued)

The investments the Company holds are (with the exception of listed fixed income securities and investments listed on the Main Market), in the main, thinly traded (due to the underlying nature of the investments) and, as such, the prices are more volatile than those of more widely traded, full list, securities. In addition, the ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The ability of the Company to purchase or sell investments is also constrained by the requirements set down for VCTs.

The Board considers each investment purchase to ensure that an acquisition will enable the Company to continue to have an appropriate spread of market risk and that an appropriate risk reward profile is maintained.

It is not the Company's policy to use derivative instruments to mitigate market risk, as the Board believes that the effectiveness of such instruments does not justify the cost or risk involved.

The Company's sensitivity to fluctuations in the share prices of its quoted investments (quoted on the Main Market and AIM, but excluding listed fixed interest investments and associated loan stocks) is summarised below. A 50% rise or fall in the share price in each of the quoted investments held by the Company would have an effect as follows:

Sensitivity	2010			2009		
		50% movement			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 investments	5,339	2,669	10.9p	5,328	2,664	11.4p

FRS 29 requires the Directors to consider the impact of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions. After due consideration the Directors believe that any such changes to assumptions would broadly follow the unquoted valuations as set out in note 9 to these accounts and the movements shown within the following sensitivity analysis.

A fall in share prices generally may have a lesser impact on the valuation of the unquoted portfolio due to the underlying nature of the investment and securities held within each individual company. A 25% rise or fall in the valuations of all of the unquoted investments held by the Company would have an effect as follows:

Sensitivity	2010			2009		
		25% movement			25% 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 investments	11,088	2,772	11.3p	9,372	2,343	10.1p

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2010

18. Principal financial risks (continued)

Market price risk (continued)

The Company also has exposure to variations in the price of its non-qualifying investments. As the investment is a government gilt, such securities are typically subject to lower price fluctuations. A 2.5% rise or fall in the valuation of these assets held by the Company would have the following impact:

Sensitivity	2010			2009		
	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
Non qualifying investments	1,407	35	0.1p	2,359	59	0.3p

In each case, the impact of such changes on the return for the year would be the same as that on Net Assets and NAV per share.

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

	2010 £'000	2009 £'000
<i>Fair value through profit or loss assets</i>		
Investments in listed fixed interest securities	1,407	2,359
Investments in loan stocks	3,564	2,881
<i>Loans and receivables</i>		
Cash and cash equivalents	1,127	899
Interest, dividends and other receivables	20	84
	<u>6,118</u>	<u>6,223</u>

Investments in loan stocks comprise a fundamental part of the Company's venture capital investments and are managed within the main investment management procedures.

Operating cash is mainly held at either Bank of Scotland plc or Royal Bank of Scotland plc, both of which are Aa3 rated financial institutions (Moody's) and, consequently the Directors consider that the risk profile associated with cash deposits is low. There have been no changes in fair value that are directly attributable to changes in credit risk.

Interest, dividends and other receivables are predominantly covered within the investment management procedures. There have been no changes in fair value that are directly attributable to changes in credit risk.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2010

18. Principal financial risks (continued)

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. As the Company only ever has a very low level of creditors (2010: £209,000 2009: £184,000), has no borrowings and has a healthy bank balance, the Board believes that the Company's exposure to liquidity risk is minimal.

Although the Company's investments are not held to meet the Company's liquidity requirements, the table below shows an analysis of the assets, highlighting the length of time that it could take the Company to realise its assets if it were required to do so.

As at 31 December 2010	Not later than 1 month £'000	Between 1 and 3 months £'000	Between 3 months and 1 year £'000	Between 1 and 5 years £'000	Past due £'000	Total £'000
<i>Financial assets readily realisable:</i>						
Listed fixed interest securities	1,407	-	-	-	-	1,407
Investments quoted on the Main market	242	-	-	-	-	242
<i>Other financial assets</i>						
AIM quoted investments	-	-	4,864	233	-	5,097
Loan note investments	-	-	-	3,044	520	3,564
Unquoted investments	-	-	935	6,589	-	7,524
	1,649	-	5,799	9,866	520	17,834
As at 31 December 2009						
As at 31 December 2009	Not later than 1 month £'000	Between 1 and 3 months £'000	Between 3 months and 1 year £'000	Between 1 and 5 years £'000	Past due £'000	Total £'000
<i>Financial assets readily realisable:</i>						
Listed fixed interest securities	2,359	-	-	-	-	2,359
Investments quoted on the Main market	224	-	-	-	-	224
<i>Other financial assets</i>						
AIM quoted investments	-	-	4,872	233	-	5,105
Loan note investments	-	-	350	2,011	520	2,881
Unquoted investments	-	-	-	6,490	-	6,490
	2,583	-	5,222	8,734	520	17,059

Past due financial assets, as shown above, relate to loan note investments that have passed their maturity date but are still deemed recoverable, in full, by the Investment Manager.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2010

19. Management of capital

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to continue to provide returns for Shareholders.

The requirements of the Venture Capital Trust Regulations and the fact that the Company has a policy of not having any borrowings mean that there is limited scope to manage the Company's capital structure. However, to the extent it is possible, the Company can maintain or adjust its capital structure by adjusting the amount of dividends paid to Shareholders, purchasing its own shares or issuing new shares.

As the Company has a low level of liabilities, the Board considers the Company's net assets to be its capital.

The Company does not have any externally imposed capital requirements.

There has been no change in the objectives, policies or processes for managing capital from the previous year.

20. Contingencies, guarantees and financial commitments

The Company had no commitments, contingencies or guarantees at the year end.

21. Related party transactions

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

Michael Jackson is a director of Elderstreet Investments Limited which provides investment management services to the Company. During the year £351,000 (2009: £312,000) was due in respect of these services. £48,000 of performance incentive fees are also due to Elderstreet Investments Limited (subject to the Shareholder agreement to the final dividend) in respect of the year under review, of which £25,000 is outstanding at the year end (2009: £nil). In addition, Elderstreet Investments Limited have received one-off fees from the Company totalling £10,000 in respect of additional investment advisory fees (£9,000) and recharge of printing costs (£1,000).

Nicholas Lewis is a director of Downing Management Services Limited, which provides administration services to the Company. During the year £59,000 (2009: £59,000) was due to Downing Management Services Limited in respect of these services.

22. Controlling party

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

23. Post balance sheet event

Between 22 March 2011 and 5 April 2011, the Company allotted 4,373,543 Ordinary Shares of 5p each, under the terms of a prospectus dated 21 December 2010, at an average price of 80.2p per share, with gross proceeds received thereon of £3.5 million. Issue costs in respect of these allotments amounted to £193,000.

NOTICE OF THE ANNUAL GENERAL MEETING of Elderstreet VCT plc

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Elderstreet VCT plc will be held at 32 Bedford Row, London, WC1R 4HE at 11:00 a.m. on 29 June 2011 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 year ended 31 December 2010, together with the report of the Auditors thereon.
2. To approve the Directors' Remuneration Report.
3. To approve the payment of a final dividend of 2.0p per Ordinary Share.
4. To re-appoint PKF (UK) LLP as Auditors 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, Michael Jackson, 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

6. 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 £1,000,000 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

7. That, conditional upon the passing of the other resolutions 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 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 6 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 (continued)
of Elderstreet VCT plc

8. 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 is 4,304,572, 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.

By order of the Board



Grant Whitehouse
Secretary

Registered Office:
10 Lower Grosvenor Place
London SW1W 0EN

8 April 2011

Notes

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 (continued) of Elderstreet VCT plc

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) below. 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 Management Services Limited, 10 Lower Grosvenor Place, London SW1W 0EN 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 Management Services Limited, 10 Lower Grosvenor Place, London SW1W 0EN. 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 Management Services Limited 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.

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

- (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 (Saturday and Public Holidays excluded) 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.
- (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 27 June 2011 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 27 June 2011 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 11:00 a.m. on 8 April 2011, the Company's issued share capital comprised 28,889,745 Ordinary Shares and the total number of voting rights in the Company was 28,889,745. 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 above.
- (l) Members may not use any electronic address provided either in this notice of 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 VCT PLC
FORM OF PROXY

For use at the Annual General Meeting of the above-named Company to be held on 29 June 2011, at 32 Bedford Row, London, WC1R 4HE 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 32 Bedford Row, London, WC1R 4HE on 29 June 2011 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.

	FOR	AGAINST	WITHHELD
ORDINARY BUSINESS			
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 2.0p	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint the Auditors and authorise the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Michael Jackson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SPECIAL BUSINESS			
6. To authorise the Company to allot shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise the Company to disapply pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise the Company to make market purchases of its shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Dated this day of 2011

Signature(s)/.....

Notes:

- Any member of the Company entitled to attend and vote at the 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 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 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.
- 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.
- Any alterations to the Form of Proxy should be initialled.
- 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 Management Services Limited, 10 Lower Grosvenor Place, London SW1W 0EN 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.
- 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.
- 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.
- The completion and return of this Form of Proxy will not preclude you from attending and voting at the General Meeting should you subsequently decide to do so. If a member appoints a proxy and that member attends the General Meeting in person, the proxy appointment will automatically be terminated.
- 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 General Meeting.

* Delete as appropriate



Third fold and tuck in edge

Business Reply
Licence Number
RRJU-PLYH-CTJK



ELDERSTREET VCT plc
c/o DOWNING MANAGEMENT SERVICES LIMITED
10 Lower Grosvenor Place
London
SW1W 0EN

Second Fold

First fold

