ELDERSTREET

draperesprit

Elderstreet Draper Esprit VCT

Prospectus
with Application Form

Fundraising Target £10 million

(with an overallotment facility of up to an additional £10 million)

www.elderstreet.com

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 ("FSMA") before taking any action.

This document constitutes a prospectus dated 7 December 2017 (the "**Prospectus**") issued by Elderstreet Draper Esprit VCT plc (the "**Company**"), prepared in accordance with the Prospectus Rules made under Section 84 of FSMA and which has been approved by the Financial Conduct Authority (the "**FCA**") in accordance with section 87A of FSMA.

The Directors, whose names are set out on page 70 of this document, together with the Company, accept responsibility for the information contained herein. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Applications will be made to the UK Listing Authority for all the New Ordinary Shares to be admitted to the premium segment of the Official List. Applications will also be made to the London Stock Exchange for all such New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Ordinary Shares will commence 15 Business Days following allotment. No application is currently intended to be made for the New Ordinary Shares to be admitted to listing or dealt with on any other exchange. The existing Ordinary Shares are already admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.

Your attention is drawn to the ''Risk Factors'' on pages 13 to 15 of this document.

ELDERSTREET DRAPER ESPRIT VCT PLC

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

OFFER FOR SUBSCRIPTION

for the tax years 2017/18 and 2018/19

Target Fundraise: £10 million
(with an overallotment facility of up to an additional £10 million)

The Offer will be open from 10.00 a.m. on 7 December 2017 until the earlier of 4.00 p.m. on 31 May 2018 (or such later date as the Board may decide) and the date on which the relevant Maximum Subscription is reached. Applicants who wish to have some or all of their New Ordinary Shares allotted in the tax year 2017/18 must return their completed Application Form by 10.00 a.m. on 5 April 2018. The Offer is not being underwritten. The Offer is not subject to reaching a minimum subscription level.

Early Investors will receive a 1% rebate from the Promoter's Fee, which will be applied for additional New Ordinary Shares, where their Application Form is received and accepted by the Company before 4.00 p.m. on 14 February 2018. Investors whose Application Forms are received and accepted thereafter but before 4.00 p.m. on 1 March 2018 will receive a 0.5% rebate from the Promoter's Fee.

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

SPARK Advisory Partners Limited ("**SPARK**") who is acting as sponsor and Elderstreet Investments Limited ("**Elderstreet**") who is acting as promoter in connection with the Offer, are each authorised and regulated in the United Kingdom by the FCA. Neither SPARK nor Elderstreet are advising any other person or treating any other person as a customer or client in relation to the Offer, nor, subject to the responsibilities and liabilities imposed by FSMA and the regulatory regime established thereunder, will they be responsible to any such for providing the protections afforded to their respective customers or clients or for providing advice in connection with the Offer.

The Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia, Japan or the Republic of South Africa or their respective territories or possessions, and documents should not be distributed, forwarded or transmitted in or into such territories. The New Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) and may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia, Japan or the Republic of South Africa.

Copies of this document are available (and any supplementary prospectus published by the Company will be available) for download at www.elderstreet.com and may be obtained free of charge at the Company's registered office, where they are also on display, at 6th Floor, St Magnus House, 3 Lower Thames Street, London EC3R 6HD, and at its principal place of business at 20 Garrick Street, London WC2E 9BT during the period in which the Offer remains open.

The Company and the Directors consent to the use of the Prospectus by financial intermediaries, from the date of the Prospectus until the close of the Offer, for the purpose of subsequent resale or final placement of securities by financial intermediaries for New Ordinary Shares until the close of the Offer, and accept responsibility for the information contained therein for such purpose. The Offer is expected to close on or before 4.00 pm on 31 May 2018, unless previously extended by the Directors. There are no conditions attaching to this consent. Financial intermediaries may use the Prospectus only in the UK.

In the event of an offer being made by a financial intermediary, information on the terms and conditions of the Offer will be given to Investors by the financial intermediaries at the time that the Offer is introduced to Investors. Any financial intermediary using the Prospectus must state on its website that it is using the Prospectus in accordance with the consent set out in the paragraph above.

CONTENTS

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A to E.

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some of the Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding that Element. In these instances, a short description of the Element is included, together with an appropriate 'Not applicable' statement.

A		**Introduction and warnings**
A1	Warning	This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the claimant investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus or it does not provide, when read together with other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A2	Consent for intermediaries	The Company and the Directors consent to the use of the Prospectus by financial intermediaries in the UK, from the date of the Prospectus until the close of the Offer, for the purpose of subsequent resale or final placement of securities by financial intermediaries. The Offer is expected to close on 31 May 2018, subject to the Offer not being fully subscribed at an earlier date or unless previously extended by the Directors. There are no conditions attaching to this consent. **In the event of an offer being made by a financial intermediary, financial intermediaries must give investors information on the terms and conditions of the Offer at the time they introduce the Offer to investors.**
B		**Issuer**
B1	Legal and commercial name	Elderstreet Draper Esprit VCT plc (the "**Company**").
B2	Domicile / Legal form / Legislation / Country of incorporation	The Company is a public limited liability company which is registered in England and Wales with registered number 03424984. The principal legislation under which the Company operates is the Companies Act 2006 (the "**Act**") and the regulations made thereunder.
B5	Group description	Not applicable. The Company is not part of a group.
B6	Material Shareholders / Different voting rights / Control	All Shareholders have the same voting rights in respect of the existing share capital of the Company. As at 6 December 2017 (being the latest practicable date prior to the publication of this document), the Company is not aware of any person who, directly or indirectly, has or will have an interest in the capital of the Company or voting rights which is notifiable

		under UK law (under which, pursuant to the Act and the Listing Rules and Disclosure Guidance and Transparency Rules of the FCA, a holding of 3% or more will be notified to the Company).
B7	Selected financial information and statement of any significant changes	Certain key historical information of the Company is set out below:

	Unaudited six months to 30 June 2017	Audited year end to 31 Dec 2016	Unaudited six months to 30 June 2016	Audited year end to 31 Dec 2015	Audited year end to 31 Dec 2014
Net Assets	37,426,495	23,260,360	25,580,522	24,458,000	23,769,000
Total return before tax	159.1p	158.8p	162.4p	161.6p	151.8p
Net asset value per Share	61.6p	62.8p	68.9p	70.6p	70.8p
Cumulative Dividends paid per Share	97.5p	96.0p	93.5p	91.0p	81.0p

As at 30 June 2017, the Company's net asset value per Share (unaudited) was 61.6p. During the period 1 July 2017 to 30 November 2017, the Company issued a further 3,927,690 Ordinary Shares raising gross proceeds of approximately £2,474,000 and paid a dividend of 1.5p per Ordinary Share.

Save as described above, in the period from 1 January 2013 to 30 June 2017, and thereafter to the date of publication of the Prospectus, there has been no significant change to the Company's financial or trading position.

B8	Key pro forma financial information	Not applicable. There is no pro forma financial information in the Prospectus.
B9	Profit forecast	Not applicable. There is no profit forecast in the Prospectus.
B10	Qualifications in the audit report	Not applicable. There were no qualifications in the Company's audit report for periods ended 31 December 2016, 31 December 2015 or 31 December 2014.

B11	Insufficient working capital	Not applicable. The Company is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.
B34	Investment objective and policy, including investment restrictions	**Investment Policy** 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: • Companies which meet the VCT criteria with proven sales and the ability to grow, which are seeking growth capital. • A strong, balanced and well-motivated management team. • Investments which, where appropriate, include unsecured loan notes to provide income. The Company may also invest in preference shares. • Investments where Draper Esprit and Elderstreet Investments Limited can typically act as lead investor and have an active involvement in the business through a board position. The Company currently has a general portfolio mix by sector and its average deal size is approximately £1.0 million, however it is able to syndicate deals of up to £10 million with the Draper Esprit co-investment funds. Within qualifying investments, 30% of new investments will usually be into early stage companies (typically revenues of between £0.5 and £1.5 million) with high growth potential and 70% into larger growth investments (typically revenues exceeding £1.5 million) that meet the VCT age limit restrictions. Because of the new VCT rules it is likely that a higher percentage of investments than in the past will be in companies which have not yet reached profitability. The target investment size has historically been between £0.5 million and £1.0 million across a broad range of industries, although this may rise as further capital is raised and providing appropriate investments are sourced. The Company will aim to have material influence, including board representation, in relation to all of its portfolio companies. **Risk Diversification** The Company's portfolio will be diversified by investing in a portfolio of VCT qualifying investments covering a number of sectors. Funds not invested in VCT qualifying investments have generally been invested in fixed income securities and going forward will be generally held in cash. The maximum that the Company will hold in a single investment (by value at the time of investment) is 15% of funds invested. **VCT Qualifying Investments** It is the Directors' intention that qualifying investments made by the Company will be in companies supplying products and services to a range of markets. In particular, the Directors, the Manager and Draper Esprit have specific experience and expertise in certain sectors, such as information technology, digital markets, software, manufacturing and retailing, and, where appropriate, the Company will invest in these sectors. It is intended that most of the Company's qualifying investments will be businesses, typically with revenues exceeding £1.5 million, requiring growth finance. Investments in early stage businesses could account approximately 30% of new investments but should represent a relatively small proportion of the overall portfolio; such investments could be made, for example, in a company whose management team the Company, the

Manager or Draper Esprit have previously backed or a start-up company which can demonstrate substantial and verifiable first year sales prospects.

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

In relation to investments to be made by the Company:

1. In order to provide income, the Company's investments may include, where appropriate, unsecured loan notes. The Company may also invest in preference shares.

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

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

Investments in AIM traded companies

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

Non-Qualifying Investments

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

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

Venture Capital Trust regulations

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

B35	Borrowing limits	It is not the Company's intention to have any borrowings. The Company does, however, have the ability to borrow a sum equal to 10% of the aggregate amount paid up on the issued share capital of the Company and the amounts standing to the credit of the consolidated reserves of the Company.

B36	Regulatory status	The Company is subject to the Act and the regulations made thereunder and in the UK generally, its shares are listed on the premium segment of the Official List and, as a qualifying VCT, it is subject to regulation by HMRC in order to retain such status.
B37	Typical investor	A typical investor in the Company will be a UK higher-rate income tax payer, over 18 years of age and with an investment range of between £6,000 and £200,000 who is capable of understanding and is comfortable with the risks of VCT investment.
B38	Investments of 20% or more in a single company	Not applicable. The Company does not and will not hold any investments which represent more than 20% of its gross assets in a single company or group.
B39	Investments of 40% or more in a single company	Not applicable. The Company does not and will not hold any investments which represent more than 40% of its gross assets in a single company or group.
B40	Service providers	Elderstreet Investments Limited ("**Elderstreet**") acts as the investment manager to the Company and receives an annual fee (excluding Performance Incentive Fees) of 2.0% of the Net Asset Value of the Company subject to a costs cap of 3.5% of the Net Asset Value above which Elderstreet and Downing will bear any costs pro-rata to fees receivable by each from the Company. Downing LLP acts as the Company's administrator and receives a fee of £50,000 per annum. In addition, Elderstreet will be entitled to a promoter's fee of either 3.0% or 5.5% (depending on the category of Investor) of amounts subscribed pursuant to the Offer. Draper Esprit provides the Company with deal flow through a co-investment arrangement with the Manager but does not receive any fee from the Company.
B41	Regulatory status of Elderstreet	Elderstreet Investments Limited is a private company registered in England and Wales with registered number 01825358. Elderstreet is authorised and regulated by the Financial Conduct Authority, with registration number 148527.
B42	Calculation of net asset value	The Company's net asset value is formally calculated every six months by the Manager, is approved by the Board and is published on an appropriate regulatory information service. If valuations are suspended, Shareholders will be notified in a similar manner.
B43	Umbrella collective investment scheme	Not applicable. The Company is not part of an umbrella collective investment scheme.
B44	Absence of financial statements	Not applicable. The Company has commenced operations and published financial statements.
B45	Investment portfolio	The Company invests in a portfolio of smaller, UK-based unquoted companies. A summary of the Company's portfolio is set out below (extracted from the latest unaudited interim accounts):

NAV per Share at 30 June 2017 (p)	**Number of investments as at 30 June 2017**	**Net assets as at 30 June 2017 (£)**
61.6p	22	£37,426,495

B46	Most recent NAV per Ordinary Share	As at 30 June 2017, the unaudited net asset value per Ordinary Share was 61.6p.
C		**Securities**
C1	Description and class of securities and authority	The securities being offered pursuant to the Offer are Ordinary Shares of 5 pence each ("**New Ordinary Shares**") (ISIN: GB0002867140).
C2	Currency	The Company's share capital currently comprises Ordinary Shares of 5 pence each (GBP).
C3	Shares in issue	As at the date of this document 64,139,554 Ordinary Shares are in issue (all fully paid up). The maximum number of New Ordinary Shares to be issued pursuant to the Offer, unless the size of the Offer is increased, is 15,723,270. If the over-allotment facility is utilised, the maximum number of New Ordinary Shares to be issued will be 31,446,540.
C4	Description of the rights attaching to the securities	The New Ordinary Shares will rank equally in all respects with each other and with the existing Shares.
C5	Restrictions on transfer	The New Ordinary Shares will be listed on the premium segment of the Official List and, as a result, will be freely transferable.
C6	Admission	Application will be made to the UKLA for the New Ordinary Shares to be listed on the Official List and will be made to the London Stock Exchange for such shares to be admitted to trading on its main market for listed securities. It is anticipated that dealings in the New Ordinary Shares will commence 15 Business Days following allotment.
C7	Dividend policy	The Board has a stated objective of paying annual dividends of 3 pence (equivalent to a 6.7% tax free return based on the Estimated Offer Price after factoring in initial tax reliefs).
D		**Risks**
D1	Key information on the key risks specific to the Company or its industry	*The Company* Most of the Company's investments will be in small companies seeking growth rather than capital preservation, which may have limited trading records and may not produce hoped for returns. Consequently, Investors could get back less than they invested or nothing at all. The past performance of the Company and/or investments managed by the Manager or Draper Esprit should not necessarily be regarded as an indication of the future performance of the Company. Although it is intended that the Company will be managed with the intention of retaining its VCT status, there is no guarantee that such status will be maintained. If the Company fails to meet the qualifying requirements for a VCT, this could result in: • the loss of income tax relief received if Investors have not held their New Ordinary Shares for the required qualifying period; • the loss of income tax relief on dividends paid (or subsequently payable) to Investors;

- the loss of tax relief previously obtained in relation to corporation tax on capital gains made by the Company;
- a liability to tax on capital gains on any disposal of New Ordinary Shares; and
- the loss of the Company's listing on the Official List and the ability of the New Ordinary Shares to be traded on the London Stock Exchange.

Most of the Company's investments will be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise.

Some of the Company's legacy investments are in established companies that may be relatively mature with limited opportunities for further growth.

In order to comply with VCT legislation, the Qualifying Investments in which the Company invests must have gross assets of not more than £15 million immediately prior to investment and £16 million immediately post investment (these tests are applied on a group basis if applicable) and be less than seven years old (measured from their first commercial sale) or ten years for knowledge intensive companies. Such companies generally have a higher risk profile than larger and/or older companies.

Qualifying Investments must raise money for the purpose of the growth and development of the investee company and, with effect from Royal Assent to the Finance Bill 2017-18, investee companies will have to meet a principles based "risk to capital" test to ensure invested capital is genuinely at risk, disqualifying those where the VCT tax relief provides most of the return and which aim merely to preserve capital.

New loan investments made by the Company after Royal Assent to the Finance Bill 2017-18 must be made on an unsecured basis and at a commercial rate of interest. As such, in the event of the failure of an investee company, the Company will rank behind any secured lenders. HMRC have indicated that they will also keep the use of preference shares by VCTs under review going forward.

There are further restrictions on the use of VCT funds received by investee companies. These changes may mean that there are fewer opportunities for investment, and that the Company may not necessarily be able to provide further investment funds for companies already in its portfolio. The penalty for contravention of these rules can include loss of VCT status with a resultant clawback of VCT tax reliefs from investors.

There is no guarantee that the Company's objectives will be met or that suitable investment opportunities will be available. Failure to identify such opportunities would affect and/or reduce the level of returns which would otherwise have been achievable and would also increase the risk of the Company failing to maintain its VCT status with attendant tax advantages for its investors.

The Company's ability to obtain maximum value from its investments (for example, through sale) may be limited by the requirements imposed in order to maintain the VCT tax status of the Company (such as the obligation to have at least 70% by value of its investments in Qualifying Investments, rising to 80% for accounting periods beginning on or after 6 April 2019).

Changes in legislation concerning VCTs in general, Qualifying Investments and qualifying trades in particular, may restrict or adversely affect the ability of the Company to meet its objectives and/or reduce the level of returns which would otherwise have been achievable.

		Any targets or estimates referred to in this document are not projections or forecasts, and no projections or forecasts should be inferred or implied from such targets or estimates. Any targets or estimates referred to may not be realised.
D3	Key information on the key risks specific to the securities	*The Securities* • The value of the New Ordinary Shares depends on the performance of the underlying assets and the value of the New Ordinary Shares, and the income from them, can fluctuate. In addition, there is no guarantee that the market price of the New Ordinary Shares will fully reflect their underlying Net Asset Value or the ability to buy and sell at that price. • Although the New Ordinary Shares will be listed on the premium segment of the Official List and traded on the London Stock Exchange's main market for listed securities, it is unlikely that a liquid market in the New Ordinary Shares will develop and there may never be two competitive market makers. It may, therefore, prove difficult for Investors to sell their New Ordinary Shares. • There is a limited secondary market for VCT shares and most trade at a discount to their net asset value. • New Ordinary Shares must be held for a minimum of five years in order for income tax received on subscription to crystallise.
E		**Offer**
E1	Offer net proceeds	The Company is proposing to raise £10 million under the Offer. If the Offer is over-subscribed, the Offer may be increased at the discretion of the Board to no more than £20 million. The total initial expenses of the Offer (assuming full subscription (but no increase) by direct investors) will be 5.5% of the gross proceeds and the total net proceeds are therefore estimated to be £9.45 million.
E2a	Reasons for the Offer and use of proceeds	Elderstreet recently reached a co-investment agreement with Draper Esprit to share deal flow, management experience and investment opportunities going forward. Draper Esprit is one of the leading venture capital investors involved in the creation, funding and development of high-growth technology businesses with an emphasis on digital technologies in the UK, the Republic of Ireland and Europe. The Board believe this agreement will bring new investment opportunities to the Company and benefit both existing and prospective new investors. There will be no change to the generalist investment policy of the Company. However, the ability to join a funding syndicate of Draper Esprit funds will bring access to larger deals in companies that have higher revenue in high growth sectors. The additional funds raised under the Offer will be invested in accordance with the Company's investment policy.
E3	Terms and conditions of the Offer	New Ordinary Shares issued under the Offer will be at an offer price determined by the following pricing formula: **PRICE PER NEW ORDINARY SHARE (IN PENCE) = NET ASSET VALUE / X** **X = 1 – NET TOTAL FEES (%)** Net Total Fees are the Promoter's Fee and Commission/Adviser Charge, each expressed as a percentage of the amount subscribed, adjusted for any applicable Early Investment Incentive.

		Subject to Investors' personal circumstances, VCT income tax relief will be available on the gross amount subscribed. The proceeds of the Offer will be invested in accordance with the Company's investment policy.
E4	Description of any interest that is material to the issue	Not applicable. There are no interests that are material to the issue.
E5	Name of persons selling securities	Not applicable. No entity is selling securities in the Company.
E6	Amount and percentage of immediate dilution	The New Ordinary Shares will not dilute the NAV of the existing Shares as they will be issued at a price equal to NAV plus costs. Existing Shareholders who do not subscribe under the Offer may experience dilution in terms of their voting power.
E7	Expenses charged to the investor	For applications received from certain Execution-Only Investors and/or direct investors only, the costs of the Offer will be 5.5% of the Net Asset Value of each New Ordinary Share issued pursuant to that Investor's application (save for permissible trail commission which the Company will be responsible for). For applications received from Retail Client Investors, the Investor will pay a Promoter's Fee of 3.0% and may facilitate any agreed Adviser Charge which the Investor has negotiated with their financial intermediary via a reduction in the number of New Ordinary Shares the Investor will receive, calculated in accordance with the Pricing Formula.

RISK FACTORS

Prospective Investors should consider carefully the following risk factors, as well as the other information in this Prospectus, before investing. Prospective Investors should read the whole of this Prospectus and not rely solely on the information in the section entitled "Risk Factors".

The Company's business, financial condition or results could be materially and adversely affected by any of the risks described below. In such cases, the market price of the New Ordinary Shares may decline, or returns derived from those shares may be reduced, and Investors may lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Company. The Directors consider the following to be all the material risks for potential Investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company.

1. Risks relating to the Company

- Although it is intended that the Company will be managed with the intention of retaining its VCT status, there is no guarantee that such status will be maintained. Further details of the taxation implications to an Investor of an investment in the Company are set out in Part 6 of this document. If the Company fails to meet the qualifying requirements for a VCT, this could result in:

  (a) the loss of income tax relief received if Investors have not held their New Ordinary Shares for the five-year minimum holding period;
  (b) the loss of income tax relief on dividends paid (or subsequently payable) to Investors;
  (c) the loss of tax relief previously obtained in relation to corporation tax on capital gains made by the Company; and
  (d) a liability to tax on capital gains on any disposal of New Ordinary Shares.

- Most of the Company's investments will be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise and there can be no assurance that sale proceeds will match fair values used for accounting purposes.

- Some of the Company's legacy investments are in established companies that may be relatively mature with limited opportunities for further growth.

- In order to comply with VCT legislation, the Qualifying Investments in which the Company invests must have gross assets of not more than £15 million immediately prior to investment and £16 million immediately post investment (these tests are applied on a group basis if applicable). Such companies generally have a higher risk profile than larger companies.

- From 18 November 2015, VCTs have been prohibited from investing in companies which are more than seven years old (10 years for "knowledge intensive" companies) unless certain limited exemptions apply. Such companies generally have a higher risk profile than older companies. VCT investee companies are also restricted to a maximum lifetime fundraise of £12 million (or £20 million for "knowledge intensive" companies) from Stated aided risk finance sources.

- The Patient Capital Review, whose findings and recommendations were delivered as part of the 2017 Budget, made further changes to refocus the VCT scheme on higher risk companies. In order to comprise a Qualifying Investments, investments made on or after Royal Assent to the Finance Bill 2017-18 must meet a principles based "risk to capital" test to ensure invested capital is genuinely at risk, disqualifying those where the VCT tax relief provides most of the return and which aim merely to preserve invested capital. As such, the Company's future investment profile will be higher risk than has been the case historically though the Company considers that much of its existing portfolio would meet the new criteria in any case.

- These changes may mean that there are fewer opportunities for investment, and that the Company may not necessarily be able to provide further investment funds for companies already in its portfolio. The penalty for contravention of these rules can include loss of VCT status with a resultant clawback of VCT tax reliefs from investors.

- The Company will be subject, for its accounting periods commencing after 6 April 2018, to a new requirement to deploy 30% of any new monies raised within 12 months of the end of the accounting period in which the relevant shares are issued. This may result in the Company having to agree investment terms in a shorter timeframe than has historically been the case, with the potential for adverse impacts on initial valuations, but the Manager and the Company do not expect this to materially impact its current timeframe for investing newly raised capital.

- Where the European Commission believe that State Aid has been provided which is not in accordance with the Risk Finance Guidelines, they may require that the UK Government recover that State Aid. There is currently no mechanism in place for this, but recovery may be from the investee companies, the VCT or the VCT's investors.

- There is no guarantee that the Company's objectives will be met or that suitable investment opportunities will be available. Failure to identify such opportunities would affect and/or reduce the level of returns which would otherwise have been achievable and would also increase the risk of the Company failing to maintain its VCT status with attendant tax advantages for its investors.

- The Company's ability to obtain maximum value from its investments (for example, through a sale) may be limited by the requirements imposed in order to maintain the VCT tax status of the Company (such as the obligation to have at least 70% by value of its investments in Qualifying Investments, rising to 80% for accounting periods commencing on or after from 6 April 2019).

- Changes in legislation concerning VCTs in general, Qualifying Investments and qualifying trades in particular, may restrict or adversely affect the ability of the Company to meet its objectives and/or reduce the level of returns which would otherwise have been achievable.

- Most of the Company's investments will be in small companies which may have limited trading records and may not produce the hoped for returns. Consequently, Investors could get back less than they invested.

- The past performance of the Company and/or investments managed by the Manager or Draper Esprit is not necessarily a guide to the future performance of the Company.

- No assurance can be given that profits will be achieved or that substantial losses will not be incurred and Shareholders may get back less than the amount originally invested, even taking into account the available tax reliefs.

- Any targets or estimates referred to in this document are not projections or forecasts, and no projections or forecasts should be inferred or implied from such targets or estimates. Any targets or estimates referred to may not be realised.

2. Risks relating to Taxation

- Investors should be aware that the disposal of New Ordinary Shares within five years of their subscription will lead to the requirement to repay the 30% income tax relief available upon subscription to the extent of the amount received from such sale. Accordingly, investment in the Company should be considered a long term investment.

- The levels and bases of reliefs from taxation may change and could apply retrospectively. The tax reliefs referred to in this document are those currently available and their value depends on the respective individual circumstances of Investors.

- An investment in a VCT is free from tax on capital gains for a Qualifying Investor on a disposal of their New Ordinary Shares after five years. Consequently, any realised losses on disposal of New Ordinary Shares cannot be used to create an allowable loss for capital gains tax purposes.

- An Investor's initial income tax relief will be withdrawn if the Investor, or any person associated with the Investor, takes out a loan which would not have been made, or would not have been made on the same terms, save for the acquisition of the New Ordinary Shares.

- The Finance Act 2014 contained provisions (i) restricting tax relief on subscriptions for shares in a VCT where, within six months of subscription, the investor disposes of shares in the same VCT (or in another VCT which at any time merges with that VCT) and (ii) preventing VCTs returning capital to investors within three years of the end of the accounting period in which the relevant shares were issued. The Board has taken these legislative changes into account in determining its dividend policy but there remains the risk that these or other factors could result in less than the target level of annual dividends being paid or potentially no dividends being paid at all. If the Company were to pay dividends in breach of these new regulations, there is a risk that it might lose its status as a VCT which would result in adverse tax consequences for Investors noted at 1 (a) – (d) above.

3. Risks relating to the New Ordinary Shares

- Prospective Investors should be aware that the value of the New Ordinary Shares depends on the performance of the underlying assets and the value of the New Ordinary Shares, and the income from them, can fluctuate. In addition, there is no guarantee that the market price of the New Ordinary Shares will fully reflect their underlying Net Asset Value or the ability to buy and sell at that price.

- Although the New Ordinary Shares will be listed on the premium segment of the Official List and traded on the London Stock Exchange's main market for listed securities, it is unlikely that a liquid market in the New Ordinary Shares will develop and there may never be two competitive market makers. It may, therefore, prove difficult for Investors to sell their New Ordinary Shares.

- There is a limited secondary market for VCT shares and most trade below their net asset value.

Forward looking statements

You should not place undue reliance on forward-looking statements. This Prospectus includes statements that are (or may be deemed to be) "forward-looking statements", which can be identified by the use of forward-looking terminology including the terms "believes", "continues", "expects", "intends", "may", "will", "would", "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements contained in this Prospectus or based on past trends or activities, should not be taken as a representation that such trends or activities will continue in the future. Any such statements do not, nor are intended to qualify the Company's working capital statement.

The information contained in this document will be updated if required by the Prospectus Rules, the Listing Rules and the Disclosure Guidance and Transparency Rules, as appropriate.

OFFER STATISTICS

Key Statistics

Fundraising Target	£10,000,000*
Estimated Offer Price	63.6 pence**
Estimated number of New Ordinary Shares to be issued pursuant to the Offer	15,723,270 *
Net Proceeds of the Offer if fully subscribed	£9,450,000*
Estimated total expenses of the Offer	£550,000***

Early Investment Incentive

An Investor whose Application Form is received and accepted before 4.00 p.m. on 14 February 2018 will receive a 1% rebate from the Promoter's Fee as additional New Ordinary Shares.

An Investor whose Application Form is received and accepted before 4.00 p.m. on 1 March 2018 will receive a 0.5% rebate from the Promoter's Fee as additional New Ordinary Shares.

* *assuming the size of the Offer is not increased at the discretion of the Board in which case up to £20 million could be raised for the issue of up to 31,446,540 New Ordinary Shares*

** *assuming, for the purposes of the Pricing Formula, a NAV of 60.1p per Ordinary Share (being the unaudited NAV as at 30 June 2017 of 61.6p adjusted for the 1.5p interim dividend paid in September 2017), and total costs of 5.5%.*

*** *assuming Maximum Subscription under the Offer and the payment of a Promoter's Fee and commission totaling 5.5% in relation to all applications.*

Note: The New Ordinary Shares will be issued based on the Application Amount and the Pricing Formula set out on page 45. Accordingly, if an updated NAV per Ordinary Share is announced after publication of this document, this updated NAV will be used to calculate the number of New Ordinary Shares issued. Should there be a material movement in the NAV between the normal reporting dates, the Company may announce an updated unaudited NAV, which will be used to calculate the number of New Ordinary Shares to be allotted.

EXPECTED TIMETABLE

Offer opens	7 December 2017
Closing date of 2017/18 Offer	5 April 2018
Initial closing date of 2018/19 Offer	31 May 2018
First allotment (2017/18 tax year)	5 April 2018
First allotment (2018/19 tax year)	by 28 April 2018
Dealings commence	within 15 Business Days of allotment
Share certificates despatched and CREST accounts credited	within 15 Business Days of allotment
Deadline for receipt of Application Forms	10.00 a.m. on 5 April 2018 (for shares allotted in 2017/18 tax year)
	4.00 p.m. on 31 May 2018 (for shares allotted in 2018/19 tax year)
Deadline for Early Investment Incentives	4.00 p.m. on 14 February 2018
	4.00 p.m. on 1 March 2018

The Directors reserve the right to make an allotment of New Ordinary Shares on any day at the Directors' absolute discretion from the date of the Prospectus until 31 May 2018 (or such later date as they may determine). The Offer will close earlier than the relevant date stated above if fully subscribed by an earlier date.

CHAIRMAN'S LETTER

Elderstreet Draper Esprit VCT plc

7 December 2017

Dear Shareholders/Investors

New £10 million public offer for Ordinary Shares

I am delighted to offer you the chance to invest in the award winning, and recently renamed, Elderstreet Draper Esprit VCT.

Last year, the Board and the Manager announced it had reached a significant co-investment agreement with Draper Esprit to share deal flow, management experience, and investment opportunities. I am delighted to inform you that this relationship has started strongly, and on the back of a successful fundraising season, your Company has committed to five new investments since April 2017 totalling £5.3 million. These commitments are subject to HMRC granting VCT advanced assurance in writing to the investee companies. At the time of publication IESO and StreetTeam have each received HMRC advanced assurance and are now portfolio companies. We await confirmation on the remaining three prospective investments. These companies are listed in the table below.

Company Trading Name	Sector	Description	Elderstreet VCT Committed £000s	Total Round Raise £000s
Push Doctor	Digital health	Push Doctor is Europe's largest online GP marketplace	£1,500	£20,000
StreetTeam/ Verve	Software	Leading peer-to-peer sales and marketing software for live entertainment	£1,285	£10,000
IXL Premfina	Fintech	Insurance broking software s-a-a-s solution	£755	£8,100
IESO	Digital health	IESO delivers one-to-one clinically led online therapy	£1,500	£15,000
Kaptivo	Hardware and software	Cloud connected online collaboration tool for whiteboards	£350	£4,500

Co-investment agreement with Draper Esprit

Draper Esprit is one of the leading venture capital investors involved in the creation, funding and development of high-growth technology businesses with an emphasis on digital technologies in the UK, the Republic of Ireland and Europe. Draper Esprit floated on the AIM market in June 2016 and at the time of writing has assets under management of over £460 million. Draper Esprit owns a 30% stake in the Manager with an option to acquire 100% in the future.

The Board believe this co-investment agreement will bring new investment opportunities to the Company and benefit both existing and prospective new investors. Whilst there will be no change to the generalist investment policy of the Company, the ability to join a funding syndicate of Draper Esprit funds will bring access to larger deals in companies that enjoy higher revenues and which operate in high growth sectors. These more developed companies can scale very quickly and have the potential to IPO, exit, or attract further funding rounds more quickly than lower revenue companies. Given the recent changes to VCT investment rules, access to businesses of this profile may enhance the Company's ability to secure better investment terms and result in earlier exits. In addition to institutional funds, Draper Esprit manages EIS funds and this experience of tax efficient investing complements Elderstreet's skillset as an award winning VCT manager.

Draper Esprit is also a part of the Draper Venture Network details of which can be found on page 41. This global network is a valuable resource for deal flow, market intelligence, and further funding.

Details of the Draper Esprit team can be found under the management section on pages 40 to 41. Details of the co-investment agreement with Draper Esprit funds can be found on page 29.

The Patient Capital Review

I am pleased to report that the much anticipated outcome of the Patient Capital Review has seen no change to the generous tax reliefs on offer for VCT investors, nor an increase in the required holding period for such reliefs to crystallise.

A number of welcome measures have been taken to ensure that VCT investment is channelled towards innovative, high growth companies with a risk profile to justify the tax incentives on offer. Elderstreet supports these measures and does not anticipate a material impact on its own investment policy which has historically been focussed on such companies.

Investors are strongly advised to review the risk factors on pages 13 to 15, and Parts 6 and 7 of this prospectus for more details on the recent changes.

Elderstreet Draper Esprit VCT plc – An Award Winning Generalist VCT

New investors would be buying into a portfolio that was largely assembled prior to the coming into effect of the Finance (No. 2) Act 2015 which now prohibits investment into more established companies that do not meet the VCT age criteria. The Company's largest investments (see pages 34 to 38) include several long standing and profitable companies.

The Board is confident that the Company continues to hold a good quality portfolio that has the potential to deliver further value for Shareholders over the coming years.

A VCT for income

The Board has a stated objective of paying annual dividends of 3 pence per Ordinary Share (equivalent to a 6.7% tax free return based on the Estimated Offer Price after factoring in initial tax reliefs).

Further details on the potential yields can be found on page 25.

Distributable reserves as at 30 June 2017 were £8.5 million. This is equivalent to 10.5 pence per Share at a £10 million subscription, and 9 pence per share if the Offer is fully subscribed at the increased level of £20 million.

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

The further issue of New Ordinary Shares

Funds raised by the issue of New Ordinary Shares pursuant to the Offer will be invested, in accordance with the Company's investment policy, in a diversified portfolio of companies, generally with proven sales and always with the ability to grow, which are seeking development capital. Further details on the investment policy can be found on pages 27 to 29. Funds awaiting investment in such companies will principally be held in cash deposits and in a range of permitted liquid investments.

Early Investment Incentives

Two Early Investment Incentives are being offered for Applications for New Ordinary Shares which are received and accepted in good time. The Manager will rebate 1% from its Promoter's Fee to those early investors whose applications are received and accepted before 14 February 2018, and 0.5% where applications are received and accepted before 1 March 2018. Where initial commission is payable to authorised intermediaries, this too can be waived by those intermediaries for additional shares. Early investors could therefore receive up to a 3.5% rebate for additional shares.

Key tax benefits

- 30% income tax relief is available on the amount subscribed up to £200,000, provided the New Ordinary Shares are held for at least five years. Further information on the initial tax benefits can be found on page 49.
- Tax free distributions and capital gains.

Next steps

In order to invest please read this document and then complete the Application Form which is set out at the end of this document. If Investors have any questions regarding this investment they should contact their own financial intermediaries. Intermediaries may wish to contact RAM Capital, who are acting as marketing advisers in respect of the Offer, on 0203 006 7530 or by sending an e-mail to taxsolutions@ramcapital.co.uk. Other applicants may telephone Elderstreet on 020 7831 5088. Prospective Investors should note that no investment, tax or legal advice can be given by RAM Capital or Elderstreet and their attention is drawn to the risk factors set out on pages 13 to 15 of this document.

Yours faithfully

David Brock

Chairman

PART 1

INFORMATION ABOUT ELDERSTREET DRAPER ESPRIT VCT

INTRODUCTION

Elderstreet Draper Esprit VCT is an established generalist VCT managed by Elderstreet Investments Limited. The objective of the Company is to provide good long term tax free returns to Shareholders through a combination of dividends and capital growth. Elderstreet Draper Esprit VCT has a track record of providing good returns for its Shareholders. Income from investments and proceeds of profitable realisations have enabled the Board to pay cash dividends of £26 million, a total of 97.5p per Ordinary Share to original investors who subscribed at £1.00 (80 pence after the initial tax relief) at the Company's launch in 1998. The Company has raised approximately £49 million (after expenses) since 1998, has an unaudited net asset value of £37.4 million and is now invested in 22 companies (source: unaudited interim accounts as at 30 June 2017).

The Offer enables Investors and existing Shareholders to invest into an established and diversified portfolio, managed by an award winning experienced investment team with a proven track record.

Background

The Company invests in the smaller company market, mainly in unquoted investments, but can also invest in AIM. The Manager has particular expertise in growing businesses through a 'hands-on' investment style and, in aggregate with its syndication with Draper Esprit funds, prefer to take significant stakes and board positions in the portfolio companies; an approach that the Manager believes has contributed significantly to the Company's success to date. The Company has access to a strong and consistent flow of investment opportunities and since its formation has reviewed over 10,000 potential investments.

The Board and Investment Management Team and their families have invested a total of in excess of £830,000 in the Company to date. In 2016 the Investment Management Team was strengthened by the entry into a co-investment agreement with Draper Esprit to share deal flow, management experience and investment opportunities. Draper Esprit receive circa 2,000 business plans per annum, meet about 1,000 companies, and take circa 100 proposals through to discussion stages, leading to between 10-12 investments a year.

Draper Esprit

Draper Esprit is one of the leading venture capital investors involved in the creation, funding and development of high-growth technology businesses with an emphasis on digital technologies in the UK, the Republic of Ireland and Europe. Draper Esprit floated on the AIM market in June 2016 and at the time of writing has assets under management of over £460 million.

The Draper Esprit team has a wealth of experience. The team has now operated for ten years and, prior to that, its members worked in leading firms within the venture capital industry. In aggregate, the team has been involved in investing over US$1 billion into more than 200 technology businesses, exiting companies with a value of US$6 billion from a total enterprise value of US$8 billion. Since Draper's IPO in June 2016, they have hired six new investment professionals, an experienced CFO and a Head of Marketing and Research. The team is a unique combination of venture capitalists, entrepreneurs and bankers.

Draper Esprit funds include EIS and institutional funds. As of January 2017 the Draper Esprit EIS Fund 2016 has achieved the highest rating by Martin Churchill's Tax Efficient Review (88/100). Draper Esprit own a 30% stake in the existing Manager with an option to acquire 100% in the future.

The ability to join a funding syndicate with Draper Esprit funds will bring the Company access to larger deals in higher revenue companies in high growth sectors. Given the recent changes to VCT investment rules, access to businesses of this profile may enhance the Company's ability to secure better investment terms and could result in earlier exits. In addition to institutional funds, at the time of writing, Draper Esprit also manages EIS funds and this experience of tax efficient investing complements Elderstreet's skillset as an award winning VCT manager.

Draper Esprit is also a part of the Draper venture network details of which can be found on page 41. This global network is a valuable resource for deal flow, market intelligence, and further funding.

Awards

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

- Top rated EIS Funds 2016 by Tax Efficient Review (88/100) – Draper Esprit
- Runner up in the Growth Investor Awards Exit of the Year 2015 – the Manager
- Winner of Investment Week's VCT Investment Company of the Year Awards 2014 – the Manager
- Investor Allstars VC Fund of the year 2013 – Draper Esprit
- Investor Allstars VC Fund of the year 2011 – Draper Esprit
- VCT Fund Manager of the Year in 2010 – the Manager
- VC of the year, Private Equity Awards, 2009 – Draper Esprit
- VCT Fund Manager of the Year in 2009 – the Manager
- VC of the year, EVCJ awards, 2008 – Draper Esprit

Elderstreet Track Record on Ordinary Shares

Since its launch in 1998, the Company has paid cash dividends amounting to 99.0p per Ordinary Share. With an unaudited Net Asset Value of 61.6p per Ordinary Share at 30 June 2017, the Company has produced a total return since launch (cumulative dividends paid up to 30 June 2017 plus NAV) of 159.1p per Ordinary Share, a 98.9% tax-free uplift on the net investment (of 80p per share) of Shareholders who invested at inception.

The returns to 30 June 2017 for a Shareholder with Ordinary Shares that invested in the Company at launch are shown below:

Initial net investment per Ordinary Share[1]	Cumulative cash dividends per Ordinary Share	NAV per Ordinary Share (unaudited)	Total return per Ordinary Share (unaudited)	Tax-free uplift on net investment[2]
80p	**97.5p**	**61.6p**	**159.1p**	**98.9%**

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

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

Since 2005 the Company has raised further capital predominantly in the same share class, with the exception of a 2005 offer of C ordinary shares which were subsequently converted into Ordinary Shares. The performance of each of these fundraisings are shown below, including initial tax reliefs.

Tax year of Investment ending 5th April	Rate of Initial Tax relief	Initial investment per Ordinary Share after tax relief[3]	Cumulative cash dividend per Ordinary Share	NAV per Ordinary Share (June 17 unaudited)	Total return per Ordinary Share (unaudited)	Tax-free % increase on net investment [1]	Increase on gross investment without initial tax reliefs
1998	20%	80.0	97.5	61.6	159.1	99%	59%
2005[2]	40%	60.0	66.5	41.2	107.7	79%	8%
2006	40%	41.3	68.0	61.6	129.6	214%	88%
2008	30%	64.4	61.0	61.6	122.6	90%	33%
2009	30%	52.3	54.5	61.6	116.1	122%	55%
2010	30%	56.3	51.5	61.6	113.1	101%	41%
2011	30%	54.6	47.5	61.6	109.1	100%	40%
2012	30%	49.5	43.5	61.6	105.1	112%	49%
2013	30%	47.3	39.5	61.6	101.1	114%	50%
2015	30%	50.3	16.5	61.6	78.1	55%	9%
2016	30%	49.7	6.5	61.6	68.1	37%	-4%

[1] The percentage tax-free increase is the excess of the total return per Ordinary Share over the initial investment net of tax relief received by Qualifying Investors divided by the initial investment net of income tax relief receivable by Qualifying Investors. The tax-free increase figures have been set out for illustrative purposes only, are not guaranteed, are not a guide to future performance and no forecast or projection should be inferred. It should be noted that investments in the Company in the year to 5 April 2013 and after have yet to satisfy the tax free holding period.

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

[3]The initial investment per Ordinary Share for the years 2006 to 2016 reflects the actual offer price at the time of subscription adjusted by the rate of initial tax relief applicable at the time.

Dividends on Ordinary Shares

It is the Board's objective to maximise dividends to Shareholders, subject to liquidity, the availability of sufficient distributable profits, capital resources and VCT regulations, and to target a dividend return of 3 pence per annum (equivalent to a 6.7% tax free return based on the Estimated Offer Price after factoring in initial tax reliefs). Further details on the potential yields can be found on page 25.

As at 30 June 2017, the Company had distributable reserves of £8.5 million which is the equivalent to 4 years of dividends at 3 pence per Ordinary Share using the number of Ordinary Shares in issue at 30 June 2017 (or 2.5 years if the Offer is fully subscribed at £20 million).

Since September 2014, following successful portfolio company exits, special dividends of 20 pence have been paid per Ordinary Share. In 2017, a dividend of 3 pence per Share has been paid. This includes 1.5 pence brought forward and paid in September which is normally paid in December.

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

Regular interim and final dividends are payable usually in June and December every year. An interim dividend of 1.5 pence per Ordinary Share has been declared and was paid on the 29 September 2017 to Shareholders on the register on 8 September 2017. In addition, special one off dividends, normally as a result of portfolio company exits, have been declared in the past by the Board on an ad-hoc basis.

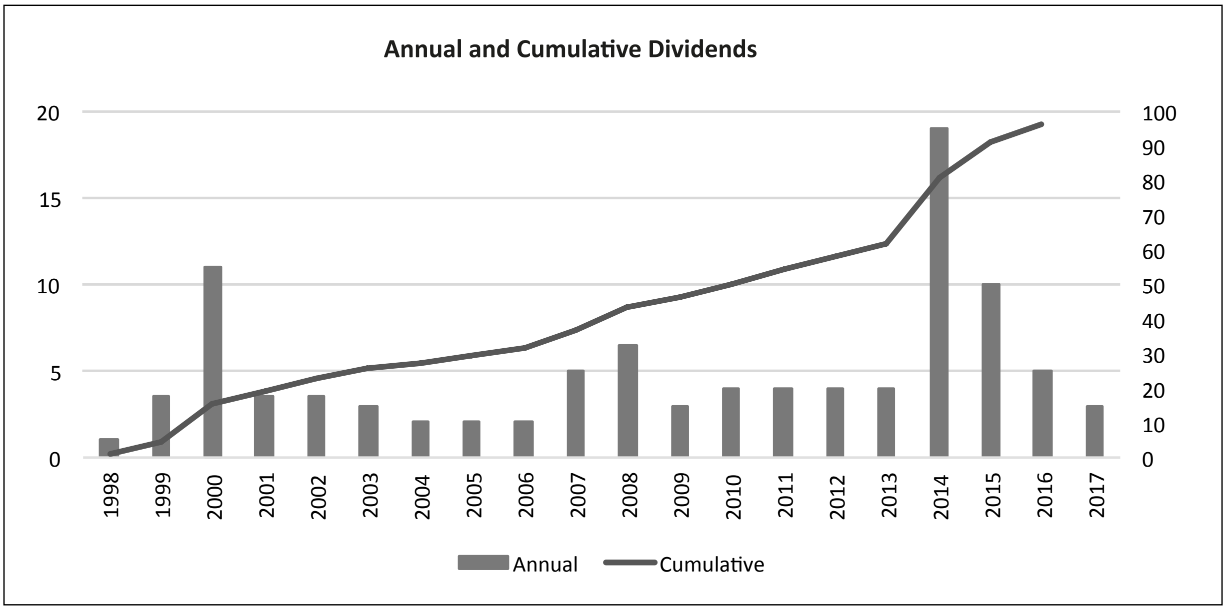
The following table shows the dividends paid per Ordinary Share each year since inception and reflects the actual payment date:

1998	1999	2000	2001	2002	2003	2004
1.0	3.5	11.0	3.5	3.5	3.0	2.0

2005	2006	2007	2008	2009	2010	2011
2.0	2.0	5.0	6.5	3.0	4.0	4.0

2012	2013	2014	2015	2016	2017 *	**Total**
4.0	4.0	19.0	10.0	5.0	3.0	**99.0**

* includes a 1.5p interim dividend paid on 29 September 2017



Income Yield on Ordinary Shares

The following table gives an illustration of potential returns to Ordinary Shareholders, assuming a dividend of either 2 pence, 3 pence or 4 pence per annum is paid, and the equivalent taxable yield based on the Estimated Offer Price net of 30% income tax relief grossed up for a taxpayer paying 40% or 45% tax on his income. Dividends of 3 pence per Share have been paid in 2017.

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

Offer Price* (net of tax relief)	Target annual dividend	Tax free yield per annum	Grossed up yield to a 40% taxpayer	45% taxpayer
44.5	2.0p	4.5%	7.5%	8.2%
44.5	3.0p	6.7%	11.2%	12.3%
44.5	4.0p	9.0%	15.0%	16.3%

* Using an Estimated Offer Price of 63.59p multiplied by 70% to reflect the initial 30% up front income tax relief. The June 17 NAV of 61.6p has been adjusted down by the 1.5p dividend payable in September 2017 and for the issue costs of 5.5%. No forecast or projection should be implied or inferred.

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

Offer Price * (gross of tax relief)	Target annual dividend	Tax free yield per annum	Grossed up yield to a 40% taxpayer	45% taxpayer
63.6	2.0p	3.1%	5.2%	5.7%
63.6	3.0p	4.7%	7.9%	8.6%
63.6	4.0p	6.3%	10.5%	11.4%

* Using an Estimated Offer Price of 63.59p. The June 17 NAV of 61.6p has been adjusted down by the 1.5p dividend payable in September 2017 and for the issue costs of 5.5%. No forecast or projection should be implied or inferred.

Exits

The Company sold Concorde Solutions Limited in April 2017 realising a small profit over cost. There may be future returns of a further 10% of the realised proceeds if the escrow amount is paid in the future. Concorde had made good progress in building its software product but had failed to make any meaningful sales headway. The Board decided it was therefore better for the Company to sell its holding and to recycle the funds into new investments or dividends.

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

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

The prior two exits before WASP were the trade sales of Wecomm Limited in March 2011 to OpenText Corporation and Melorio plc in June 2010 to Pearson plc. The Melorio realisation achieved a multiple return of 2.2 times cost. The Wecomm realisation achieved a 1.1 times multiple of cost.

A table of meaningful successful exits since inception is produced below. The multiple is a multiple of cost realised. Ignoring the exceptional return from WASP, the average realised return from these exits has been a multiple of 2.2 times cost.

£'000	Date of Exit	Profit	Uplift %	Multiple of Cost
Concorde Solutions	Apr-17	-	0%	1.0
SMART Education	Dec-15	3,653	202%	3.0
WASP	Apr-14	9,747	16963%	170.6
Wecomm	Mar-11	89	10%	1.1
Melorio	Jun-10	240	120%	2.2
Fords	Feb-09	1,150	144%	2.4
Mediasurface	Jul-08	153	23%	1.2
U-Mole	Mar-08	1,507	350%	4.5
CSG	Apr-07	2,497	167%	2.7
Ovum	Dec-06	87	58%	1.6
ET&T	Oct-06	210	47%	1.5
Milkround	Mar-06	147	59%	1.6
HJ Bean	Sep-05	343	58%	1.6
Interlink Foods	Jan-00	682	159%	2.6
Systems Union	Jan-00	1,368	574%	6.7
Total		21,873	222%	3.2

Since inception the total profits of the Company from realised investments in portfolio companies has been £23.7 million and the realised losses £12 million.

Historical Financial Information

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

	Unaudited six months to 30 June 2017	Audited year end to 31 Dec 2016	Unaudited six months to 30 June 2016	Audited year end to 31 Dec 2015	Audited year end to 31 Dec 2014
Net Assets	£37,426,495	£23,260,360	£25,581,000	£24,458,000	£23,769,000
NAV Total return	159.1p	158.8p	162.4p	161.6p	151.8p
Net asset value per Share	61.6p	62.8p	68.9p	70.6p	70.8p
Dividends paid per Share	1.5p	5.0p	2.5p	10.0p	19.0p

As at 30 June 2017, the Company's net asset value per Share (unaudited) was 61.6p. During the period 1 July 2017 to 30 November 2017, the Company issued a further 3,927,690 Ordinary Shares raising gross proceeds of approximately £2,474,000 and paid a dividend of 1.5p per Ordinary Share. Save for this, in the period between 30 June 2017 and the date of publication of the Prospectus, there has been no significant change in the financial or trading position of the Company.

Investment Policy

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

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

The Company currently has a general portfolio mix by sector and, whilst its average deal size measured by initial investment cost is approximately £1.0 million, the Company is able to syndicate deals of up to £10 million with the Draper Esprit co-investment funds. Going forward, this average initial deal size is likely to rise to £1.5 million with a focus on the following technology sectors:

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

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

Risk Diversification

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

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

VCT Qualifying Investments

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

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

In relation to investments to be made by the Company:

1. In order to provide income, the Company's investments may include, where appropriate, unsecured loan notes. The Company may also invest in preference shares.

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

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

Investments in AIM traded companies

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

Non-Qualifying Investments

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

Following recent changes to the VCT Rules, new funds raised will generally be held in cash or near cash assets pending investment. After the Company has satisfied the VCT investment qualification targets required by HMRC, the remaining cash will be invested in accordance with HMRC rules for Non-Qualifying Investments.

Venture Capital Trust regulations

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

Borrowings

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

Draper Esprit co-investment Policy

Through its shareholding in Encore Ventures (an FCA authorised and regulated management vehicle), Esprit Capital LLP manages a number of EIS funds. Draper Esprit plc is the parent company of the group which incorporates the management company Esprit Capital LLP. Together these entities have raised over £140 million in 2017 to invest in portfolio companies and secondary investments.

Esprit Capital LLP has typically made an initial co-investment of between £2 and £5 million in each of the Draper Esprit's primary investments.

Encore Ventures has typically made an initial co-investment of between £500,000 and £1.2 million in each of the Draper Esprit's primary investments. Encore Ventures typically fixes the percentage of each deal shared with the Draper Esprit group on an annual basis, with periodic reviews as required. It is expected that the EIS funds will continue to co-invest in Draper Esprit's primary investments.

Elderstreet Draper Esprit VCT plc, the Company, currently has Net Assets of £37.4 million (approximately 45% of which is invested in portfolio companies) with a further 14% committed to five new deals since April 2017.

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

The following is an example of how an investment has typically been allocated in the past between the Company, Draper Esprit and a Draper Esprit EIS fund.

	Qualifying	Non Qualifying
Draper Esprit	50%	100%
Elderstreet Draper Esprit VCT plc	22%	0%
Draper Esprit EIS	28%	0%

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

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

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

Share Buybacks

The Company has from time to time bought back its Ordinary Shares for cancellation. The Company intends to continue to buy back its Ordinary Shares at a discount of approximately 7.5% to the last published NAV, subject to liquidity, VCT regulations and the Listing Rules. The Company intends to acquire its own Ordinary Shares in the market four times each year. The Board will agree the price at which such buybacks are undertaken which will not be more than 92.5% of the last published NAV for the Ordinary Shares although the Board may decide to buy back shares at their discretion at a larger discount subject to VCT regulations, liquidity and the Listing Rules.

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

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

Distribution of Capital Profits and Dividends

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

It is the Board's target to pay a dividend of 3 pence per annum per Ordinary Share going forward (representing a 6.7% tax free return based on the Estimated Offer Price after factoring in initial tax reliefs). Dividends of 3 pence have been paid in 2017. Further details on the potential yields can be found on page 25.

The Directors aim to maximise Shareholder returns and, subject to liquidity, VCT regulations and Listing Rules, aim to distribute substantially all available investment income after fees and VCT running costs. Interim dividends on Ordinary Shares are expected to be paid in November/December. Final dividends have generally been announced in April and are expected to be paid in May/June each year.

The Manager

The Manager has acted as investment manager for the Company since its inception in 1998 (initially, through its wholly owned subsidiary, Elderstreet Private Equity Limited, and since 2009 directly after the Investment Management Agreement in relation to the Company was novated from that subsidiary to itself). The Manager was founded in 1990 and currently has more than £37 million (unaudited) of assets under management. The Manager has expertise in tax efficient investing, including VCTs and EISs, and is a specialist in the smaller company market, the unlisted sector and AIM. The Manager has strong proprietary deal flow and a "hands on" portfolio management style.

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

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

The Administration Manager

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

Fees payable to the Manager and the Administration Manager

The Manager receives an annual fee (the "**Annual Fee**") equal to 2.0% of the Net Assets of the Company subject to the expenses cap (see below). The Annual Fee is calculated twice a year on 30 June and 31 December and payable quarterly in advance. Downing LLP receives an annual fee of £50,000 (excluding VAT) for its role as the Administration Manager.

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

Expenses Cap

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

The running costs include, inter alia, fees payable to the Manager and the Administration Manager, Directors' fees, audit and taxation fees, registrar fees and costs of communicating with Shareholders. The expenses cap excludes the performance incentive fee. In 2016 the Total Expenses Ration (TER) was 3.3%, 2015 3.2%, and 2014 3.3%. Given the growth in funds under management and economies of scale the Manager expects the TER to drop in the future.

Performance Incentive Fees

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

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

Fixed Income Securities Manager

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

Arrangement and Monitoring Fees

The Manager may charge an arrangement fee to each portfolio company in which the Company invests. This fee is restricted to 3% of the gross amount invested by the Company. The Manager may also charge portfolio companies for its monitoring services and non-executive director fees.

Conflicts between Elderstreet Funds

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

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

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

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

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

Net Asset Value Calculation

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

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

Listed fixed income investments and investments quoted on AIM and the Main Market are measured using bid prices in accordance with the IPEV.

For unquoted instruments, fair value is established using the IPEV. The valuation methodologies for unquoted entities used by the IPEV to ascertain the fair value of an investment are as follows:

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

- Industry valuation benchmarks.

The methodology applied takes account of the nature, facts and circumstances of the individual investment and uses reasonable data, market inputs, assumptions and estimates in order to ascertain fair value.

The Company's net asset value is formally calculated every six months by the Manager, approved by the Board and published on an appropriate regulatory information service. If valuations are suspended, Shareholders will be notified in a similar manner. The calculation of the net asset value would only be suspended in circumstances where the underlying data necessary to value the investments of the Company could not readily, without undue expenditure, be obtained.

VCT Status Monitoring

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

Philip Hare & Associates LLP will, if requested by the Board, review the qualifying status of new investment opportunities and carry out regular reviews of the Company's investment portfolio.

Philip Hare & Associates LLP work closely with the Manager and the Administration Manager, but will report directly to the Board. At its outset, the Company obtained HMRC approval as a VCT. Since then the Company has continued to meet the conditions for approval as a Venture Capital Trust laid down in Section 274 of the ITA.

RAM Capital

The role of RAM Capital is as promoter and marketing adviser to the Company. The RAM Capital team has been involved with raising over £1.2 billion for VCTs, EISs and related tax efficient products, since it was established in 2007.

RAM Capital is authorised and regulated by the Financial Conduct Authority and is a member of the EIS Association. Requests for further copies of this Prospectus can be made by contacting RAM Capital either by telephone on 0203 006 7530 or by sending an e-mail to taxsolutions@ramcapital.co.uk. No investment or tax advice can be given by RAM Capital.

PART 2

INVESTMENT PORTFOLIO

The investment portfolio of the Company as at the date of this document is set out below (the valuations being the unaudited valuations as at 30 June 2017 and the cash and net debtors figure also being from that date).

Ten largest investments by value		Equity/Loan Investment	Actual Cost £	30 June 2017 Valuation £	Unrealised Gain/Loss £	Portfolio by percentage %
Lyalvale Express Ltd	Engineering	Equity	1,915,204	3,903,610	1,988,406	10%
Fords Packaging Top Co Ltd	Engineering	Equity/Loan	2,432,856	3,850,132	1,417,276	10%
Access Intelligence PLC *	Software	Equity/Loan	2,333,022	2,476,025	143,003	7%
Fulcrum Utilities Limited *	Gas utilities	Equity	500,074	2,271,016	1,770,942	6%
AngloInfo Limited	Digital	Equity/Loan	2,577,255	1,869,320	(707,935)	5%
Macranet Ltd	Software	Equity/Loan	1,037,169	875,718	(161,451)	2%
Baldwin & Francis Ltd	Engineering	Equity/Loan	1,534,332	421,500	(1,112,832)	1%
Cashfac plc	Software	Equity/Loan	260,201	394,040	133,839	1%
Servoca plc *	Recruitment	Equity	333,334	300,001	(33,333)	1%
Interquest Group plc *	Recruitment	Equity	225,500	172,200	(53,300)	0%
Subtotal			**13,148,947**	**16,533,562**	**3,384,615**	**44%**
Lyalvale Property	Property	Equity	300,213	127,575	(172,638)	0%
Uvenco UK Plc *	Vending	Equity	1,325,424	98,826	(1,226,598)	0%
Sift Digital Ltd	Digital	Equity	125,000	48,398	(76,602)	0%
Sift Ltd	Digital	Equity	125,000	41,901	(83,099)	0%
Sparesfinder Limited	Software	Equity	103,535	33,852	(69,683)	0%
Proxama plc *	Software	Equity	859,941	12,293	(847,648)	0%
Kellan Group plc *	Recruitment	Equity	656,700	4,888	(651,812)	0%
The QSS Group Limited	Services	Equity	268,204	-	(268,204)	0%
Ridee Ltd (JINN)	Digital	Equity	499,860	-	(499,860)	0%
RB Sport & Leisure Holdings	Leisure venue	Equity	187,500	-	(187,500)	0%
The National Solicitors Network Ltd	Digital	Equity	500,919	-	(500,919)	0%
Infoserve Group plc	Digital	Equity	127,500	-	(127,500)	0%
Other Venture Capital investments			**5,079,796**	**367,733**	**(4,712,063)**	**1%**
Total venture capital investments			18,228,742	16,901,294	(1,327,448)	45%
Listed fixed income securities			-	-	-	0%
Total Investments			**18,228,742**	**16,901,294**	**(1,327,448)**	**45%**
Cash at bank and in hand				20,356,860		55%
Net Debtors				168,341		0%
Net Assets				**37,426,495**		**100%**

* AIM quoted

<u>Post June 2017 events not included in the figures above</u>

Five new investments committed totalling £5.3m subject to HMRC clearance

Interquest Group plc has been sold and Ridee Ltd has entered Administration

A further £425k has been invested into AngloInfo Limited

A further £2.47 million has been subscribed under the old prospectus

A declared dividend of 1.5p was paid on 29 September 2017

Quoted investments are valued at bid prices with a liquidity discount, where appropriate, and unquoted investments are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines. All figures are unaudited, and all investments are priced in GB Sterling. The last revaluation date was 30 June 2017, the last practicable valuation date prior to publication of this document.

Portfolio Analysis

Set out below is an analysis of a sample of the ten largest investments of the Company by valuation (unaudited) as at 30 June 2017 (representing 44% of the unaudited net assets of the Company).

The Company classifies its Qualifying Investments into three different categories — mature, yielding with a significant minority holding; AIM companies; and early stage high growth companies.

Unless stated to the contrary the figures for each of the portfolio companies have been extracted from their annual accounts filed at Companies House. Where information has been sourced from the management accounts of the portfolio companies, the Company confirms that this information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Mature, Yielding with a Significant Minority Holding

Lyalvale Express Limited ("Lyalvale Express")

First Investment	May-98	Year ended	31-Mar-14	31-Mar-15	02-Apr-16
Cost	£1,915,204	Turnover (£m)	7.6	8.2	7.3
Value	£3,903,610	EBITDA (£m)	1.1	1.3	1.1
% held	44.2%	Net assets (£m)	8.3	8.7	8.7

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

Fords Packaging Topco Limited ("Fords Packaging")

First Investment	Dec-13	Year ended	30-Jun-14	30-Jun-15	30-Jun-16
Cost	£2,432,856	Turnover (£m)	6.9	6.1	5.5
Value	£3,850,132	Profit before interest, tax and amortisation (£m)	1.0	0.8	0.5
% held	48.7%	Net assets (£m)	2.2	2.5	2.4

Based in Bedford, Fords Packaging is a leading supplier of capping presses and also manufactures rotary sealers. It is widely known for its expertise in sealing and closure technology for food and drink applications where high standards of hygiene are required. Fords products are mainly for use in the food and dairy industries. The Manager has a seat on Fords Packaging's board.

Baldwin & Francis Limited ("Baldwin & Francis")

First Investment	Nov-04	Year ended	27-Mar-14	27-Mar-15	27-Mar-16
Cost	£1,534,332	Turnover (£m)	11.3	10.2	11.6
Value	£421,500	EBITDA pre exceptionals (£m)	0.1	0.3	0.4
% held	48.9%	Net assets (£m)	0.8	0.6	0.8

Founded in 1919 Baldwin & Francis is one of the world's leading suppliers of electrical equipment for hazardous and challenging environments manufacturing flameproof switchgear for the mining, oil and rail industries. A significant percentage of Baldwin & Francis's production is currently exported. The Manager has a seat on Baldwin & Francis' board.

AIM Companies

Access Intelligence plc ("Access Intelligence")

First Investment	Oct-08	Year ended **	30-Nov-14	30-Nov-15	30-Nov-15
Cost	£2,333,022	Turnover (£m)	4.2	6.7	9.6
Value	£2,476,025	Adjusted EBITDA	-0.7	-1.0	-2.0
% held *	12.4%	Net assets (£m)	5.6	3.8	2.0

Access Intelligence is a leading supplier of Software-as-a-Service (SaaS) communications software and services for the UK Integrated Management Solutions market. In 2015 the company recently acquired Cision and Vocus. The company had £7.4m of recurring revenue at end November 2015 up from £3.4m in 2015. The Manager has a seat on Access Intelligence's board of directors.

* Beneficial ownership is 14.2% including the Ordinary Share Pool's convertible loan
** 2014 and 2015 restated Continuing Operations

Fulcrum Utilities Services Limited ("Fulcrum")

First Investment	Jul-03	Year ended	31-Mar-15	31-Mar-16	31-Mar-17
Cost	£500,074	Turnover (£m)	33.7	36.1	37.7
Value	£2,271,016	Adjusted EBITDA	2.2	5.3	7.3
% held	2.39%	Net assets (£m)	1.1	5.8	10.4

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

Servoca plc ("Servoca")

First Investment	Jun-07	Year ended	30-Sep-14	30-Sep-15	30-Sep-16
Cost	£333,334	Turnover (£m)	48.9	58.8	69.2
Value	£300,001	Operating Profit (£m)	1.6	2.9	3.5
% held	1.00%	Net assets (£m)	9.7	11.9	14.0

Servoca Plc is a leading provider of staffing solutions and outsourced services with established operations across the UK. Servoca operates through a number of individual trading brands, each targeted towards specific niche markets and services delivering a wide range of specialist recruitment and outsourcing services to clients in both the public and private sectors.

Interquest Group plc ("Interquest")

First Investment	May-05	Year ended	31-Dec-14	31-Dec-15	31-Dec-16
Cost	£225,500	Turnover (£m)	150.6	158.6	143.6
Value	£172,200	Operating profit/loss (£m)	3.3	4.5	0.1
% held	1.09%	Net assets (£m)	22.7	23.4	22.1

Interquest is a rapidly growing AIM listed IT staffing solutions company led by a highly experienced management team. The group is one of the largest IT staffing groups in the UK. Specialising in contract and permanent recruitment, Interquest operates as a group of branded divisions, together offering a full spectrum of IT solutions to a blue chip client base. The Manager has a seat on the board of the company. This investment was sold after the June 2017 interims.

Early Stage High Growth Companies

Cashfac plc ("Cashfac")

First Investment	Jul-99	Year ended *	30-Sep-14	30-Sep-15	30-Sep-16
Cost	£260,201	Turnover (£m)	5.6	7.9	7.9
Value	£394,040	Profit before interest, tax, exceptionals and amortisation (£m)	0.1	0.5	1.1
% held	1.84%	Net assets (£m)	5.4	6.2	7.3

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

* Figures extracted from unaudited accounts

Anglo Info Limited ("Anglo Info")

First Investment	Sep-06	Year ended *	31-Dec-14	31-Dec-15	31-Dec-16
Cost **	£2,577,255	Gross Turnover (€m)	1.9	2.4	2.0
Value	£1,869,320	Profit before interest, tax and amortisation (€m)	-0.9	-0.4	-0.5
% held ***	46.40%	Net assets (€m)	-0.5	-0.2	-0.2

Anglo Info is an online company providing local business directory, classified advertising and information services in the English language at www.angloinfo.com. Anglo Info is a network of websites for English-speakers living abroad. It operates in many regions around the world providing support and information to local English-speaker communities. The Manager has a seat on Anglo Info's board of directors.

* Figures extracted from unaudited aggregated management accounts
** A further £425,000 has been invested since June 2017
*** Beneficial ownership is 63.4% including the Ordinary Share Pool's convertible loan

Macranet Ltd trading as Sentiment Metrics ("Sentiment")

First Investment	Jan-14	Year ended **	31-Jul-14	30-Dec-15	31-Dec-16
Cost	£1,037,169	Turnover (£m)	0.6	0.7	0.7
Value	£875,718	Profit before interest, tax and amortisation (£m)	-0.5	-0.4	-0.4
% held *	20.03%	Net assets (£m)	0.2	0.2	-1.8

Sentiment Metrics is a S-a-a-S based social media middleware analytics software vendor. Sentiment’s powerful Cloud-based platform monitors global social media so clients can pickup on prospects or customers conversations in real time or via their archive of 25 billion stored conversations. Elderstreet invested alongside AIM quoted Netcall plc who are a multi channel call centre software vendor. The Manager has a seat on Sentiments board of directors.

* Beneficial ownership is 18.67% including the Ordinary Share Pool's convertible loan
**Figures extracted from unaudited management accounts. The year end changed in 2015

New committed deals

The Company has committed to five new investments since April 2017 totalling £5.3 million. These commitments are subject to HMRC granting VCT advanced assurance in writing to the investee companies. At the time of publication of this prospectus IESO and StreetTeam have each received HMRC advanced assurance and are now portfolio companies. We await confirmation on the remaining three prospective investments.

These companies are listed in the table below.

Company Name	Sector	Description	Elderstreet VCT Committed £000s	Total Round Raise £000s
Push Doctor	Digital health	Push Doctor is Europe's largest online GP marketplace	£1,500	£20,000
PushDoctor.co.uk is changing the way everyone can access healthcare using its' on-demand online GP surgery, making healthcare accessible for the tens of millions of people in the UK who find seeing a doctor difficult. The Care Quality Commission-regulated and NHS-commissioned service allows patients to book and attend secure video GP appointments seven days per week, 365 days of the year, via a website and iOS app. The company has treated more cases digitally than anyone in Europe and has consistently grown over 35% month-on-month for 16 months. The company has a unique dataset that provides a unique view of the medical issues facing the nation. They are creating a data-driven digital health platform that will treat the whole person. No one before Push Doctor has provided consumers with access to a single digital health platform that combines responsive medicine and chronic condition management as well as fitness and nutritional conditioning.				
StreetTeam/ Verve	Software	Leading peer-to-peer sales and marketing software for live entertainment	£1,285	£10,000
Founded in 2012, StreetTeam's platform enables customers to turn their most influential fans into ambassadors who promote their events and sell tickets to their friends in return for rewards. Its platform allows customers to recruit ambassadors, manage their community and share content within it, and also enables digital payment processing and sales reporting. The company generates revenue through licensing its peer-to-peer ticketing software, levying commission on ticket sales and also through consultancy services. StreetTeam acquired key competitor We Represent in a deal valued at \$3.5mn (€3.1mn) in March 2016. Headquartered in London and Los Angeles, it generated revenue of \$2.5mn (€2.2mn) in 2015 with 50% of revenue coming from the US. It has more than 60 festival clients which include Bestival, Bonnaroo and Voodoo. Within the music festival market, it is estimated that millennials (aged 15 to 30 years old) make up half of the festival audience: Nielsen says half the 32 million people who attend at least one music festival each year in the US are millennials. The McCarthy Group says 84% of millennials don't trust traditional advertising and rank friends as the most trusted source of information, preferring word-of-mouth to traditional advertising. The broader concert ticketing industry has seen an expansion in gross ticket sales from \$10bn (€9.4bn) in 1999 to (€27.0bn) \$30bn in 2015.				
IXL Premfina	Fintech	Insurance broking software s-a-a-s solution	£755	£8,100
PremFina is the first premium finance company in the UK to receive venture funding, with the equity portion of round more than three times oversubscribed. The investment will be used to accelerate PremFina's UK operations to meet a high demand for its white-label premium financing solution among insurance brokers and support international expansion. Its white label offering improves brokers' efficiency, profitability and customer relationships. PremFina makes the purchase of insurance more affordable by eliminating the financial strain of lump-sum upfront payments, thereby promoting financial inclusion within the insurance industry. Its solution is simple and user-friendly: PremFina funds the upfront payment of an insurance premium to an insurer, on behalf on an insured party. PremFina then collects the same amount via monthly instalments, along with a finance fee, from the insured party. To better enable insurance brokers to offer this option, PremFina also provides a standalone, white-labelled software-as-a-service (SaaS).				
IESO	Digital health	IESO delivers one-to-one clinically led online therapy	£1,500	£15,000
Ieso Digital Health delivers one-to-one, clinically led online cognitive behavioural therapy (CBT) for people dealing with common mental health conditions such as depression and anxiety. Therapy is delivered through written (typed) conversation. Patients meet with a BABCP accredited therapist is a secure online therapy room at a time and location convenient to the patient. IESO algorithms support an intelligent, outcomes-driven therapist allocation and scheduling system, whereby we can assign patients to the therapists most likely to deliver a meaningful clinical outcome at lowest cost. IESO natural language processing analytics enable real-time monitoring of therapist protocol adherence and risk detection, while providing guidance to the therapist in relation to clinical decision support to systemise practice and reduce variation in treatment.				
Kaptivo	Hardware and software	Cloud connected online collaboration tool for whiteboards	£350	£4,500
Kaptivo is a cloud-connected camera that transforms any standard dry-erase whiteboard into an online collaboration tool for sharing and video conferencing. Kaptivo has a hardware product that is complementary to every user of static whiteboards (50 million deployed worldwide). The product has been validated by HP and Crestron who have both signed OEM agreements. Kaptivo works with any web browser and all video conference platforms supporting screen sharing.				

PART 3

MANAGEMENT TEAM

The Investment Management Team

The Investment Management Team comprises two key executives with extensive industry backgrounds and in aggregate more than 50 years of venture capital experience. This experience has enabled the Manager to build up strong long-term business relationships, not only with the companies in which it has invested, but also with the key introducers of new investment enquiries in the sectors in which it operates, particularly in the software, support services and manufacturing sectors. The Manager has developed effective procedures for the post investment monitoring and support of portfolio companies by way of board representation, monitoring of management accounts and internal reporting practices. The Directors believe that such procedures are an essential element in successful venture capital management.

The Manager is actively involved with its investments, taking non-executive positions where appropriate, and has the ability and experience to add value to the investments.

Michael Jackson MA FCA (Chairman of the Manager) founded Elderstreet Investments Limited in 1990 and is its executive chairman. For the past 24 years, he has specialised in raising finance and investing in the smaller companies quoted and unquoted sector. From 1983 until 1987 he was a director and from 1987 until 2006 was chairman of FTSE 100 company The Sage Group plc. He was also chairman of PartyGaming plc, another FTSE 100 company. He is a director of Elderstreet portfolio companies Uvenco UK plc, Fords Packaging Systems Limited, Baldwin & Francis Holdings Limited, AngloInfo Limited, Macranet Limited and Access Intelligence plc. Michael studied law at Cambridge University, and qualified as a chartered accountant with Coopers & Lybrand before spending five years in marketing for various US multinational technology companies.

William Horlick has worked at Elderstreet Investments Limited since 1998. He has worked on over 65 venture capital investments. William has held several board seats in the past on Elderstreet portfolio companies. He is also the investment manager of the Elderstreet EIS portfolio. William graduated from RMA Sandhurst in 1980. Prior to joining Elderstreet Investments, he was managing director of a mail order company and spent seven years in investment banking and stockbroking.

Draper Esprit Managers

Draper Esprit is one of the leading venture capital investors involved in the creation, funding and development of high-growth technology businesses with an emphasis on digital technologies in the UK, the Republic of Ireland and Europe. Draper Esprit IPO'd on the AIM market in 2016.

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

Simon Cook is the CEO of Draper Esprit PLC, which IPO'd on the London and Irish stock exchanges in 2016. Simon has been involved with the European VC industry since 1995 and co-founded Draper Esprit in 2005. He has been involved with a number of Europe's most successful startups including Lovefilm (Amazon), Cambridge Silicon Radio (IPO), Virata (IPO), nCipher (IPO) and KVS (Symantec). He currently works with Trustpilot, Graze, Crowdcube, Perkbox and Podpoint. Previously Simon was a partner with Cazenove Private Equity, which Draper Esprit acquired in 2006; a partner at Elderstreet Investments, which Draper Esprit acquired in 2016; and an Investment Director of 3i Technology Europe, which Draper Esprit acquired in 2009. He was a computer games developer early in his career and is a Computer Science graduate of the University of Manchester Institute of Science and Technology (UMIST).

Stuart Chapman is the COO of Draper Esprit. Prior to establishing the Draper Esprit group, with Simon in 2006, Stuart was a Director of 3i Ventures in London. Having joined 3i in 1992, he has 25 years of venture capital experience in Europe and the US. He was a founding partner of 3i US, based in Menlo Park, CA from 1999 until 2003. Stuart was responsible for Esprit's investments in Lagan Technology (sold to Verint), Redkite (sold to Nice) and Kiadis (IPO). Stuart currently serves as a director with Netronome, Kiadis, Resolver, Realeyes and Conversocial and observer with Metalysis and Crate.

Stuart is a member of the British Venture Capital Association Venture Committee. Prior to 3i, Stuart was involved in software and systems implementations for Midland Bank. He is a graduate of Loughborough University and currently serves on the Strategic Advisory Board for the Loughborough School of Business

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

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

Draper Venture Network

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

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

The Board

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

David Brock BSc (Chairman). David is an experienced company Chairman in both private and public companies and a former main board director of MFI Furniture Group Plc. He currently is Chairman of Episys Group Plc and non executive director of Hargreave Hale AIM VCT 1 PLC and Puma 12 VCT Plc.

Hugh Aldous is chairman of Downing Strategic Micro-cap Investment Trust plc and SPL Guernsey ICC Ltd. He is a director of Innospec Inc. (NASDAQ) and Polar Capital Holdings Plc. He was previously a partner of Grant Thornton UK LLP. He was a DTI Inspector and a member of the Competition Commission.

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

Michael Jackson MA FCA (see biography above)

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

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

PART 4

INFORMATION RELATING TO THE OFFER

The Offer

The Offer is for New Ordinary Shares. The maximum number of New Ordinary Shares expected to be issued pursuant to the Offer is 15,723,270 Ordinary Shares, representing approximately 19.7% of the enlarged issued Ordinary Shares of the Company (assuming the Maximum Subscription is raised and the Offer size is not increased at the Directors' discretion - if the size of the Offer is increase to a maximum of £20 million this would equate to a maximum of 31,446,540 New Ordinary Shares being issued). A raise of £10 million equates to a maximum approximate net amount to be raised of £9,450,000 based on Offer costs of 5.5%. The Offer is cost-neutral as regards the NAV of the Company as the costs are borne entirely by subscribers through the application of the Pricing Formula. There is no minimum subscription required for the Offer to proceed.

The unaudited net asset value per Ordinary Share as at 30 June 2017 was 61.6p (this being the most recent NAV per Ordinary Share published by the Company prior to the publication of this document). The Net Asset Value on which the initial price for the New Ordinary Shares is based is 60.1p per Ordinary Share, being the NAV of 61.6p as adjusted to reflect the payment of the 1.5p interim dividend declared in June 2016 and paid on 29 September 2017. The Estimated Offer Price of 63.6p is the adjusted NAV of 60.1p grossed up for estimated Offer costs of 5.5%. Should there be a material movement in the NAV between the normal reporting dates, the Company may announce an updated unaudited NAV, which will be used to calculate the number of New Ordinary Shares to be allotted.

Reasons for the Offer

The Company is raising funds by way of the Offer for the tax years 2017/18 and 2018/19 to fund another phase of investment. The Company considers that its co-investment agreement with Draper Esprit will continue to provide a flow of attractive investment opportunities for which new capital will be required.

The Offer will be open until 31 May 2018 (or such later date as the Directors may decide) though Investors who wish to have some or all of their New Ordinary Shares allotted in the tax year 2017/18 must return their Applications Forms so they are received by 5 April 2018. The Offer may close earlier if the Maximum Subscription is reached. VCTs are tax-efficient investment vehicles with both substantial income tax relief and freedom from capital gains tax on disposal of shares.

Benefits for Existing Shareholders

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

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

These more developed companies can scale more quickly and have the potential to IPO, exit, or attract further funding rounds more quickly than lower revenue companies.

Benefits for new Shareholders

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

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

Use of proceeds

The Board intends to invest the net proceeds from the Offer in accordance with the Company's existing investment policy as set out on pages 27 to 29.

The Company intends to invest at least 70% of funds raised in Qualifying Investments by 30 April 2021 with up to 30% invested in non-Qualifying Investments. The net proceeds of the Offer will be approximately £9.45 million with expenses of approximately £550,000 (in each case assuming Maximum Subscription and total costs of 5.5% on all Applications).

Key Terms of the Offer – Promoter's Fee, Commission and Early Investment Incentives

Applications made by Execution-Only Investors (non-advised)*

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

* Commission will only be payable where the intermediary confirms that this is justified by benefits to their client in accordance with COBS 2.3A.6 and does not impair the intermediaries duty to act in the best interests of their client. Initial and trail commission may also be payable to providers of restricted advice to professional clients.

Applications from advised Investors

Promoter's Fee	3.0% of the Application Amount
Adviser Charge - Such initial charges that are agreed	Variable

between each Investor and their financial intermediary

Direct Investors

Promoter's Fee	5.5% of the Application Amount

Early Investment Incentive

Where an Investor's Application Form is received and accepted on or before 4.00 p.m. on 14 February 2018, Investors will receive a 1% rebate from the

Promoter's Fee, and before 4.00 p.m on 1 March 2018 a rebate of 0.5%, as additional New Ordinary Shares

Pricing of the Offer

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

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

PRICE PER NEW ORDINARY SHARE (IN PENCE) = NET ASSET VALUE / X

X = 1 – NET TOTAL FEES[1] (%)

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

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

<u>Example 1</u>

If an Investor (paying a combined Promoter's Fee and Adviser Charge to their intermediary of 5.5% and assuming he was not entitled to the Early Investment Incentive) were to subscribe £10,000, with the Company's adjusted Net Asset Value standing at **60.1**p, they would pay **63.6**p per Share and receive a total of **15,723** New Ordinary Shares.

<u>Example 2</u>

An Investor in the same circumstances as above but who had agreed a smaller Adviser Charge (assuming a standard Adviser Charge of 2.5%) of 1.0% with their financial intermediary would pay a combined fee of 4.5%. This would mean the Investor pays **62.9**p per Share and would receive **15,890** New Ordinary Shares for their £10,000 subscription.

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

<u>Example 3 (Early Investment Incentive)</u>

If an Investor submits their Application Form before 14 February 2018, they will have 1% from the usual Promoter's Fee rebated in the form of additional New Ordinary Shares under the Early Investment Incentive.

If the Intermediary is eligible for commission but chooses to waive this entirely in lieu of additional shares, the Investor will be entitled to receive the maximum rebate available under the terms of the Offer of 3.5%. In this case, their total offer costs would be only 2%, and, for a £10,000 subscription where the latest adjusted NAV of the Offer Shares is **60.1p**, they will receive **16,306** New Ordinary Shares at an effective subscription price of **61.3p** per share.

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[1] Net Total Fees are the Promoter's Fee and Commission/Adviser Charge, each expressed as a percentage of the amount subscribed, adjusted for any applicable Early Investment Incentive. The Net Total Fees figure will in each case be calculated as a percentage of 1 (e.g. 0.055 would equate to 5.5%).

Where a different early Investor has instead agreed an Adviser Charge with their intermediary of 2%, they will still enjoy a 1% rebate from the Promoter's Fee and their total offer costs will be 4%. For a £10,000 subscription, where the latest adjusted NAV of the Offer Shares is **60.1p**, they would receive **15,973** New Ordinary Shares at an effective subscription price of **62.6p** per share.

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

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

Adviser Charges and Commission

In accordance with the regulatory changes to be introduced pursuant to MiFID II, and following draft amendments proposed by the FCA to their Conduct of Business Sourcebook in CP16/29, commission (including on-going trail commission) is generally not permitted to be paid to Intermediaries who provide independent advice or personal recommendations to UK clients in respect of their investments in VCTs.

Instead of commission being paid by the VCT, an Adviser Charge will usually be agreed between the Intermediary and Investor for the advice and related services. This fee can either be paid directly by the Investor to the Intermediary or, if it is an initial one-off fee, the payment of such fee may be facilitated by the Company out of the Investor's funds received by the Company. Ongoing fees to Intermediaries will not be facilitated by the Company. If the payment of the Adviser Charge is to be facilitated by the Company, then the Investor is required to specify the amount of the charge in Box 3 of the relevant Application Form. The Investor will be issued fewer New Ordinary Shares (to the equivalent value of the Adviser Charge) through the Pricing Formula set out above. The Adviser Charge is deemed to be inclusive of VAT, where applicable.

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

(a) which do not provide personal recommendations or investment advice (save where this is restricted advice given to professional clients of the advisor); or
(b) where the payment of such commission is designed to enhance the quality of the relevant (non-advisory) service to the investor
(c) where the intermediary has confirmed that they will clearly disclose to the investor the existence, nature and amount of such commission prior to the provision of the service; and
(d) in the case of on-going payments (trail commission) where such criteria are fulfilled on an on-going basis.

Those Intermediaries who are permitted to receive commission will usually receive an initial commission of 2.5% of the amount invested by their clients under the Offer unless waived by the Intermediary. Additionally, provided that the Intermediary continues to act for the Investor and meet the criteria above and the Investor continues to be the beneficial owner of the New Ordinary Shares, and subject to applicable laws and regulations, the Intermediary will usually be paid an annual trail commission of 0.25% of their client Investors' gross subscriptions for a maximum of five years. Trail commission will be paid annually in October (commencing in October 2018) by the Company.

Minimum Subscription

The minimum subscription amount for an Applicant in relation to the New Ordinary Share is £6,000 and, provided this condition is met, Applications under the Offer may be for any amount thereafter in multiples of £1,000. There is no maximum individual subscription level under the Offer but the maximum investment on which tax reliefs on investments in VCTs are currently available is £200,000 in the 2017/18 tax year (£200,000 per spouse).

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

Capital Raising Fees

The Manager has agreed, in return for its Promoter's Fee, to be responsible for paying the costs of the Offer. Excluded from such costs are any initial commissions or Adviser Charges payable in relation to Applications, which are facilitated through the Pricing Formula, any trail commission payable in the future, the cost of any required circulars and the Registrar's costs in issuing the applicable share certificates all of which will be payable by the Company.

Timetable

The Offer will remain open until the earlier of 4.00 p.m. on 31 May 2018 (unless previously extended by the Directors) and the date on which the relevant Maximum Subscription is reached though Application Forms specifying that some or all Shares are to be allotted in the tax year 2017/18 must be returned by 10.00 a.m. on 5 April 2018. The results of the Offer and any exercise of the Directors' right to extend the Offer will be announced to the London Stock Exchange through a Regulatory Information Service provider authorised by the Financial Conduct Authority. It is expected that dealings will commence no later than 15 Business Days following the date of allotment. Share certificates are expected to be issued (and, where relevant, CREST accounts credited) no later than 15 Business Days following the date of allotment.

Application procedure

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

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

Admission to trading and dealing arrangements

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

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

PART 5

BENEFITS OF VENTURE CAPITAL TRUSTS

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

The principal benefits offered by VCTs to private investors are:

Income tax relief Private investors subscribing for new shares in a VCT in the 2017/18 or 2018/19 tax years should receive income tax relief at 30% of the amount subscribed against their income tax liability in the year of subscription, provided that such shares are held for at least five years.

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

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

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

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

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

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

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

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

The above is only an outline of the tax reliefs associated with VCTs and should be read in conjunction with the detailed provisions of the current legislation, a summary of which appears in Parts 6 and 7 of this prospectus.

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

PART 6

TAX POSITION OF INVESTORS

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

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

(a) Income Tax

(i) Relief from income tax on investment

A private investor subscribing for New Ordinary Shares will be entitled to claim income tax relief on amounts subscribed (along with any other VCT shares subscribed for) up to a maximum of £200,000 in any tax year. For the 2017/18 and 2018/19 tax years the relief is given at 30% of the amount subscribed although the relief cannot exceed the amount which reduces the Investor's income tax liability to nil. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances. Tax relief is restricted on subscriptions for shares in a VCT where, within six months of subscription, the investor disposes of shares in the same VCT (or in another VCT which at any time merges with that VCT).

(ii) Dividend relief

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

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

(iii) Purchases in the market

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

(iv) Withdrawal of relief

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

(b) Capital Gains Tax

(i) Relief on the disposal of New Ordinary Shares

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

(ii) Purchases in the market

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

(iii) Withdrawal of relief

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

Obtaining tax reliefs

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

Investors not resident in the UK

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

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

PART 7

TAX POSITION OF THE COMPANY

1. Qualification as a VCT

The legislation relating to VCTs sets out tests which a company has to satisfy in order to be treated as a VCT and attract tax benefits for itself and its shareholders. The legislation summarised below is that in force as at the date of this Prospectus save where noted otherwise following the 2017 Budget which has brought in a number of new provisions which apply from different dates.

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

(a) it must not be a close company;

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

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

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

(e) at least 30% of new monies raised in accounting periods commencing on or after 6 April 2018 must be invested in qualifying holdings within 12 months of the end of accounting period in which the relevant VCT shares are issued;

(i) at least 70% by value of its Qualifying Investments must be represented by holdings of 'eligible shares'. Eligible shares are ordinary shares which carry no present or future preferential rights to a portfolio company's assets on its winding-up, and no present or future right to be redeemed, but which may have certain preferential rights to dividends;

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

(g) loan investments made by the Company after Royal Assent to the Finance Bill 2017-18 must be made on an unsecured basis at a commercial rate of interest (at the time of publication it had not been confirmed whether this is a requirement for the maintenance of VCT approval or whether only unsecured loans could count towards a VCT's qualifying holdings in an investee company);

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

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

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

(k) no investment by a VCT can cause a company to receive more than a total of £5 million in any period of twelve months, nor than £12 million (£20 million for "knowledge intensive" companies) over its lifetime, of State Aid risk finance. From 6 April 2018, the annual limit for "knowledge intensive" companies will be doubled to £10 million;

(l) a VCT cannot invest in a company whose first commercial sale was more than seven years ago (ten years for a "knowledge intensive" company) unless the company had previously received State Aid risk finance within that period or a turnover test is met; and

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

Conditions (j) to (n) above do not apply to ordinary shares or securities listed on a regulated market (such as the London Stock Exchange) or to shares or units in alternative investment funds or UCITS which may be repurchased or redeemed on seven days' notice.

2. Qualifying Investments

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

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

(b) have fewer than 250 full-time employees (or their equivalents) at the date on which the VCT investment is made (this test is applied on a group basis if applicable);

(c) not have raised more than £5 million in the 12 month period ending on the date of the VCT's investment, nor more than a lifetime total of £12 million (£20 million for a "knowledge intensive" company), from State Aid sources including from VCTs and under the Enterprise Investment Scheme – the annual limit for "knowledge intensive" companies will rise to £10 million from 6 April 2018;

(d) have made its first commercial sale less than seven years ago (ten years for a "knowledge intensive" company) unless the company had previously received State Aid risk finance within that period or a turnover test is met;

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

(f) for investments made on or after the date of Royal Assent to the Finance Bill 2017-18, meet a principles based "risk to capital" test to ensure invested capital is genuinely at risk, disqualifying those where the VCT tax relief provides most of the return and which aim merely to preserve capital;

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

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

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

3. Qualifying Companies

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

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

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

4. Approval as a VCT

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

5. Withholding Tax at Source

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

PART 8

GENERAL INFORMATION

1. The Company

1.1 Elderstreet Draper Esprit VCT plc was incorporated in England and Wales on 26 August 1997 with the name Downing Street VCT plc. The Company's name was changed to Elderstreet Downing VCT plc on 20 October 1997 and to Elderstreet VCT plc on 26 January 2005 before changing to its current name on 6 December 2017.

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

1.3 The registered office of the Company is 6th Floor, St Magnus House, 3 Lower Thames Street, London EC3R 6HD. Its principal place of business is at 20 Garrick Street, London WC2E 9BT and its telephone contact number 020 7831 5088.

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

1.5 The Company has issued the following shares since 31 December 2012:

Date	*Class*	*Number*	*Average price per share (pence)*
April 2013	Ordinary	1,291,055	67.5p
19 September 2014	Ordinary	948,110	72.2p
18 December 2014	Ordinary	2,240,885	68.14p
12 March 2015	Ordinary	778,478	71.9p
13 April 2015	Ordinary	112,585	71.5p
30 June 2015	Ordinary	338,198	66.6p
4 April 2016	Ordinary	2,502,810	70.6p
6 April 2016	Ordinary	88,362	70.96p
5 April 2017	Ordinary	21,677,465	64.99p
19 May 2017	Ordinary	2,198,947	65.04p
2 August 2017	Ordinary	1,554,126	63.81p
4 October 2017	Ordinary	1,149,890	62.51p
21 November 2017	Ordinary	1,223,674	62.39p

1.6 Current share capital:

1.6.1 As at 6 December 2017, being the latest practicable date prior to the publication of this document, the issued share capital of the Company was 64,139,554 fully paid up Ordinary Shares with a nominal value of 5p each. The ISIN of the Ordinary Shares is GB0002867140. Ordinary Shares to be issued pursuant to the Offer will rank *pari passu* in all respects with the existing Ordinary Shares.

1.6.2 At close of the Offer, assuming the Maximum Subscription is raised but the Offer is not increased, Existing Shareholders will hold approximately 80.3% of the enlarged Ordinary Share capital of the Company.

2. The Investment Manager

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

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

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

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

3. Directors' and other interests

3.1 As at 6 December 2017 (being the latest practicable date prior to the publication of this document), the Company is not aware of any person who is or, immediately following the Offer, will be, directly or indirectly, interested in 3% or more of the issued share capital of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company. No shareholder in the Company has different voting rights from any other. No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option. No shares of the Company represent anything other than capital. There are no convertible securities, exchangeable securities or securities with warrants attached to them currently in issue by the Company.

3.2 The interests (all of which are or will be beneficial unless otherwise stated) of the Directors, their immediate families and persons connected with the Directors (a "**Connected Person**") in the share capital of the Company:

(a) have been notified to the Company; or

(b) are required to be entered in the register of directors' interests maintained under the provisions of section 809 of the Act; or

(c) to be disclosed under (a) or (b) above and the existence of which is known to, or could be reasonable diligence be ascertained by that Director, as at the date of this document and as they will be immediately following Admission, are as set out in the following table below:

Director	Current Shareholding %	Shareholding following Admission %*
Michael Jackson	1.25%	0.83%
Nicholas Lewis	0.08%	0.05%
David Brock	0.16%	0.11%
Hugh Aldous	0.03%	0.02%
Barry Dean	0.03%	0.02%
TOTAL	**1.55%**	**1.03%**

* Assuming a raise of £20 million under the Offer

3.3 Save as disclosed in paragraph 3.2 above, immediately following Admission, no Director, nor any Connected Person, will have any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company or any of its subsidiary undertakings.

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

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

Director	Agreement Date	Fees per Annum	Term	Performance Incentive / Fee Entitlement*	Notice Period
David Brock	30 Jan 1998	£22,500	rolling	0%	3 months
Hugh Aldous	1 Mar 2007	£17,500	rolling	0%	3 months
Barry Dean	25 Jan 2005	£17,500	rolling	0%	3 months
Michael Jackson**	30 Jan 1998	£15,000	rolling	100%	3 months
Nicholas Lewis***	30 Jan 1998	£15,000	rolling	0%	3 months

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

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

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

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

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

Name	Current	Past five years
David Brock	Episys Group Limited Hargreave Hale AIM VCT 1 plc Leeson Limited Puma 12 VCT plc	Kitwave Limited Park Regis Birmingham LLP Puma 8 VCT plc
Hugh Aldous	DKP Consultants Limited Downing Strategic Micro Cap Investment Trust plc Innospec Inc KCSB Properties Ltd Polar Capital Holdings plc Saville AD7 Limited Saville AD8 Limited Saville AD9 Limited SPL Guernsey ICC Ltd	Capita Sinclair Henderson Ltd Financial Ventures Limited Nice Investments (Germany) LLP Savile AD2 Limited Savile AD4 Limited Savile ANG1 Limited Savile APG1 Limited Savile APG3 Limited Savile Durham 1 Limited Savile Exeter 1 Limited Savile ML1 Limited Schroder Asian Total Return Investment Company plc Smart Education Limited The Peoples Investment Trust plc
Barry Dean	Downing ONE VCT plc ProVEN VCT plc St James LP St James II LP	Downing Absolute Income VCT 2 plc Henderson Private Equity Investment Trust plc
Michael Jackson	Access Intelligence PLC	2Zero Software Limited

	Access Intelligence Media and Communications Limited Aimediadata Ltd A.I. Talent Ltd Angloinfo Limited ASF Finance Limited Auto Service Finance Limited Backup and Running PLC Baldwin & Francis Limited Contis Group Limited Elderstreet Capital Partners Nominees Limited Elderstreet Holdings Limited Elderstreet Investments Limited Elderstreet Nominees Limited Elderstreet Private Equity Limited Fords Packaging Systems Limited Fords Packaging Systems 1998 Limited Itim Group Limited Lyalvale Express Limited Lyalvale Property Limited Macranet Limited Netcall PLC Old Vicarage Nominees Limited Oneview Group PLC One Voice Software Limited RAH Concerts Ltd Royal Albert Hall Developments Limited Select Software Tools PLC	Aconite Technology Limited Advance Computer Software Group Limited AI Controlpoint Limited B&F Managements Limited Bright Network (UK) Limited Burra Burra Distribution Limited Concorde Solutions Ltd Contact London (Services) Limited Due North Limited Elderstreet Ballater Limited E-Trade Group Limited Evolve Capital PLC Forsyth Whitehead & Associates Limited Intercede 2445 Limited Snacktime UK Limited Soames Limited Starcom Technologies Limited Synchronica Limited The Web Factory Birmingham Limited Tracsis Traffic Data Limited Trailight Ltd

	Syncissue Limited Uvenco UK PLC The Kellan Group PLC Zoich Limited	
Nicholas Lewis	Baron House Hotel Limited Blakes Partnership LLP BOV LLP Broad Street Commerical Limited Broad Street Unit A Limited Broad Street Unit B Limited Cumberland House Hotel Birmingham Limited Cumberland House Properties Limited Downing Corporate Finance Limited Downing LLP Downing Members Limited Downing Planned Exit VCT 8 plc Downing Planned Exit VCT 9 plc Ebury Coporate Services Limited Fenkle Street BPRA Property Fund LLP Fenkle Street Hotel Limited Frame Wiesbaden LLP Harrogate Street BRPA LLP Horseferry Developments LLP London Luton Hotel 2010 Limited London Luton BPRA Property Fund LLP	Bowman Care Homes Limited Cannock Residential Limited Cheers Dumbarton Limited City Edinburgh Limited City Falkirk Limited Congress House Limited Downing Absolute Income VCT 1 PLC Downing (Alton) Limited Downing Care Homes Holdings Limited Downing (Chertsey Road) Limited Downing (Pirbright Road) Limited Downing Planned Exit VCT 6 PLC Downing Planned Exit VCT 7 PLC Fubar Stirling Limited Heyford Homes (Milton Keynes) Limited Heyford Homes (Thornton Hall) Limited Kimbolton Lodge Limited Lochrise Limited Tooting Tram and Social Limited

	Ludorum Plc Moor House Hotel Liverpool Limited Snow Hill BPRA LLP Snow Hill Hotel Limited St Chad's (Birmingham) Holdings Limited St Chad's (Birmingham) Hotel Limited West Bar Hotel Limited	

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

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

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

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

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

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

The Board meets regularly throughout the year (normally at least quarterly) and all necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. Additionally, special meetings take place or other arrangements are made when Board decisions are required in advance of regular meetings. The Board is responsible for controlling the Company. The Manager is responsible for the calculation of the Company's Net Asset Value and the Board reviews and approves this. The calculation is undertaken in accordance with the Company's accounting policies (the Company's current accounting policies are set out on pages 37 and 38 of its report and accounts for the year ended 31 December 2016) and published on an appropriate regulatory information service (including in the announcement of annual and half yearly results of the Company). In the unlikely event that valuation was suspended, where the underlying data necessary to value the investments of the Company could not readily, without undue expenditure, be obtained, such suspension would be communicated to shareholders in a similar manner.

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

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

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

4. General Information

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

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

4.3 Shareholders' authority to create, allot and issue new Ordinary Shares up to an aggregate maximum nominal value of £2,000,000, with pre-emption rights disapplied in respect of such issues, was obtained at the annual general meeting of the Company held on 28 June 2017. All Shareholders will have the same voting rights in respect of the existing share capital of the Company. An existing holder of Ordinary Shares who does not subscribe for New Ordinary Shares pursuant to the Offer would experience no dilution in terms of NAV per share (as the assets of the Company will be increase by the proceeds of the Offer and the upfront costs of the Offer are borne by subscribers) but would experience dilution in terms of their voting power. The Offer Shares are ordinary shares of five pence each (ISIN: GB0002867140) created under the CA 2006 and are freely transferable.

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

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

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

5. Material Contracts

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

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

5.2 Under an agreement dated 30 January 1998 originally between the Company and Downing Management Services Limited and novated by a deed of novation dated 25 August 2011 such that since 1 June 2011 the parties thereto are the Company and Downing LLP (the "Administration Agreement"), Downing will provide or procure the provision of certain administration services to the Company for a capped fee of £50,000 (excluding VAT).

5.3 A sponsor and promoter agreement dated 7 December 2017 between the Company (1), the Directors (2) the Promoter (3) and the Sponsor (4) whereby the Promoter has agreed to act as promoter in connection with the Offer and the Sponsor has agreed to act as sponsor. The agreement contains warranties given by the Company and the Directors to the Promoter and the Sponsor and an unlimited indemnity to the Sponsor. The Company will pay to the Promoter a promoter's fee of up to 5.5% of funds raised under the Offer, depending on the category of subscriber, and is also responsible for paying initial and trail commission in respect of the Offer where applicable.

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

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

5.6 On 10 December 2015, as a result of the VCT rule changes implemented in November 2015, the Company entered into an agreement with the Manager whereby the Manager agreed to purchase the two loans that the Company had granted to Snacktime Plc, which were in the aggregate principle amount of £450,000, for an initial payment of £50,000 and deferred consideration equal to 75% of any ultimate realisation on redemption or conversion of those loans. The Manager is also entitled to Promoter's Fees in relation to its services to the Company in its role as promoter of the Offer (as referred to in the section "Capital Raising Fees" on page 47 of this document). For the purposes of these agreements (in relation to the purchase of those loans and the payment of Promoter's Fees), the Manager was a related party of the Company under the Listing Rules and, as such, each of those transactions was a smaller related party transaction in accordance with Listing Rule LR 11.1.10R.

5.7 There are no potential conflicts of interests between the duties of the Directors to the Company and their private interests or other duties. There are no family relationships between the Directors at the date of this document.

5.8 There are no interests which are material to the Offer.

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

5.10 The Company and its Shareholders are subject to the provisions of The City Code on Takeovers and Mergers and the Act, which require shares to be acquired/transferred in certain circumstances.

6. Historical Financial Information

Audited statutory accounts for the Company for each of the three years ended 31 December 2014, 31 December 2015 and 31 December 2016 on which unqualified audit reports (not containing a statement under section 237(2) or (3) of the Companies Act 2006) have been given by the auditors BDO LLP have been filed with the Registrar of Companies. BDO LLP are registered with the Institute of Chartered Accountants of England and Wales to carry out audit work.

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

Incorporation by Reference

The audited statutory accounts for the Company, for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and unaudited interims for the six months ended 30 June 2016 and 30 June 2017, are being incorporated by reference in this Prospectus (as set out in the tables below) and are available at the registered office of the Company and the Manager set out on page 70. Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this Prospectus. Those parts of the annual statutory accounts referred to above which are not being incorporated into this Prospectus by reference are either not relevant for investors or are covered elsewhere in this Prospectus.

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

	Report and Accounts (Audited) for Year Ended 31 December 2014	Report and Accounts (Audited) for Year Ended 31 December 2015	Report and Accounts (Unaudited) for Six Months Ended 30 June 2016	Report and Accounts (Audited) for Year Ended 31 December 2016	Report and Accounts (Unaudited) for Six Months Ended 30 June 2017
Income Statement	page 32	page 32	page 6	page 33	page 7
Dividends per share	page 2	page 2	page 0	page 2	page 0
Balance sheet	page 33	page 34	page 5	page 35	page 6
Cash flow statement	page 34	page 35	page 8	page 36	page 9
Notes to financial statements	page 35	page 37	page 9	page 37	page 10
Accounting policies	page 35	page 37	page 12	page 37	page 14
Independent auditors' report	page 28	page 28	N/A	page 29	N/A

Operating and Financial Review

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

	Report and Accounts (Audited) for Year Ended 31 December 2014	Report and Accounts (Audited) for Year Ended 31 December 2015	Report and Accounts (Unaudited) for Six Months Ended 30 June 2016	Report and Accounts (Audited) for Year Ended 31 December 2016	Report and Accounts (Unaudited) for Six Months Ended 30 June 2017
Chairman's Statement	page 4	page 4	page 1	page 4	page 1
Manager's Report	page 6	page 6	N/A	page 7	N/A
Investment Portfolio	page 8	page 8	page 3	page 8	page 4

Significant Change

During the period 1 July 2017 to 30 November 2017, the Company issued a further 3,927,690 Ordinary Shares raising gross proceeds of approximately £2,474,000 and paid a dividend of 1.5p per Ordinary Share.

Save for the above, since 30 June 2017, being the date of the last published financial information of the Company (unaudited half yearly report), there have been no significant changes in the financial or trading position of the Company.

7. Working capital and capitalisation and indebtedness

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

7.2 The table below shows the capitalisation of the Company as at 30 June 2017, the most recent date to which unaudited financial information of the Company has been published.

	£'000
Total current debt	
Guaranteed	-
Secured	-
Unguaranteed/secured	-
Total non-current debt	
Guaranteed	-
Secured	-
Unguaranteed/secured	-
Shareholders' equity	
Share capital	3,035
Other reserves	34,389
TOTAL	37,424

7.3 There has been no material change in the capitalisation of the Company, total debt or shareholder equity since 30 June 2017.

7.4 The following table shows the Company's net indebtedness as at 31 October 2017, being a date within 90 days of the date of the Prospectus.

		£'000
A	Cash	19,847
B	Cash equivalent	-
C	Trading securities	-
D	**Liquidity (A+B+C)**	19,847
E	**Current financial receivables**	262
F	Current bank debt	-
G	Current position of non-current debt	-
H	Other current financial debt	-
I	**Current financial debt (F+G+H)**	-
J	**Net current financial indebtedness (I-E-D)**	(20,109)
K	Non-current bank loans	-
L	Bonds issued	-
M	Other non-current loans	-
N	**Non-current financial indebtedness (K+L+M)**	-
O	**Net financial indebtedness (J+N)**	(20,109)

7.5 The Company does not have any contingent or indirect indebtedness.

8. Documents on display

Copies of this document are available (and any supplementary prospectus published by the Company will be available) for download at www.elderstreet.com, and may be obtained free of charge at the Company's registered office, where they are also on display, at 6th Floor, St Magnus House, 3 Lower Thames Street, London EC3R 6HD, and at its principal place of business at 20 Garrick Street, London WC2E 9BT during the period in which the Offer remains open.

Also available at the addresses noted above are copies of the Memorandum and Articles of Association of the Company, the Company's annual report and accounts for the three years ended 31 December 2016 and half yearly reports to 30 June 2016 and 30 June 2017 and copies of the material contracts described at paragraph 5 above.

9. Articles of Association

9.1 The Company's principle object is to carry on business as an investment company and a venture capital trust. The Memorandum of Association and Articles of Association are available for inspection at the address specific in paragraph 8 above.

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

A. Voting rights

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

The share capital of the Company is divided into Ordinary Shares and Sustainable Technology Shares, each with a nominal value of 5p per share. There are currently no Sustainable Technology Shares in issue.

B. Dividends

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

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

The Sustainable Technology Shareholders shall be entitled to receive, in that capacity any dividends paid out of the profits available for distribution derived from the assets attributable to the Sustainable Technology Shares. There are currently no Sustainable Technology Shares in issue.

C. Distribution of assets on liquidation

On a winding up the capital and assets of the Company shall be applied as follows: (a) the Ordinary Share Surplus, being the net assets of the Company less those attributable to the Sustainable Technology Shares and a proportion of the fees and expenses of the liquidator, shall be divided amongst the holders of the Ordinary Shares pro rata according to their holding of Ordinary Shares and (b) the Sustainable Technology Share Surplus, being the net assets of the Company less those attributable to the Ordinary Shares and a proportion of the fees and expenses of the liquidator, shall be divided amongst the holders of Sustainable Technology Shares pro rata according to their holding of Sustainable Technology Shares. There are currently no Sustainable Technology Shares in issue.

D. Transfer of Shares

Shares may be transferred by means of the CREST system.

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

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

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

E. Variation of rights

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

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

F. Increase or reduction of capital

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

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

G. Directors

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

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

The Directors shall be paid out of the funds of the Company by way of fees for their services an aggregate sum not exceeding £1,000,000 per annum[2]. The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties.

H. Meetings of Directors

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

[2] This sum was relevant when the Directors were previously entitled to Performance Incentive Fees which is now no longer the case.

I. Directors' Interests

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

J. General Meetings

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

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

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

K. Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking property and uncalled capital, or any part thereof and to issue debentures and other securities. The Directors shall restrict the borrowings of the Company that the aggregate amount at any one time owing by the Company shall not at any time without the previous sanction of the Company in general meeting exceed the greater of the sum of 10% of the aggregate of the paid up share capital of the Company and amount standing to the credit of the consolidated reserves of the Company and its subsidiaries whether distributable or undistributable and including (without limitation) share premium account, capital redemption reserve and profit and loss account.

DIRECTORS AND ADVISERS

Directors

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

Investment Manager

Elderstreet Investments Limited
20 Garrick Street
London WC2E 9BT

Company Secretary

Grant Whitehouse

Administration Manager

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

VCT Status Monitor

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

Solicitors to the Company

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

Sponsor

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

Fixed Income Securities Manager

Smith & Williamson Investment Services Limited
25 Moorgate
London EC2R 6AY

Registrars

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Receiving Agent

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

Auditor

BDO LLP
55 Baker Street
London W1U 7EU

DEFINITIONS

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

"Act"	the Companies Act 2006 (as amended)
"Administration Manager"	the administration manager of the Company, Downing LLP
"Admission"	admission of the New Ordinary Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities
"Adviser Charge"	a fee, payable to a financial intermediary, agreed with the Investor for the provision of a personal recommendation and/or related services in relation to an investment in New Ordinary Shares, and detailed on the Application Form
"AIM"	AIM, a market operated by the London Stock Exchange, formerly known as the Alternative Investment Market
"Applicant"	an investor whose name appears in an Application Form
"Application"	an application for New Ordinary Shares under the Offer
"Application Amount"	amount (in pounds sterling) due from an Applicant in respect of his Application or such part (if any) of his Application as is accepted
"Application Form(s)"	a validly completely application form in the form contained at the end of this document
"Articles"	the articles of association of the Company from time to time
"Business Days"	any day (other than a Saturday or Sunday) on which clearing banks are open for normal banking business in sterling
"Capita Registrars"	a trading name of Capita IRG Plc
"Company"	Elderstreet Draper Esprit VCT plc
"Commission"	commission paid to the financial intermediaries of limited classes of eligible Investors
"CREST"	the computerised settlement system to facilitate the transfer of the title to shares in uncertificated form operated by Euroclear UK & Ireland Limited
"Direct Investor"	an Investor who applies under the Offer directly without any financial intermediary (whether advisory or non-advisory)
"Directors" or "Board"	directors of the Company as at the date of this document, whose names are set out on page 70 of this document
"Draper Esprit"	Draper Esprit plc and/or Esprit Capital Partners LLP and their associates, and co-investors of the Draper Venture Network as the context dictates
"Early Investment Incentive"	the additional New Ordinary Shares offered to Applicants who subscribe for New Ordinary Shares within the relevant period referred to in the section "Offer Statistics" of this document, such additional New Ordinary Shares being issued pursuant to the Pricing Formula
"Elderstreet Funds"	funds managed by the Investment Manager
"Estimated Offer Price"	the amount of 63.6 pence per New Ordinary Share, calculated on the basis of the assumptions referred to on page 16 of this document
"Execution Only Investors"	Investors who invest in the Offer via an "execution only" broker who does not provide the Investor with advice as to the merits of the investment
"Existing Shareholder"	a Shareholder who holds shares in the Company subscribed for prior to the launch of the Offer
"FCA"	Financial Conduct Authority

"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"Gross Proceeds"	the amount of monies subscribed by Applicants for New Ordinary Shares under the Offer (disregarding any Adviser Charges or Commission)
"HMRC"	Her Majesty's Revenue & Customs
"Investment Management Agreement" or "IMA"	the investment management agreement entered into between the Company and the Manager on 30 January 1998 (which was subsequently novated to Elderstreet Private Equity Limited, and then back to the Manager on 1 June 2009), as varied from time to time
"Investment Management Team"	those people whose details are set out on page 40 of this document
"Investment Manager" or "Manager" or "Promoter" or "Elderstreet"	Elderstreet Investments Limited, a subsidiary of Elderstreet Holdings Limited
"Investor"	an individual investor, who is aged 18 or over, investing no more than £200,000 in VCTs in any one tax year
"ISDX"	the ISDX Growth Market, being a market on the ICAP Securities and Derivatives Exchange (which are the successor markets to the PLUS markets)
"ITA"	Income Tax Act 2007 (as amended)
"Listed"	admitted to the Official List of the UK Listing Authority and to trading on London Stock Exchange's main market for listed securities
"Listing Rules"	the listing rules issued by the FCA
"London Stock Exchange"	London Stock Exchange plc
"Maximum Subscription"	15,723,270 New Ordinary Shares (unless the Offer is increased)
'MiFID II"	Directive 2014/65/EU of the European Parliament and of the Council, as amended and supplemented
"Money Laundering Regulations"	the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, (as amended)
"Net Asset Value" or "NAV"	net asset value per Ordinary Share
"Net Assets"	gross assets less all liabilities (excluding contingent liabilities) of the Company
"New Ordinary Shares"	the Ordinary Shares available for subscription pursuant to the Offer
"Offer"	the offer for subscription for New Ordinary Shares contained in this prospectus
"Offer Price"	the price paid (sterling) by Applicants for each New Ordinary Share issued under the Offer calculated according to the Pricing Formula on page 45 as applied by the Board
"Offer Document"	the agreement for subscription of New Ordinary Shares pursuant to the terms of this document
"New Ordinary Shares"	the New Ordinary Shares
"Offer" or "Offer for Subscription"	the offer for subscription of New Ordinary Shares pursuant to the terms of this document
"Official List"	official list of the UK Listing Authority
"Ordinary Shares"	ordinary shares of 5p (sterling) each in the capital of the Company with ISIN GB0002867140
"Pricing Formula"	the mechanism by which the Offer Price may be adjusted by the Board according to the latest announced NAV, the level of the Promoter's Fee, Commission or Adviser Charges (as relevant) to intermediaries, as described on pages 45 of this document and in the Terms and Conditions of Application
"Professional Client"	an individual who is classified by their financial intermediary as a professional client for the purposes of the FCA's Conduct of Business rules
"Promoter's Fee"	the commission payable by the Company to the Manager (as promoter of the Offer) in relation to each Application, calculated as a percentage of each Applicant's gross subscription in the Offer in the amounts set out on page 16
"Prospectus"	this document
"Qualifying Company"	an unquoted (including ISDX-traded and AIM-traded) company which satisfies the requirements of Chapter 4 of Part 6 of ITA
"Qualifying Investment"	shares in, or securities of, a Qualifying Company held by a VCT which meet the requirements of Chapter 4 of Part 6 of ITA
"Qualifying Investor"	an individual who subscribes for or acquires shares in a VCT and satisfies the conditions of eligibility for tax relief available to investors in a VCT

"Receiving Agent"	The City Partnership (UK) Ltd
"Retail Client"	an individual who is classified by their financial intermediary as a retail client for the purposes of the FCA's Conduct of Business rules
"Shareholders"	holders of Shares
"Shares"	Ordinary Shares
"Sponsor" or "SPARK"	SPARK Advisory Partners Limited
"Terms and Conditions"	terms and conditions of Application as set out at the end of this document
"UK Listing Authority"	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"US Person"	as defined in the United States Securities Act of 1933 (as amended)
"Venture Capital Trust" or "VCT"	a venture capital trust as defined in Section 259 of ITA

TERMS & CONDITIONS OF APPLICATION

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

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

   (a) irrevocably offer to subscribe the amount of money specified in your Application Form or such lesser amount as is accepted (in each case such amount being referred to as the “Application Amount”) which shall be applied to purchase New Ordinary Shares on the basis of the Pricing Formula set out on page 45 of the Prospectus and subject to the provisions of the Prospectus, these Terms and Conditions and the Articles. An Investor whose Application Form is received and accepted before 4.00 p.m. on 14 February 2018 will receive a 1% rebate from the Promoter’s Fee as additional New Ordinary Shares. An Investor whose Application Form is received and accepted before 4.00 p.m. on 1 March 2018 will receive a 0.5% rebate from the Promoter’s Fee as additional New Ordinary Shares;

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

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

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

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

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

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

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

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

   (j) agree that, having had the opportunity to read this document, you are deemed to have had notice of all information and representations contained therein including the risk factors contained on pages 13 to 15;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application thereunder to satisfy himself or herself as to the full observance of the laws of

any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any of the formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

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

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

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

7. Authorised financial intermediaries who, acting on behalf of their clients, return valid Application Forms (in each case bearing their stamp and FCA number) following the provision of restricted advice to their professional clients or in respect of execution-only transactions where they can demonstrate and confirm to the Company that their duty to act honestly, fairly and professionally in the best interest of the client is not impaired and that they provide an enhanced value service in accordance with COBS 2.3A.6 to 2.3A.9, will be entitled to commission on the amount payable in respect of the New Ordinary Shares allocated for each such Application Form at the rates specified in the paragraph "Terms of the Offer" in Part 4 (Information relating to the Offer) of this document. Commission may also be payable where advisors have provided restricted advice to their professional clients. The Company reserves the right to amend its policy on the payment of commission at any time. Authorised financial intermediaries may agree to waive part or all of their initial commission in respect of an Application. If this is the case, then the Application Amount will be increased by an amount equivalent to the amount of commission waived. Financial intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for their commission. No commission is payable on reinvested commission or on any additional allocation received under the Early Investment Incentive arrangements described above. In addition, provided they continue to act for their client and the client continues to hold such New Ordinary Shares, such intermediaries will usually be paid an annual trail commission of 0.25% of the gross subscription for a maximum of five years. Annual trail commissions will be paid in October (commencing in October 2018) by the Company.

8. In respect of Applications received where commission is payable in accordance with applicable rules and guidance, such commission (but not annual trail commission) will be taken into account when calculating, and will reduce, the number of New Ordinary Shares which are to be issued on the basis of the Pricing Formula set out on page 45 of the Prospectus.

9. Where Application Forms are returned on your behalf by an authorised financial intermediary who has given you a personal recommendation in respect of your application, the Company will facilitate the payment of any up-front Adviser Charge agreed between you and your intermediary, as validated by your completion of Box 3 on the Application Form. The amount of the agreed Adviser Charge will be facilitated by the Company making a payment equal to the agreed up-front Adviser Charge direct to the intermediary which will be taken into account when calculating, and will reduce, the number of New Ordinary Shares which are issued to you on the basis of the Pricing Formula set out on page 45 of the Prospectus. The Applicant will be issued fewer New Ordinary Shares to the equivalent value of the Adviser Charge. The Adviser Charge is inclusive of VAT, where applicable.

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

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

12. It is a condition of the Offer that compliance with the Money Laundering Regulations is ensured. The City Partnership (UK) Ltd is therefore entitled to require, at its absolute discretion, verification of identity from any Applicant including, without limitation, any person who either (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to The City Partnership (UK) Ltd to be acting on behalf of some other person. Pending the provision of evidence satisfactory to The City Partnership (UK) Ltd as to the identity of the Applicant and/or any person on whose behalf the Applicant appears to be acting, The City Partnership (UK) Ltd may, in its absolute discretion, retain an Application Form lodged by an Applicant and/or the cheque or other remittance relating thereto and/or The City Partnership (UK) Ltd may not enter the Applicant on the register of members of the Company or issue any share certificates in respect of such Application. If verification of identity is required, this may result in delay in dealing with an Application and in rejection of the Application. The Company reserves the right, in its absolute discretion, for it or The City Partnership (UK) Ltd to reject any

Application in respect of which The City Partnership (UK) Ltd considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an Application being rejected in any such circumstances, the Company reserves the right in its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such Application Form (in which event the money payable or paid in respect of the Application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited) and/or to endeavour to procure other subscribers for the Shares in question (but in each case without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of an Application Form will constitute an undertaking by the Applicant to provide promptly to The City Partnership (UK) Ltd such information as may be specified by it as being required for the purpose of the Money Laundering Regulations.

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

APPLICATION PROCEDURE

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

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

1. Insert in BLOCK CAPITALS your full name, permanent address, daytime telephone number, e-mail address (if you have one), date of birth and National Insurance Number and country of tax residence in Box 1. Applicants must be aged 18 or over and joint applications are not permitted.

2. Insert (in figures) in the relevant tax year the total monetary amount you wish to invest in the New Ordinary Shares (not the number of New Ordinary Shares you wish to apply for) in Box 2.

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

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

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

Money Laundering Regulations — Important note for applications of the Sterling equivalent of €15,000 (approx. £13,400) or more where no certificate is provided by your financial intermediary

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

If the amount of your Application is £13,400 or more (or is one of a series of linked applications, the value of which exceeds that amount) payment must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or bankers' drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to "City Partnership - Elderstreet Draper Esprit VCT".

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

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

If the amount of your Application is £13,400 or more, (or is one of a series of linked applications, the value of which exceeds that amount), and if payment is not made by personal cheque, you must also ensure that enclosed with the Application Form is one document from list A below and one document from list B below. Original documents will be returned by post at your risk. Please do not send your original passport or driving licence. Alternatively, verification of the Applicant's identity may be provided by means of a "Letter of Introduction" in the prescribed form from a UK or European Economic Area financial institution (such as a bank or stockbroker) or other regulated person (such as a solicitor, accountant or independent financial adviser) who is required to comply with the Money Laundering Regulations. The relevant financial institution or regulated person will be familiar with the requirements and the relevant form.

For Applications of the Sterling equivalent of €15,000 (approx. £13,400) or more and subscription by way of a cheque drawn by a third party (one item from List A *and* one item from List B)

List A (Verification of Identity)

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

List B (Verification of Address)

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

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

**Recent means within the last three months.

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

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

ELDERSTREET DRAPER ESPRIT VCT PLC

APPLICATION FORM FOR NEW ORDINARY SHARES

IMPORTANT: BEFORE COMPLETING THIS APPLICATION FORM, IT IS VERY IMPORTANT YOU HAVE READ THE PROSPECTUS DATED 7 DECEMBER 2017 (INCLUDING, THE TERMS AND CONDITIONS OF APPLICATION AND APPLICATION PROCEDURE)

Money Laundering Notice: If your application is for the sterling equivalent of €15,000 (approx. £13,000) or more (or is one of a series of applications the value of which exceeds that amount) you will need to ensure that verification of your identity is included with your Application - see pages 78 and 79 of the Prospectus for details.

PLEASE TICK ONE OF THE FOLLOWING TWO OPTIONS:

A) I shall transfer within two business days of submitting this application, with the reference "Elderstreet" (and then write your surname in brackets), the total funds noted in Box 2 below to the following account: ☐

Sort Code 80 - 22 - 60	Account Number 15312769

B) I enclose a cheque or banker's draft, drawn on a UK clearing bank or building society for the total amount, made payable to "City Partnership – Elderstreet VCT"and crossed "A/C Payee only" and return this form as soon as possible to The City Partnership (UK) Ltd, 110 George Street, Edinburgh EH2 4LH ☐

If subscribing by cheque then sufficient time must be alowed for the cheque to clear. This means in practice the cheque must be in City Partnership's possesssion no later then 5 Business Days before the relevant closing date.

1

Title and Name in Full		
Permanent Address		
Postcode	Daytime Telephone	
E-Mail Address*		
Date of Birth / /19	National Insurance No	Country of Tax Residence

* Receipt of applications will only be acknowledged where an email address is provided

2

I hereby subscribe for the following amount of investment in New Ordinary Shares, to be allocated between tax years 2017/18 and 2018/19 in the following proportions:

	2017/18		**2018/19**		**Total (A+B)**
A	£	B	£	C	£ Min £6,000

3

TO BE COMPLETED BY INVESTORS WHO WISH TO HAVE THEIR AGREED ADVISER FEE FACILITATED THROUGH THEIR SUBSCRIPTION

Amount of agreed adviser fee £

BY SIGNING THIS FORM I HEREBY DECLARE THAT: (i) I have received the Prospectus dated 7 December 2017 and have had the opportunity to read the Terms and Conditions of application therein; (ii) I will be the beneficial owner of the New Ordinary Shares in Elderstreet Draper Esprit VCT plc issued to me pursuant to the Offer; and (iii) if my authorised financial intermediary has classified me as an elective Professional Client for the purposes of this application, I am aware of the risks involved in such classification and of the rights I am giving up and I wish to be treated as a Professional Client in respect of the Application; and (iv) to the best of my knowledge and belief, the particulars I have given to Elderstreet Draper Esprit VCT plc online identity check for the purposes of the Money Laundering Regulations.

4

Printed Name	Date
Signed	

5 TO BE COMPLETED BY THE INVESTOR'S FINANCIAL INTERMEDIARY

Anti Money Laundering Declaration

We have applied customer due diligence measures on a risk-sensitive basis in respect of the investor to the standard required by the Money Laundering Regulations 2007 and we certify that we have:

1. identified and verified the identity of the investor on the basis of documents, data and information obtained from a reliable and independent source;

2. identified, where there is a beneficial owner who is not the investor, the beneficial owner and have taken adequate measures, on the basis of documents, data and information obtained from a reliable and independent source, to verify his identity so that we know who the beneficial owner is, including, in the case of a legal person, trust or similar arrangement, measures to understand the ownership and control structure of that person, trust or arrangement and the identity of the beneficial owner and details of the ownership and control structure set out in Box 6 below; and

3. obtained information on the purpose and intended nature of the investor's proposed investment in the Company, as the case may be, which information is set out in Box 6 below.

Commission / Adviser Charges

In accordance with the regulatory changes to be introduced pursuant to MiFID II, and following draft amendments proposed by the FCA to their Conduct of Business Sourcebook in CP16/29, commission (including on-going trail commission) is generally not permitted to be paid to Intermediaries who provide independent advice or personal recommendations to UK clients in respect of their investments in VCTs.

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

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

(b) where the payment of such commission is designed to enhance the quality of the relevant (non-advisory) service to the investor in accordance with the criteria in COBS 2.3A.8;

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

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

Please tick either (i), (ii) or (iii) below: tick one box

(i) **Adviser Charge** - the firm named below is a financial intermediary which has agreed the Adviser Charge specified in section 3 above. ☐

(ii) **Execution Only** - the firm name below is an Execution Only broker which is permitted to receive commission in respect of this Application in accordance with COBS 2.3A.6 ☐

(iii) **Restricted Advice to Professionals** - this Application is made on behalf of an Investor who is categorised by the below named firm as a Professional Client and to whom only restricted advice has been provided in accordance with applicable FCA rules. ☐

We consent to the Company relying on this Certificate.

Name	Date
Firm Name	Nature of Business
Address	
	Postcode
Tel	FCA Registration Number and Co Stamp
Signature	

If you are electing to waive an amount of commission in favour of extra New Ordinary Shares, please state in this box what percentage is to be waived up to a maximum of 2.5% ☐

6 TO BE COMPLETED BY AN INVESTORS INDEPENDENT FINANCIAL ADVISOR WHERE THE BENEFICIAL OWNER IS NOT THE INVESTOR

<table>
<tr><td colspan="2">We certify the beneficial owner is

and (in the case of a legal person, trust or similar arrangement), the ownership and control structure of that person trust or arrangement is

The purpose of the investment is</td></tr>
<tr><td colspan="2">For Offical Use Only</td></tr>
<tr><td>Date on which New Ordinary Shares are Issued</td><td>Share Register Number</td></tr>
<tr><td>Amount paid for New Ordinary Shares issued
£</td><td>Number of New Ordinary Shares Issued</td></tr>
<tr><td>Amount paid per New Ordinary Share
£</td><td>Amount of commisssion waived (where applicable)
£</td></tr>
<tr><td colspan="2">Due completion of the agent’s box indicates that the agent is duly authorised to transact investments of this type under the Financial Services and Markets Act 2000 and confirms that the requirements of the Money Laundering Regulations have been complied with.</td></tr>
<tr><td colspan="2">DATA PROTECTION ACT: The Company and/or Elderstreet Investments Limited may use the information you give for administration, research and/or statistical purposes. Your details may be used by the Company and/or Elderstreet Investments Limited to send you information on other potential investment opportunities. If you would prefer not to receive such information, please tick this box. ☐</td></tr>
</table>

RAM Capital Partners

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