



ELDERSTREET

VCT plc

Half-Yearly Report
for the six months ended
30 June 2011

SHAREHOLDER INFORMATION

Recent performance summary

	30 Jun 2011 pence	31 Dec 2010 Pence	30 Jun 2010 pence
Net asset value per share	71.1	76.6	69.5
Cumulative distributions paid per share	<u>50.0</u>	<u>50.0</u>	<u>48.0</u>
Total return per share	<u>121.1</u>	<u>126.6</u>	<u>117.5</u>

Recent/forthcoming dividends

	Amount	Date of payment	Ex-div date	Record date
2010 final dividend	2.0	6 July 2011	1 June 2011	3 June 2011
2011 interim dividend	2.0	2 December 2011	2 November 2011	4 November 2011

Dividend history (since launch)

Gross dividends paid pence per share are summarised as follows:

Year end	Pence per share	Year end	Pence per share
1998	3.0	2004	3.0
1999	2.5	2005	2.0
2000	12.0	2006	3.5
2001	3.5	2007	5.0
2002	3.5	2008	4.0
2003	2.0	2009	4.0
		2010	4.0
		Cumulative dividends paid to date (31 August 2011)	52.0

Dividends are paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a mandate form for this purpose. Queries relating to unpaid dividends and requests for mandate forms should be directed to the Company's registrar, Capita Registrars, by calling 0871 664 0324 (calls cost 10p per minute plus network extras), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Share price

The Company's share price can be found on various financial websites with the TIDM/EPIC code as shown below:

TIDM/EPIC Code:	EDV
Latest share price (30 August 2011):	60.625p per share

A link to the share price is also available on Elderstreet Investment Limited's website (www.elderstreet.com) and on Downing's website (www.downing.co.uk).

Shareholder information is continued on the inside back cover

CHAIRMAN'S STATEMENT

I present the Half-Yearly Report for Elderstreet VCT plc for the six-month period ended 30 June 2011.

Net Asset Value

At 30 June 2011, the Company's Net Asset Value ("NAV") per share stood at 71.1p, a decrease of 5.5p or 7.2% since 31 December 2010. This fall is mostly attributable to the fall in value of two AIM stocks which are discussed further below.

Venture capital investments

The Company made one follow-on investment of £134,000 in AngloINFO Limited during the period.

The holding in WeComm Limited was sold for £939,000, realising a gain of £4,000 against the year end valuation, and £89,000 against the original cost. Smart Education Limited also redeemed a proportion of the loan notes held by the Company at par value.

The Board has reviewed the valuations of the unquoted investments at the period end and made adjustments to the valuations of five companies. Total unrealised losses for the period from the venture capital portfolio amounted to £1.6 million and total realised gains were £4,000. The most significant movements in value were two of the AIM-quoted investments, Access Intelligence plc, which fell by £976,000 (equivalent to 3.4p per share), and Snacktime plc, which fell by £629,000 (equivalent to 2.2p per share).

Listed fixed income securities

The Company continues to hold a small portfolio of fixed interest investments which are managed by Smith & Williamson Investment Management Limited. During the period, this portfolio produced unrealised gains of £14,000.

Results

The loss on activities after taxation for the period was £1.6 million (2010: £1.3 million), comprising a revenue return of £140,000 and a capital loss of £1.7 million.

Dividend

The Company intends to pay an interim dividend to Shareholders of 2.0p per share on 2 December 2011 to Shareholders on the register at 4 November 2011.

Top-up share issue

The Company undertook a top-up issue during the period, issuing 4,778,800 shares at an average price of 80.0p per share. Net proceeds of the offer were £3.6 million. The additional funds will allow the Company to participate in more new investment opportunities as well as providing a greater asset base over which the fixed running costs will be borne.

Share buybacks

In June 2011, the Company spent approximately £160,000 purchasing 263,000 shares for cancellation at a price of 60.5p per share at a 15% discount to the most recently published NAV.

The Board has agreed to make funds of up to £200,000 available for share buybacks following the release of these results. The Board will buy in shares at approximately a 15% discount to the most recently published NAV and expects the next buyback to take place at the end of November 2011. Shareholders who wish to sell their shares should contact Downing.

CHAIRMAN'S STATEMENT (continued)

Risks and uncertainties

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

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

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

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

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

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

Going concern

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

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

Outlook

Since the end of the period, stock markets have experienced sharp falls in value as a result of fears concerning eurozone bailouts and the general weakness of the economy. At the time of writing, the impact on the Company's NAV had been reasonably limited, showing a fall of approximately 1.0p per share between 30 June and 26 August 2011.

This environment clearly remains difficult for small businesses. Accordingly, the manager will continue to take an active hands-on approach in supporting the portfolio companies through the challenges they face. This climate can also provide good opportunities for new investments at attractive prices. Now that the Company has a reasonable level of funds available, it is well-placed to take advantage of those opportunities.



David Brock
Chairman

31 August 2011

UNAUDITED BALANCE SHEET

as at 30 June 2011

	As at 30 Jun 2011 £'000	As at 30 Jun 2010 £'000	As at 31 Dec 2010 £'000
Fixed assets			
Investments	15,185	16,036	17,834
Current assets			
Debtors	46	502	33
Cash at bank and in hand	5,608	942	1,127
	5,654	1,444	1,160
Creditors: amounts falling due within one year	(200)	(210)	(209)
Net current assets	5,454	1,234	951
Net assets	<u>20,639</u>	<u>17,270</u>	<u>18,785</u>
Capital and reserves			
Called up share capital	1,452	1,242	1,226
Capital redemption reserve	212	183	199
Merger reserve	1,985	2,211	2,082
Share premium	8,999	5,625	5,625
Special reserve	1,619	2,319	1,728
Revaluation reserve	2,093	1,240	3,875
Capital reserve - realised	3,864	4,321	3,775
Revenue reserve	415	129	275
Equity shareholders' funds	<u>20,639</u>	<u>17,270</u>	<u>18,785</u>
Net Asset Value per share:	71.1p	69.5p	76.6p

UNAUDITED INCOME STATEMENT

for the six months ended 30 June 2011

	Six months ended 30 June 2011		
	Revenue £'000	Capital £'000	Total £'000
Income	285	-	285
Gains/(losses) on investments			
- realised	-	4	4
- unrealised	-	(1,602)	(1,602)
	285	(1,598)	(1,313)
Investment management fees	(47)	(141)	(188)
Performance incentive fee	-	-	-
Other expenses	(98)	-	(98)
	140	(1,739)	(1,599)
Return/(loss) on ordinary activities before taxation			
Taxation	-	-	-
	140	(1,739)	(1,599)
Return/(loss) attributable to equity shareholders			
Basic and diluted return per share	0.5p	(6.4p)	(5.9p)

Six months ended 30 June 2010			Year ended 31 December 2010
Revenue £'000	Capital £'000	Total £'000	Total £'000
264	-	264	493
-	206	206	197
-	(1,463)	(1,463)	827
<hr/> 264	<hr/> (1,257)	<hr/> (993)	<hr/> 1,517
(45)	(134)	(179)	(351)
-	(23)	(23)	(48)
<hr/> (106)	<hr/> (9)	<hr/> (115)	<hr/> (225)
113	(1,423)	(1,310)	893
<hr/> (4)	<hr/> 4	<hr/> -	<hr/> -
<hr/> 109	<hr/> (1,419)	<hr/> (1,310)	<hr/> 893
0.5p	(6.1p)	(5.6p)	3.7p

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the six months ended 30 June 2011

	30 Jun 2011 £'000	30 Jun 2010 £'000	31 Dec 2010 £'000
Opening shareholders' funds	18,785	17,865	17,865
Issue of shares	3,823	1,455	1,455
Share issue costs	(210)	(80)	(80)
Purchase of own shares	(160)	(158)	(349)
Total recognised (losses)/gains in the period	(1,599)	(1,310)	893
Dividends	-	(502)	(999)
	<u>20,639</u>	<u>17,270</u>	<u>18,785</u>
Closing shareholders' funds			

UNAUDITED CASHFLOW STATEMENT

for the six months ended 30 June 2011

	Note	Six months ended 30 Jun 2011 £'000	Six months ended 30 Jun 2010 £'000	Year ended 31 Dec 2010 £'000
Net cash outflow from operating activities and returns on investments	1	<u>(29)</u>	<u>(9)</u>	<u>(42)</u>
Capital expenditure				
Purchase of investments		(153)	(910)	(2,403)
Sale of investments		<u>1,204</u>	<u>248</u>	<u>2,652</u>
Net cash inflow/(outflow) from capital expenditure		<u>1,051</u>	<u>(662)</u>	<u>249</u>
Equity dividends paid		<u>-</u>	<u>(502)</u>	<u>(999)</u>
Net cash inflow/(outflow) before financing		1,022	(1,173)	(792)
Financing				
Proceeds from share issue		3,823	1,454	1,455
Share issue costs		(204)	(80)	(86)
Purchase of own shares		<u>(160)</u>	<u>(158)</u>	<u>(349)</u>
Net cash inflow from financing		<u>3,459</u>	<u>1,216</u>	<u>1,020</u>
Increase in cash	2	<u>4,481</u>	<u>43</u>	<u>228</u>
Notes to the cash flow statement:				
1 Net cash inflow from operating activities and returns on investments				
(Loss)/return on ordinary activities before taxation		(1,599)	(1,310)	893
Losses/(gains) on investments		1,598	1,257	(1,024)
(Increase)/decrease in other debtors		(20)	16	64
(Decrease)/increase in other creditors		<u>(8)</u>	<u>28</u>	<u>25</u>
Net cash outflow from operating activities and returns on investments		<u>(29)</u>	<u>(9)</u>	<u>(42)</u>
2 Analysis of net funds				
Beginning of period		1,127	899	899
Net cash inflow		<u>4,481</u>	<u>43</u>	<u>228</u>
End of period		<u>5,608</u>	<u>942</u>	<u>1,127</u>

SUMMARY OF INVESTMENT PORTFOLIO

as at 30 June 2011

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
Top ten venture capital investments				
Wessex Advanced Switching Products Limited	60	2,467	(206)	11.9%
Smart Education Limited	1,274	1,901	-	9.1%
Snacktime plc *	1,375	1,577	(629)	7.6%
Fords Packaging Systems Limited	1,047	1,418	266	6.8%
Access Intelligence plc *	1,633	1,325	(976)	6.4%
Lyalvale Express Limited	915	1,255	228	6.0%
AngloINFO Limited	662	732	-	3.5%
Fulcrum Utility Services Limited *	500	594	(52)	2.9%
Baldwin & Francis (Holdings) Limited	690	572	(198)	2.7%
Aconite Technology Limited	460	460	-	2.2%
	<u>8,616</u>	<u>12,301</u>	<u>(1,567)</u>	<u>59.1%</u>
Other venture capital investments	3,666	1,444	(49)	7.0%
Listed fixed income securities	<u>1,408</u>	<u>1,440</u>	<u>14</u>	<u>6.9%</u>
Subtotal	<u>13,690</u>	15,185	<u>(1,602)</u>	73.0%
Cash at bank and in hand		<u>5,608</u>		<u>27.0%</u>
Total investments		<u>20,793</u>		<u>100.0%</u>

All venture capital investments are unquoted unless otherwise stated.

* Quoted on AIM

SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 30 June 2011

Additions

	£'000
Venture capital investments	
AngloINFO Limited	134
Other investments	19
	<u>153</u>

Disposals

	Cost £'000	Market value at 1 January 2011 £'000	Disposal Proceeds £'000	Gain/ (loss) against cost £'000	Total realised gain/ (loss) £'000
Smart Education Limited	199	265	265	66	-
WeComm Limited	850	935	939	89	4
	<u>1,049</u>	<u>1,200</u>	<u>1,204</u>	<u>155</u>	<u>4</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

- The unaudited half yearly financial results cover the six months to 30 June 2011 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 December 2010, which were prepared under UK Generally Accepted Accounting Practice and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" revised January 2009.
- All revenue and capital items in the Income Statement derive from continuing operations.
- The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
- The comparative figures are in respect of the six months ended 30 June 2011 and the year ended 31 December 2010 respectively.

5. Return per share

	30 Jun 2011	30 Jun 2010	31 Dec 2010
Return per share based on:			
Net revenue gain for the period (£'000)	<u>140</u>	<u>109</u>	<u>185</u>
Capital return per share based on:			
Net capital (loss)/gain for the period (£'000)	<u>(1,739)</u>	<u>(1,419)</u>	<u>708</u>
Weighted average number of shares	<u>26,954,181</u>	<u>23,287,887</u>	<u>24,429,890</u>

6. Dividends

		30 Jun 2011			31 Dec 2010
	Per share Pence	Revenue £'000	Capital £'000	Total £'000	Total £'000
Paid in the period					
2009 Final dividend	2.0	-	-	-	502
2010 Interim dividend	2.0	-	-	-	497
		<u>-</u>	<u>-</u>	<u>-</u>	<u>999</u>
Paid on 6 July 2011					
2010 Final dividend	2.0	<u>146</u>	<u>439</u>	<u>585</u>	<u>-</u>

7. Net Asset Value per share

	30 Jun 2011	30 Jun 2010	31 Dec 2010
Net Asset Value per share based on:			
Net assets (£'000)	<u>20,639</u>	<u>17,270</u>	<u>18,785</u>
Number of shares in issue	<u>29,032,002</u>	<u>24,845,844</u>	<u>24,516,202</u>
Net Asset Value per share	<u>71.1p</u>	<u>69.5p</u>	<u>76.6p</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

8. Called up share capital

	Shares	£'000
As at 1 January 2011	24,516,202	1,226
Shares issued in period	4,778,800	239
Shares bought back and cancelled	(263,000)	(13)
As at 30 June 2011	<u>29,032,002</u>	<u>1,452</u>

Between 22 March 2011 and 5 May 2011, the Company allotted 4,778,800 Ordinary Shares of 5p each, under the terms of a prospectus dated 21 December 2010, at 80.0p per share, with gross proceeds received thereon of £3.8 million. Issue costs in respect of the offer amounted to £210,000.

During the period the Company purchased 263,000 Ordinary Shares of 5p each for cancellation for an aggregate consideration of £160,000, at a price of 60p per share (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 2011.

9. Capital and 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 2011	199	2,082	5,625	1,728	3,875	3,775	275
Issue of new shares	-	-	3,584	-	-	-	-
Share issue costs	-	-	(210)	-	-	-	-
Purchase of own shares	13	-	-	(160)	-	-	-
Expenses capitalised	-	-	-	-	-	(141)	-
(Losses)/gains on investments	-	-	-	-	(1,602)	4	-
Realisation of revaluations from previous years	-	-	-	-	(150)	150	-
Realisation of fair value assets previously acquired	-	(97)	-	-	(30)	127	-
Transfer between reserves	-	-	-	51	-	(51)	-
Retained net revenue for the period	-	-	-	-	-	-	140
At 30 June 2011	<u>212</u>	<u>1,985</u>	<u>8,999</u>	<u>1,619</u>	<u>2,093</u>	<u>3,864</u>	<u>415</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

9. Capital and Reserves (continued)

Distributable reserves comprise the special reserve, capital reserve – realised, and revenue reserve, and are reduced by investment holding losses of £2,321,000 (31 Dec 2010: £510,000). £477,000 (31 Dec 2010: £477,000) of the merger reserve is also distributable. At the period end, total distributable reserves were £4,054,000 (31 Dec 2010: £5,745,000).

10. The Directors confirm that, to the best of their knowledge, the half-yearly financial statements have been prepared in accordance with the “Statement: Half-Yearly Financial Reports” issued by the UK Accounting Standards Board and the half-yearly financial report includes a fair review of the information required by:

- (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the current financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

11. The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies. The figures for the year ended 31 December 2010 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the auditors’ report on those financial statements was unqualified.

12. Copies of the unaudited half-yearly results will be sent to Shareholders shortly. Further copies can be obtained from the Company’s Registered Office and downloaded from www.downing.co.uk.

SHAREHOLDER INFORMATION (continued)

Share scam warning

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

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

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 buyback shares twice each year. Shareholders wishing to participate in the next planned share buyback should contact Downing 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.

Notification of change of address

Communications with Shareholders are mailed to the registered address held on the share register which is maintained by the Company's registrar, Capita Registrars. In the event of a change of address or other amendment this should be notified to the registrar under the signature of the registered holder.

Other information for Shareholders

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

If you have any queries regarding your shareholding in Elderstreet VCT plc, please contact the registrar, Capita Registrars, or visit Capita's website at www.capitaregistrars.com and select the Shareholder Portal.

Directors

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

Company Secretary and Registered Office

Grant Whitehouse
10 Lower Grosvenor Place
London SW1W 0EN
Tel: 020 7416 7780

Registered No. 3424984

Investment Manager

Elderstreet Investments Limited
32 Bedford Row
London WC1R 4HE

www.elderstreet.com

Administration Manager

Downing LLP
10 Lower Grosvenor Place
London SW1W 0EN

www.downing.co.uk
Tel: 020 7416 7780

Registrar

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Tel: 0871 664 0324
(calls cost 10p per minute plus network extras)
www.capitaregistrars.com