



ELDERSTREET

www.elderstreet.com

Offer Document

With Application Forms

**Fundraising Target
of £2.9 million**

“Hopefully the sale of WASP will give Elderstreet a shot in the arm when they return later in the year to raise money. They deserve more recognition.”

Ben Yearsley
Head of Investment Research at Charles Stanley Direct
June 2014



2014 Finalist VCT Investment Company of the Year

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 ("FMSA") before taking any action.

The Directors, whose names are set out on page 35 of this document, and the Company accept responsibility for the information contained in this document. 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 10 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 4 to 5 of this document.

ELDERSTREET VCT PLC

(Incorporated in England and Wales under the Companies Act 1985 No. 3424984)

TOP UP OFFER

for the tax years 2014/15 and 2015/16

Target Fund Raise: £2.9 million

The Offer will be open from 10.00 a.m. on 9 October 2014 until the earlier of 4.00 p.m. on 30 April 2015 (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 Shares allotted in the tax year 2014/15 must return their completed Application Form by 10.00 a.m. on 3 April 2015. The Offer is not being underwritten. The Offer is not subject to reaching a minimum subscription level.

Early Investors will receive a majority rebate of the Promoter's Fee and a full rebate of applicable Adviser Charge or Commission (provided their financial intermediary passes this saving on as additional New Ordinary Shares, (subject to a cumulative maximum rebate of 5%) where their Application Form is received and accepted by the Company before 4.00 p.m. on 15 December 2014.

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, Thistle House, 21 Thistle Street, Edinburgh, EH2 1DF.

This document, which is a financial promotion and not a prospectus, is issued by the Company and has been approved for the purposes of section 21 of FSMA by Elderstreet Investments Limited ("Elderstreet"), which is authorised and regulated by the Financial Conduct Authority, on behalf of the Company.

Elderstreet is acting exclusively for the Company in connection with the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Elderstreet or for advising any such person 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 for download at www.elderstreet.com, and may be obtained free of charge at the Company's registered office at Ergon House, Horseferry Road, London SW1P 2AL, and at its principal place of business at 10-11 Charterhouse Square, London EC1M 6EH during the period in which the Offer remains open.

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OFFER STATISTICS

Key Statistics

Fundraising Target	£2.98 million
Estimated Offer Price	74.3 pence*
Maximum number of New Ordinary Shares to be issued pursuant to the Offer	3,132,000
Gross Proceeds of the Offer if fully subscribed	£2,327,076*
Estimated total expenses of the Offer	£128,412**

Early Investment Incentive

Investors whose Application Form is received and accepted before 4.00 p.m. on 15 December will receive:	(1) 3% rebate of Promoter's Fee (or 5% for Direct Investors), as additional New Ordinary Shares; and
	(2) Full rebate of initial Adviser Charge or Commission***
(subject to a cumulative maximum of 5%)	

* assuming, for the purposes of the Pricing Formula, a NAV of 70.2p per Ordinary Share (being the unaudited net asset value as at 31 August 2014 adjusted for the Special Dividend and associated costs, and the interim dividend payable in December 2014), and total costs of 5.5%.

** assuming full subscription under the Offer and the payment of a Promoter's Fee and commission totalling 5.5% in relation to all applications).

*** Adviser Charge/Commission will only be rebated under the Early Investment Incentive where the Investor's financial intermediary passes the saving on to the Investor in the form of additional Ordinary Shares.

Note: The New Ordinary Shares will be issued based on the Application Amount and the Pricing Formula set out on page 23. 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.

EXPECTED TIMETABLE

Offer opens	9 October 2014
First allotment (2014/15 tax year)	17 December 2014
First allotments (2015/16 tax year)	by 10 April 2015
Dealings commence	within 10 Business Days of allotment
Share certificates despatched and CREST accounts credited	within 10 Business Days of allotment
Deadline for receipt of Application Forms	3 April 2015 (for shares allotted in 2014/15 tax year)
	30 April 2015 (for shares allotted in 2015/16 tax year)
Early Investment Incentive Deadline	15 December 2014

The Directors reserve the right to make an allotment of New Ordinary Shares on any day at the Directors' absolute discretion from 1 November 2014 until 30 April 2015 (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.

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, due to any of these risks 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 so as to retain 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. However, if the Company fails to meet the qualifying requirements for a VCT, this could result in:
 - i the loss of income tax relief received if Investors have not held their New Ordinary Shares for the required qualifying period;
 - ii the loss of income tax relief on dividends paid (or subsequently payable) to Investors;
 - iii the loss of tax relief previously obtained in relation to corporation tax on capital gains made by the Company;
 - iv a liability to tax on capital gains on any disposal of New Ordinary Shares; and
 - v 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 may be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise.
- In order to comply with VCT legislation, the VCT 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.
- There is no guarantee that the Company's objectives will be met or that suitable investment opportunities will be available. This would affect and/or reduce the level of returns which would otherwise have been achievable.
- 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 VCT Qualifying Investments).
- Changes in legislation concerning VCTs in general, VCT 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 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 should not be regarded as an indication of the future performance of the Company.
- 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 investment to the extent of the amount received from such sale. Accordingly, investment in the Company is 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 Shares. 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 contains 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 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 (i) – (v) above.

3. Risks relating to the 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 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.

CHAIRMAN'S LETTER

Elderstreet VCT plc

9 October 2014

Dear Shareholders/Investors

Elderstreet VCT Plc has since its inception in 1998 been a generalist venture capital trust

Following a successful exit from the portfolio of Wessex Advanced Switching Products ('WASP') in April 2014, the Directors of the Company declared a special dividend of 15p, equivalent to £4.5 million which was paid in September 2014, representing a significant 15% of the net asset value of the VCT at the time. 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%. Additionally a further £1.3 million is currently being held in an escrow account and not accounted for in the current NAV. The exit validates the generalist investment strategy of investing in a mix of small, established companies with growth potential.

The sale attracted some good press and Ben Yearsley, the head of investment research at Charles Stanley commented:

"Elderstreet are a largely unheralded outfit led by serial entrepreneur Michael Jackson. He was chairman of FTSE 100 company Sage for 19 years and launched Elderstreet in 1990. Compared with many VCT managers, the focus has always been on earlier stage, more growth-orientated businesses. This type of company takes time to come to fruition, and many investors lose patience with VCTs after too short a period in my view.

Although nothing has been announced yet, I imagine there will be a bumper special dividend in due course on the back of the sale of WASP. Elderstreet pulled their fundraising in March when they knew this deal was close to completion. Hopefully the sale of WASP will give Elderstreet a shot in the arm when they return later in the year to raise money. They deserve more recognition".

Ben Yearsley, Head of Investment Research at Charles Stanley Direct

The Company has also been nominated as a finalist for 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's largest investments (see page 15) comprise several long standing and profit generating companies some of which should be coming to the point of realisation in the foreseeable future.

New Investors would be buying into an existing portfolio which the Board is confident has the potential to deliver further value and an attractive income stream for Shareholders over the coming years.

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 existing investment policy, in a diversified portfolio of companies, with a particular emphasis on small but established unquoted companies which are seeking development capital. Funds awaiting investment in such companies will principally be held in cash deposits and fixed income securities. The VCT has a proven track record in paying dividends on a regular basis.

A VCT for income

The Board has a stated objective of paying annual dividends of between 4 pence and 5 pence per Ordinary Share. For an investment at the Estimated Offer Price of 74.3p, and a payment of a 4 pence dividend this would currently represent a tax-free yield of 7.7% per annum on the net investment of 52p per Ordinary Share (after 30% income tax relief), which is equivalent to 12.8% per annum gross to a 40% taxpayer, and to 14% per annum gross to a 45% taxpayer. Investors should note that the level of dividend is not guaranteed, and no profit forecast is to be inferred or implied from these statements, however the Board is confident that these dividend targets can be met from its realised profits and capital reserves. Distributable reserves at the end of June 2014, before the payment of the Special Dividend, were £17.9 million, equivalent to 59 pence of dividends per share.

Early Investment Incentive

An Early Investment Incentive is being offered for Applications for New Ordinary Shares which are received and accepted in good time. The Manager will rebate to early investors the majority of the Promoter's Fee, in respect of which the Investor will receive additional New Ordinary Shares, and will also rebate the cost of initial Adviser Charges or Commission (as relevant) payable to authorised intermediaries (provided this saving is passed on by the intermediary to the Investor), subject to a cumulative maximum of 5%.

The deadline by which Application Forms must be received to take advantage of this generous incentive is 4.00 p.m. on 15 December 2014. The Offer is expected to finally close on 30 April 2015 at the discretion of the Board.

Potential investors should be aware that early interest from existing shareholders of approximately £700,000 (or roughly 30% of the available New Ordinary Shares) has already been received. This is in addition to the £684,535 already invested by existing Shareholders in September 2014.

Key tax benefits

- 30% income tax relief is available on the amount subscribed up to £200,000, provided the Shares are held for at least five years. Further information on the initial tax benefits can be found on page 27.
- Tax free distributions and capital gains.

Next steps

In order to invest please read this document and then complete the applicable 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 independent financial adviser. For questions relating to an application, please telephone Elderstreet on (020) 7831 5088. Prospective investors should note that no investment advice can be given by Elderstreet and their attention is drawn to the risk factors set out on pages 4 to 5 of this document.

Yours sincerely

David Brock
Chairman

PART 1

INFORMATION ABOUT ELDERSTREET VCT

Introduction

Elderstreet 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 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 amounting to 64p per Ordinary Share to original investors who subscribed at the Company's launch in 1998. The Company has raised approximately £27.6 million (after expenses) since 1998 and is now invested in some 24 companies with an unaudited NAV of £27 million (source: unaudited Interim Management Statement as at 30 June 2014).

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 was launched in 1998, raising £15.1 million (after expenses). From 2006 to 2014 the Company raised approximately £27 million (after expenses) through further issues of Ordinary Shares and the reinvestment of dividends. In early 2007 the Company merged with Elderstreet Millennium Venture Capital Trust plc. Shareholders participated in an enhanced share buy back exercise in 2012 which resulted in some 11.7% of Ordinary Shareholders reinvesting the proceeds of the sale of their Ordinary Shares in the Company into new Ordinary Shares in the Company.

The Company invests in the smaller company market, including AIM and unquoted investments. Managed by an award winning experienced team, the Company has particular expertise in growing businesses through a 'hands-on' investment style, preferring 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 9,000 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.

Awards

The Manager was voted VCT Fund Manager of the Year in 2009 and 2010 by the Growth Company Awards. The Company has also been nominated as a finalist for 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 2014 awards will be held on Tuesday 25th November 2014.

Track Record on Ordinary Shares

Since its launch in 1998, the Company has paid cash dividends amounting to 64p per Ordinary Share. With an unaudited net asset value of 89.2p per Ordinary Share at 30 June 2014, the Company has produced a total return (cumulative dividends paid at 30 June 2014 plus net assets) of 153.2p per Ordinary Share, a 92% tax-free uplift on a Shareholder's net investment who invested at inception.

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

Total returns on Ordinary Shares to 30 June 2014 (for Shareholders who invested at launch)

Initial 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	64p	89.2p	153.2p	92%

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 received by Qualifying Investors. The tax-free gains have been set out for illustrative purposes only, are not guaranteed and no forecast or projection should be inferred or implied.

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 between 4 and 5 pence per annum. The Board are conscious that recent changes to VCT legislation prevent VCTs returning capital to investors by way of dividends within three years of the end of the accounting period in which the relevant shares were issued. Nonetheless, the Board is confident that the Company's dividend target can be met from the proceeds of realisations and from capital reserves created before 5 April 2014 to which the above mentioned restriction does not apply. As at 30 June 2014 the Company had distributable reserves of £17.9 million. After adjusting for the Special Dividend paid in September distributable reserves are above £13 million equivalent to 11 years of dividends of 4 pence per share using the number of shares in issue at 30 June 2014.

From 2006 to 2013 (inclusive) the Company has paid an average dividend per annum of 4.06p per Ordinary Share. In 2014 following a successful portfolio company exit a special dividend of 15 pence was paid in September 2014. No profit forecast is to be inferred or implied from this statement.

Regular interim and final dividends are payable usually at the end of May and end of November every year. A 2 pence interim dividend has been declared and is payable on the 12 December 2014 to shareholders on the register on 7 November 2014. In addition special one off dividends, normally as a result of portfolio company exits, are declared by the Board on an ad-hoc basis.

The following table shows the dividends paid per annum since inception at 30 September 2014:

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	Total Paid		Total Declared*	
4.0	4.0	17.0	79.0		81.0	

* includes a 2p Interim 2014 dividend payable in December 2014

Income Yield on Ordinary Shares

The following table gives an illustration of potential returns to Shareholders of the Ordinary Shares, assuming a dividend of either 4 pence or 5 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.

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 per annum	
			40% taxpayer	45% taxpayer
52.0p	4.0p	7.7%	12.8%	14.0%
52.0p	5.0p	9.6%	16.0%	17.5%

* Using the Estimated Offer Price of 74.3p plus issue costs of 5.5% multiplied by 70% to reflect the initial 30% up front income tax relief.

The underlying returns from the Ordinary Shares will be enhanced by the tax benefits available to Investors in the VCT.

Exits

The Manager sold Wessex Advanced Switching Products ('WASP') in June 2014, realising a profit of £8.8 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%. The exit validates the generalist investment strategy of investing in a mix of small established companies with growth potential. As a result of this very profitable exit the Board declared a special dividend of 15p, equivalent to £4.5 million payable in September 2014, representing a significant 15% of the net asset value of the VCT at the time. Additionally a further £1.3 million is currently being held in an escrow account and is not accounted for in the current NAV.

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. Stripping out the super return from WASP the average realised return from these exits has been a multiple of 2.3 times cost.

£'000	Date	Profit	Uplift %	Multiple of Cost
Wasp*	Apr-14	8,858	14763%	148.6
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		17,331	262%	3.6

* WASP excludes a further £1.3 million escrow

** Fords was a secondary buyout

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:

- Established companies which are seeking development capital or funding for management buy-outs (Investments in early stage businesses should represent only a small proportion of the portfolio at any time), including investing into the existing portfolio.
- A strong, balanced and well motivated management team.
- Investments which, where appropriate, include loan notes and preference shares to enhance the security of the portfolio and to provide income.
- Investments where the Manager can typically act as lead investor and have an active involvement in the business through a board position.

The Company has a general portfolio mix by sector and its average deal size is approximately £1.0 million, although it will syndicate deals of up to £2.0 million. Within qualifying investments, 30% of investments will usually be into early stage companies with high growth potential and 70% will be MBO and development capital investments – mature companies yielding dividends. The target deal size is between £0.5 million and £1.5 million across a broad range of industries. The Company will aim to have material influence, including board representation, in relation to all of its portfolio companies.

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 will generally be invested in fixed income securities. The maximum that the Company will hold in a single investment (by value at the time of investment) is 15% of funds invested.

Venture Capital Trust regulations

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

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

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 have specific experience and expertise in certain markets, such as information technology, manufacturing and retailing, and, where appropriate, the Company will invest in these sectors.

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

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 within three to five years.

In relation to investments to be made by the Company from the Ordinary Share Pool:

1. in order to enhance the security of the portfolio and to provide income, the Company's investments from this share pool may include, where appropriate, loan notes and preference shares;
2. the Company's policy is, where appropriate, to have a representative of the Manager, 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; and
3. the Manager will endeavour to add value to the portfolio companies in a number of ways, including strategic planning, assisting with the development of the management team, advising on acquisitions or mergers and helping to structure the company for a stock market flotation or trade sale.

Investments in AIM traded companies

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

Non-Qualifying Investments

The approach adopted by the manager (or managers) of the non-qualifying investments will be 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. The manager (or managers) of the non-qualifying investments will also have the ability to invest such funds in cash, bonds, property, equities, commodities and hedge funds within a balanced portfolio, with a focus on higher yields while maintaining liquidity and downside protection.

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 and its subsidiary.

There are no plans to utilise this ability at the current time.

Share buyback and dividend policies

Share buybacks

Elderstreet has from time to time bought back its Ordinary Shares for cancellation. Elderstreet 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 Listing Rules. The Company intends to acquire its own Ordinary Shares in the market four times each year; once shortly after the publication of the Half-Yearly Report, once shortly after the publication of the Annual Report and again after the publication of each interim management statement. 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 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 those Shareholders who wish to exit.

The implementation of the buy-back policy in relation to Ordinary Shares will be at the Board's discretion and subject to Elderstreet's liquidity, 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, and those issued pursuant to the Company's recent Special Dividend Reinvestment Scheme, will be caught by this restriction. The Board is confident that the Company's dividend targets can still be met from realised profits and share capital reserves in respect of shares issued pre-5 April 2014 (neither of which are caught by the new restriction) but will monitor the situation closely.

An interim dividend of 2p per Ordinary Share for 2014 was declared on 5 June 2014, which will be paid on 12 December 2014. New Ordinary Shares subscribed under the Offer will not be eligible for this interim dividend but it is the Board's objective to pay a dividend of between 4 pence and 5 pence per annum per Ordinary Share going forward.

A Special Dividend of 15 pence per share was paid on 19 September 2014 in relation to the successful exit of portfolio company WASP.

The Directors aim to maximise Shareholder returns and, subject to liquidity, VCT regulations and Listing Rules, aim to distribute substantially all available investment income. Interim dividends on Ordinary Shares are expected to be paid in November. The final dividend has generally been announced in April and are expected to be paid in May 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 £33.7 million (unaudited) under management. The Manager has expertise in tax-driven vehicles, including VCTs and EISs, and is a specialist in the smaller company market, AIM and the unlisted sectors. The Manager has strong proprietary deal flow and has a "hands on" portfolio management style.

The Manager was voted VCT Fund Manager of the Year 2010 in the Growth Company Awards for the second year in succession, and the Company has been nominated as a finalist for Investment Week 2014 VCT Investment Company of the Year Awards.

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 (plus 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 Manager's management 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.

Performance Incentive Fees

Performance fees are payable to the Manager when dividends paid and/or proposed exceed 3.5p per Ordinary Share, in any one financial year subject to the NAV, before the distribution, being higher than 70.6p per Ordinary Share. The Manager will receive 20% of the distribution amount over 3.5p 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 3.5p 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 the fee payable (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.

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 VCT Qualifying Investments that are to be invested in fixed income securities. The percentage of the Company's Ordinary Share portfolio presently managed under these arrangements is 6%. Other managers of non-VCT Qualifying Investments may be appointed by the Company (for either share class) 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.

Co-investment between the 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 VCT Qualifying Investments under applicable VCT tax 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 the Director is disqualified from voting on decisions concerning that company.

VCT Status Monitoring

The Directors have appointed PricewaterhouseCoopers LLP to advise the Company on compliance with the legislative requirements relating to VCTs.

PricewaterhouseCoopers 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.

PricewaterhouseCoopers 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. 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.

PART 2

INVESTMENT PORTFOLIO

The investment portfolio of the Company as at the date this document is set out below (the valuations being the unaudited valuations as at 30 June 2014).

Ten largest investments by value		Equity/Loan Investment	Actual Cost adjusted £'000	Unaudited June 2014 Valuation £'000	Unrealised Gain/Loss £'000	Portfolio by percentage %
Smart Education	Recruitment	Equity/Loan	379,575	2,989,575	2,610,000	11.0%
Fords Packaging Top Co Ltd	Packaging	Equity/Loan	1,046,665	2,881,852	1,835,187	10.6%
Baldwin & Francis Ltd	Manufacturer	Equity/Loan	1,384,332	2,347,591	963,259	8.7%
Access Intelligence PLC	Software	Equity/Loan	1,632,823	1,630,913	(1,910)	6.0%
Lyalvale	Engineering	Equity	915,339	1,369,500	454,161	5.1%
AngloInfo Limited	E-media	Equity/Loan	1,207,578	1,085,124	(122,454)	4.0%
Concorde Solutions Ltd	Software	Equity/Loan	750,000	750,000	-	2.8%
Snacktime plc *	Vending	Equity/Loan	1,775,373	629,631	(1,145,742)	2.3%
Macranet Ltd T/A Sentiment Metrics	Software	Equity/Loan	562,500	562,500	-	2.1%
Interquest Group plc *	Recruitment	Equity	266,750	557,750	291,000	2.1%
Subtotal			9,920,935	14,804,436	4,883,501	55%
Other venture capital investments						
Mears Group *	Outsourcing	Equity	187,673	371,400	183,727	1.4%
Cashfac plc	Software	Equity	260,201	328,383	68,182	1.2%
Fulcrum Utilities Limited *	Gas utilities	Equity	499,980	312,488	(187,492)	1.2%
Aconite Technology Ltd	Software	Equity/Loan	560,000	155,000	(405,000)	0.6%
Servoca plc *	IT recruitment	Equity	333,334	132,000	(201,334)	0.5%
The Engine Group	Media	Equity	496,285	131,417	(364,868)	0.5%
Sift Ltd	Software	Equity	250,000	38,004	(211,996)	0.1%
Sparesfinder Limited	Software	Equity	103,535	33,852	(69,683)	0.1%
Kellan Group plc	Recruitment	Equity	656,700	4,444	(652,256)	0%
Lyalvale Property	Property	Equity	19	19	-	0%
Aconite Technology Ltd	Recruitment	Equity	1,674	-	(1,674)	0%
Infoserve Group plc	Media	Equity	127,500	-	(127,500)	0%
RB Sport & Leisure Holdings	Leisure venue	Equity	187,500	-	(187,500)	0%
The National Solicitors Network Ltd	Media	Equity	456,055	-	(456,055)	0%
The QSS Group Limited	Services	Equity	268,204	-	(268,204)	0%
Subtotal			4,388,660	1,507,007	(2,881,653)	6%
Total venture capital investments			14,309,595	16,311,443	2,001,848	60%
Listed fixed income securities			1,516,171	1,500,986	(15,185)	6%
Total Investments			15,825,766	17,812,429	1,986,663	66%
Cash at bank and in hand				5,852,670		22%
Net debtors/creditors **				3,424,922		13%
Net Assets				27,090,021		100%

* Quoted on AIM/FTSE

** The net debtor/creditor amount includes an escrow payment of £3.5 million from the WASP sale in June 2014

Post June 2014 material events include the payment of a £4.5 million Special Dividend to EVCT shareholders in September 2014, a further investment of £200k into AngloInfo, and the suspension of Snacktime's share trading on AIM pending completion of re-financing negotiations and publication of their year end March 2014 audited results.

Quoted investments are valued at bid price 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 price in GB Sterling.

Portfolio Analysis

Set out below is a comprehensive and meaningful analysis of a sample of the largest investments of the Company by valuation (unaudited) as at 30 June 2014 (representing 55% 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; early stage high growth companies; and AIM companies.

Unless stated to the contrary the figures for each of the portfolio companies represents annual accounts filed at Companies House. This information is unaudited and has been prepared by the Manager.

Mature, Yielding with a Significant Minority Holding

Lyalvale Express Limited ("Lyalvale")

First Investment	May-98	Year ended	31-March-11	31-Mar-12	31-Mar-13
Cost	£915,339	Turnover (£m)	8.0	7.7	7.3
Value	£1,369,500	Profit before interest, tax and amortisation (£m)	1.3	1.1	1.0
% held	19.0%	Net assets (£m)	6.2	6.9	7.5

Lyalvale 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 large freehold site in Staffordshire and is dividend paying. An executive of the Manager regularly attends board meetings as an observer.

Baldwin & Francis Limited ("Baldwin & Francis")

First Investment	Nov-04	Year ended	31-March-12	31-Mar-13	31-Mar-14*
Cost	£1,384,332	Turnover (£m)	11.6	14.7	10.0
Value	£2,347,591	Profit before interest, tax and amortisation (£m)	-0.2	-0.4	0.6
% held	40.0%	Net assets (£m)	0.5	0.7	1.1

Baldwin & Francis manufactures flameproof switchgear for the oil, mining and rail industries. A significant percentage of Baldwin & Francis's production is currently exported. It has subsidiary or joint venture operations in China and has a long export record to other countries including the Russian Federation, India, Turkey and the Middle East. The Manager believes that Baldwin & Francis operates in a growing global market with excellent growth prospects. The company continues to invest in R&D - during 2013 it expended £0.5 million (2012: £0.3m). The Manager has a seat on Baldwin & Francis' board.

* Baldwin & Francis 2014 figures are taken from their unaudited management accounts.

Fords Packaging Topco Limited ("Fords Packaging")

First Investment	Feb-09	Year ended	30-Jun-11	30-Jun-12	30-Jun-13
Cost	£1,046,665	Turnover (£m)	5.4	5.3	6.4
Value	£2,881,852	Profit before interest, tax and amortisation (£m)	0.6	0.6	0.8
% held	47.5%	Net assets (£m)	0.8	1.0	1.5

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. Fords continues to invest in R&D and develop its technology. The Manager has a seat on Fords Packaging's board.

Early Stage High Growth Companies

Smart Education Limited ("Smart Education")

First Investment	Oct-05	Year ended *	31-Dec-11	31-Dec-12	31-Dec-13
Cost	£379,575	Turnover (£m)	10.3	12.8	13.1
Value	£2,989,575	Earnings before interest, tax, depreciation, and amortisation (£m)	0.5	1.1	1.3
% held	28.23%	Net assets (£m)	-1.0	0.0	0.7

Smart Education is a growing teacher supply agency based in London which was established in October 2005 with offices in Australia. It made its first acquisition of another small agency in 2008 and has grown organically and by acquisition. As forecast the business was loss making through its start up period and is now profitable. The Manager has successfully backed the founders of Smart Education before and the Manager has a seat on Smart Education's board of directors.

* Figures extracted from unaudited management accounts and consolidated

Concorde Solutions Limited ("Concorde")

First Investment	Apr-12	Year ended *	30-Nov-11	30-Nov-12	30-Nov-13
Cost	£750,000	Turnover (£m)	1.7	1.0	1.9
Value	£750,000	Profit before interest, tax and amortisation (£m)	-0.1	-0.7	-0.3
% held	13.9%	Net assets (£m)	0.9	0.2	-0.1

An important challenge faced by companies today is the management of their software estate to ensure they remain compliant with their software licences. Concorde Software Asset Management solution seeks to provide solutions to this. Concorde's clients include Jaguar Land Rover, Rexam, Aviva, the FCA and Serco. Concorde continues to invest in its intellectual property. The Manager has a seat on the board of directors.

* Figures extracted from unaudited management accounts

Anglo Info Limited ("Anglo Info")

First Investment	Sep-06	Year ended **	31-Dec-11	31-Dec-12	31-Dec-13
Cost	£1,207,575	Turnover (€m)	1.9	2.2	1.8
Value***	£1,085,124	Profit before interest, tax and amortisation (€m)	-0.1	-0.1	-0.3
% held	17.6% *	Net assets (€m)	-0.3	-0.3	-0.9

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 has a network of over 100 websites for English-speakers living abroad. It operates in many regions around the world providing support and information to local English-speaking communities and is accessed by over four million unique users. The Manager has a seat on Anglo Info's board of directors.

* Beneficial ownership is 27.8% including the Ordinary Share Pool's convertible loan

** Figures extracted from unaudited management accounts

*** A further £200,000 was invested in August 2014 and is not reflected in the table above

Macranet Limited trading as Sentiment Metrics ("Sentiment")

First Investment	Jan 14	Year ended **	31-Jul-11	31-Jul-12	31-Jul-13
Cost	£562,500	Turnover (£m)	0.7	0.8	0.7
Value	£562,500	Profit before interest, tax and amortisation (£m)	0.2	0.0	-0.2
% held	1.08%*	Net assets (£m)	0.3	0.2	0.1

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 integrating the product into their multi channel call centre software offering. The Manager has a seat on Sentiment's board of directors.

* Beneficial ownership is 8.46% including the Ordinary Share Pool's convertible loan

** Figures extracted from unaudited management accounts

AIM Companies

Access Intelligence plc ("Access Intelligence")

First Investment	Oct-08	Year ended	30-Nov-11	30-Nov-12	30-Nov-13
Cost	£1,632,823	Turnover (£m)	7.2	8.0	8.4
Value	£1,630,913	Adjusted Earnings before interest, tax, depreciation and amortisation (£m)	0.7	0.4	0.6
% held	14.0%*	Net assets (£m)	9.5	9.0	6.6

Access Intelligence is a group of software companies delivering a range of business critical support services to private and public sector organisations through a software-as-a-service platform, which has been grown by acquisition. The range of products include: data storage back-up and retrieval; sourcing and procurement software for industry and local government; electronic news and current awareness digests of Government initiatives; and compliance software for the financial services industry. The Manager has a seat on Access Intelligence's board of directors.

* Beneficial ownership is 19.3% including the Ordinary Share Pool's convertible loan

Snacktime plc ("Snacktime")

First Investment	Jul-03	Year ended *	31-March-12	31-Mar-13	31-Mar-14
Cost	£1,775,373	Turnover (£m)	22.2	20.5	19.0
Value **	£629,631	Earnings before interest, tax, depreciation and amortisation (£m)	1.4	0.65	1.1
% held	8.9%***	Net assets (£m)	18.5	10.2	n/a

SnackTime plc is a major vending operator and snack vending machine company in the UK and Ireland. The group specialises in offering customers a complete vending solution for hot drinks and coffee machines, water coolers, chilled drink vending machines and snack machines. The Manager has a seat on Snacktime's board of directors.

* The 2014 figures are extracted from a Company trading statement

** At the time of publication Snacktime's shares were suspended from trading on AIM pending completion of re-financing negotiations and publication of the year end March 2014 audited results.

*** Beneficial ownership is 14.1% including the Ordinary Share Pool's convertible loan

Interquest plc ("Interquest")

First Investment	May-05	Year ended	31-Dec-11	31-Dec-12	31-Dec-13
Cost	£266,750	Turnover (£m)	121.1	112.6	114.8
Value	£557,750	Profit before interest, tax and amortisation (£m)	3.8	1.8	2.8
% held	1.24%	Net assets (£m)	19.5	19.1	20.3

Interquest is an AIM listed IT staffing solutions company led by a highly experienced management team. Founded in 2001, 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.

PART 3

MANAGEMENT TEAM

The Investment Management Team

The Investment Management Team comprises four 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 23 years, he has specialised in raising finance and investing in the smaller companies quoted and unquoted sector. From 1983 until 1987 he was a director and from 1987 until 2006 was chairman of FTSE 100 company The Sage Group plc. He was also Chairman of PartyGaming plc, another FTSE 100 company. He is also a director of Elderstreet portfolio companies Snacktime plc, Fords Packaging Systems Limited, Baldwin & Francis Holdings Limited, AngloInfo Limited, Aconite Technology 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 joined Elderstreet Investments Limited in 1998. 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. He has worked on over 60 company 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.

Vin Murria DBA, MBA, BSc (Hons) Vin's career has included a combination of venture capital, private equity and CEO/operational experience, centred around twenty years of M&A activity in the software sector. Vin is a partner at Elderstreet Investments and Chief Executive Officer and founder of Advanced Computer Software Plc, a £600m market cap consolidator in the healthcare and business solutions sector. Prior to this, Vin was CEO of Computer Software Group plc, which she took private in May 2007, merged with IRIS in 2007 and sold to the USA based private equity vehicle Hellman Friedman. Vin is currently non executive director at Greenko Plc and FTSE 250 Chime Plc. Previous roles include European COO for Kewill Systems plc, Chairman of Leeds Group Plc and a non-executive director of Concateno plc. Vin is a shareholder and director of the parent company of Elderstreet Investments Limited, Elderstreet Holdings Limited, and provides a source of deal flow and advice to the Manager.

David Taylor BSc DipM MBA David is a consultant to the Manager, and was investment director at Elderstreet Investments Limited for 14 years. Prior to that he spent 10 years at Montagu Private Equity where, as an investment director, he was involved in a wide variety of private equity investments. Previously he had a career in the manufacturing industry in marketing and consulting. He has an economics degree from the University of Bath, a Diploma in Marketing and an MBA from Manchester Business School. He is currently the director of a number of unquoted companies and has been responsible for the Company's investments in Fords, WASP, Umole, Snacktime and Smart Education Limited.

Adviser to Elderstreet

Gordon Power has 29 years' private equity experience and is currently chairman of Edge Investment Management (the manager of one of the largest VCTs in the market). Prior to this he founded the private equity business ProVen Private Equity (now re-named Beringea) and led its buy-out from Guinness Mahon in 1997 and was its CEO from 1984 until 2004. He is co-founder of Sustainable Technology Investments (Guernsey) Limited ('STIG') a fund management business owned with Stephen Lansdown, which was established in 2009 to provide capital for and mentoring to fund managers and businesses whose primary focus is renewable energy and sustainable technology.

THE BOARD

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

David Brock BSc (Chairman) was, until July 1997, a main board director of MFI Furniture Group plc and managing director of MFI International Limited, having been involved at a senior level in both MFI's management buy out and its subsequent flotation. He started his career at Marks and Spencer Plc. He is currently Chairman of Episys Group Limited, Chairman of Kitwave Limited, and is a non-executive director of Hargreave Hale Aim VCT 1 plc and Puma VCT 8 plc.

Hugh Aldous is chairman of Capita Sinclair Henderson, and SPL Guernsey ICC Ltd. He is a director of Asian Total Return Investment Company plc, 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 raised approximately £1 billion since 1991. He is a director of several other venture capital trusts. Prior to founding Downing, he was with NatWest Ventures Limited and, before that, with Apax Partners & Co Limited.

The Board is responsible 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 to be issued pursuant to the Offer is 3,132,000, representing approximately 9.1% of the enlarged issued Ordinary Shares of the Company (assuming the Maximum Subscription is raised). This equates to a maximum approximate gross amount to be raised of £2,327,076 based on Offer costs to subscribers of 5.5%. The Offer is predominantly cost-neutral as regards the NAV of the Company as the costs, save for on-going trail commission, are indirectly 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 31 August 2014 was 88.8p (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 price for the New Ordinary Shares is based is 70.2p per Ordinary Share, having been adjusted to reflect the payment of the Special Dividend, the Special Dividend Reinvestment Scheme completed in September 2014 and its associated costs, and a 2p dividend payable in December. The Estimated Offer Price of 74.3p is the adjusted NAV of 70.2p grossed up for estimated Offer costs of 5.5%.

Reasons for the Offer

The Company is raising funds by way of the Offer for the tax years 2014/15 and 2015/16 to fund another phase of investment, as a result of the Company being almost fully invested.

The Offer will be open until 30 April 2015 (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 2014/2015 must return their Applications Forms so they are received by 3 April 2015. 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:

- 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 running costs of the Company will be spread over a larger combined asset base as a result of the issue of both 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 dividends to holders of Ordinary Shares.

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 Elderstreet's existing portfolio, including a number of mature companies.
- The issue of the New Ordinary Shares also provides new Shareholders to exposure to companies within Elderstreet's existing portfolio which may no longer be able to be invested in by more recent VCTs as they may not be VCT 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 investment policy as set out on pages 10 to 11.

The Company intends to invest at least 70% of funds raised in VCT Qualifying Investments by 30 April 2018 and up to 30% invested in non-VCT Qualifying Investments, including fixed income securities. The net proceeds of the Offer if fully subscribed will be approximately £2,198,644 assuming Maximum Subscription and expenses of approximately £128,412.

Terms of the Offer

Promoter's Fee and Commissions applicable to the Offer

Applications made through Execution-only brokers or by Professional Client Investors (non RDR)

Promoter's Fee	3.5%
Initial commission to Intermediaries	2%
Trail commission	0.25% per annum for five years (subject to a cumulative maximum of 1.25%)

Applications from advised Retail Client Investors (RDR compliant)

Promoter's Fee	3.5%
Adviser Charge - Such initial charges that are agreed between each Investor and their financial intermediary	Variable

Direct Investors

Promoter's Fee	5.5%
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Early Investment Incentive

Where an Investor's Application Form is received and accepted on or before 4.00 p.m. on 15 December 2014	(1) 3% (or 5% for Direct Investors) rebate of Promoter's Fee as additional New Ordinary Shares; and (2) Full rebate of initial Adviser Charge or Commission, where waived for extra shares (subject to a cumulative maximum of 5%)
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Pricing of the Offer

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

Where an Investor is eligible for the Early Investment Incentive (i) the Promoter's Fee will be rebated and they will receive additional New Ordinary Shares equal to the amount of the applicable Promoter's Fee and (ii) the Manager will cover the cost of any applicable Adviser Charge or Commission, subject to a cumulative maximum 5.0% per Application.

The number of New Ordinary Shares to be issued to each Applicant in the Company will be calculated based on the following Pricing Formula (rounded down to the nearest whole Share):

$$\text{PRICE PER SHARE} = \text{NET ASSET VALUE} / X$$

$$X = 1 - \text{NET TOTAL FEES}^1 (\%)$$

Example 1

If an Investor (to whose application a Promoter's Fee of 3.5% is applicable, who has agreed an Adviser Charge with his intermediary of 2% and assuming he was not entitled to the Early Investment Incentive) were to subscribe £10,000, with the Company's Net Asset Value standing at **70.2p**, they would pay **74.3p** per Share and receive a total of **13,461** New Ordinary Shares.

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 Total Net Fees figure will in each case be calculated as a percentage of 1 (e.g. 0.055 would equate to 5.5%).

Example 2

An Investor in the same circumstances as above but who had agreed a smaller Adviser Charge of 1% with their financial intermediary would pay **73.5p** per Share and would receive **13,603** New Ordinary Shares for his £10,000 subscription.

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

Example 3 (Early Investment Incentive)

An Investor who invests before 15 December 2014 will have 3% (or 5% for Direct Investors) of the usual Promoter's Fee rebated to him in the form of reduced price for his New Ordinary Shares. Furthermore, where his Intermediary has agreed to pass on the saving to their client in lieu of extra shares, the first 2% of their Commission or agreed Adviser Charge (as relevant) will also be rebated through a reduction in the subscription price, subject to a maximum combined rebate of 5%.

Therefore, where an early Investor agrees up to a 2% up front fee with their intermediary (or is paying standard 2% Commission) and provided the intermediary agrees to pass on the rebate for extra shares, they will receive their New Ordinary Shares at a reduced subscription price of **70.6p** and receive a total of **14,164** New Ordinary Shares.

In each case, Investors can then claim VCT income tax relief of 30% on their **gross subscription** 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 the above examples.

Some further information about when Adviser Charges are applicable and when Commission is applicable is set out below.

Adviser Charges

Commission (including on-going trail commission) is generally not permitted to be paid to Intermediaries who provide a personal recommendation to UK retail clients on 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 relevant formula set out above. The Adviser Charge is deemed to be inclusive of VAT, where applicable. All Adviser Charges will be settled by the Company from its share premium reserve attributable to share capital raised prior to 5 April 2014.

Commission

Commission may be payable where there is an Execution-only Transaction and no advice has been provided by the Intermediary to the Investor. Commission is payable by the Company and is taken into account in the Pricing Formula. Those Intermediaries who are permitted to receive commission will usually receive an initial commission of 2% of the amount invested by their clients under the Offer. Additionally, provided that the Intermediary continues to act for the Investor and the Investor continues to be the beneficial owner of the Offer 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 five years. Trail commission will be paid annually in October (commencing in October 2015) 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 2014/15 tax year (£200,000 per spouse). All Applications should be made on an individual basis as VCT tax reliefs are not available for shares held in joint names or for applications made in the name of nominee accounts.

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. The results of the Offer, and any exercise of the Directors' right to extend the Offer, will be announced through a regulatory information service.

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 and the Registrar's costs in issuing the applicable share certificates which will be payable by the Company.

In relation to the Early Investment Incentive for the Offer, the costs of any additional New Ordinary Shares issued will be met by the Manager out of its Promoter's Fee, subject to a maximum of 5.0% provided the Intermediary or Adviser has waived at least 2% of their fees for extra shares.

Timetable

The Offer will remain open until the earlier of 4.00 p.m. on 30 April 2015 and the date on which the relevant Maximum Subscription is reached through Application Forms specifying that some or all Shares are to be allotted in the tax year 2014/15 must be returned by 3 April 2015. 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 10 Business Days following the date of allotment. Share certificates are expected to be issued (and, where relevant, CREST accounts credited) no later than 10 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. An Application Form together with notes on its completion is set out at the end of this document.

Provided that Applications are for the relevant minimum (of £6,000 for New Ordinary Shares), 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, Thistle House, 21 Thistle Street, Edinburgh, EH2 1DF. All payments must be made in pounds sterling by cheque or banker's draft made payable to "City Partnership - Elderstreet VCT plc" and crossed "A/C payee only". Your attention is drawn to the statements concerning the Money Laundering Regulations 2007 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

Applications 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 three days after their allotment. Definitive share certificates are expected to be despatched to successful Applicants by post within 10 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 Shares in dematerialised form. Investors should be aware that 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 2014/2015 or 2015/2016 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 Listing Rules and VCTs must have obtained approval (provisional or full) by HMRC.

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 increasing 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 market to trade their shares.

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

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. To obtain relief a private investor must subscribe on his own behalf although the shares may be subsequently transferred to a nominee. For the 2014/15 and 2015/16 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.

(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. Dividends carry a tax credit at the rate of one ninth of the net dividend which is not repayable and which cannot be utilised in any other way.

The return to Investors from Elderstreet 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 Elderstreet 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 investment (as described in paragraph (i) above).

(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 relief 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 to obtain the tax benefits for the VCT and its shareholders. The legislation summarised below is that in force as at the date of this document.

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

- (a) not be a close company;
- (b) 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) derive its income wholly or mainly from shares or securities;
- (d) at least 70% by value of its investments is represented by shares and securities comprising Qualifying Investments; and
- (e) as regards funds raised:
 - (i) prior to 6 April 2011 at least 30% by value of the venture capital trust's Qualifying Investments must be represented by holdings of 'eligible shares'. For such funds, 'eligible shares' are ordinary shares which carry no present or future preferential rights to dividends or to a portfolio company's assets on its winding-up, and no present or future right to be redeemed; and
 - (ii) after 5 April 2011 at least 70% by value of the venture capital trust's Qualifying Investments must be represented by holdings of 'eligible shares'. For such funds, 'eligible shares' are ordinary shares which carry no present or future preferential rights to an portfolio company's assets on its winding-up, and no present or future right to be redeemed, but may have certain preferential rights to dividends;
- (f) in addition, at least 10% of its total investment in any Qualifying Company must be held in eligible shares.
- (g) have not more than 15% by value of its investments in a single company or group (other than a VCT or a company which would, if its shares were listed, qualify as a VCT); and
- (h) not retain more than 15% of its income derived from shares and securities in any accounting period.

2. VCT Qualifying Investments

To be a VCT Qualifying Investment, the investment must consist of shares or securities first issued to the VCT (and held by it ever since) by an unquoted portfolio 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 VCTs 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 from State Aid sources, including from VCTs and the Enterprise Investment Scheme in the 12 month period ending on the date of the VCT's investment;
- (d) apply the money raised for the purposes of a qualifying trade within certain time periods;
- (e) must at all times have a permanent establishment in the United Kingdom; and
- (f) not be controlled by another company.

Companies whose shares are traded on AIM are treated as unquoted companies for the purposes of eligibility as a VCT 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 by any other qualifying subsidiary at all times thereafter). A qualifying subsidiary 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 VCT Qualifying Investment, that subsidiary must be a 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:

The Company does not assume responsibility for withholding tax at source on dividends.

PART 8

GENERAL INFORMATION

1. The Company

- 1.1 Elderstreet VCT plc was incorporated in England and Wales on 26 August 1997 and operates under the Act as a public company limited by shares, with registered number 03424984.
- 1.2 The registered office of the Company is Ergon House, Horseferry Road, London SW1P 2AL. Its principal place of business is at 10-11 Charterhouse Square, London EC1M 6EH and its telephone contact number 020 7831 5088.
- 1.3 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. 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 Income Tax Act 2007.
- 1.4 Share capital:
 - 1.4.1 As at 30 June 2014, the issued share capital of the Company is 30,372,438 fully paid up Ordinary Shares with a nominal value of 5p each. An additional 948,110 Ordinary Shares were allotted pursuant to the Special Dividend Reinvestment Scheme. The ISIN of the Ordinary Shares is GB0002867140.
 - 1.4.2 At close of the Offer, on the basis of full subscription, existing Shareholders will hold 90.1% of the enlarged Ordinary Share capital of the Company, and 90.1% of the total enlarged share capital of the Company.

2. The Investment Manager

- 2.1 Elderstreet Investments Limited, 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 10-11 Charterhouse Square, London EC1M 6EH and its telephone contact number is 020 7831 5088. Elderstreet Investments Limited is authorised and regulated by the Financial Conduct Authority with registered number 148527 and has permission to manage Smaller Alternative Investment Funds under the Alternative Investment Fund Managers Directive (AIFMD).
- 2.3 Elderstreet Investments Limited is a venture capital fund management company. Funds managed by Elderstreet Investments Limited include Elderstreet Capital Partners Limited Partnership, Elderstreet VCT plc and the Smith & Williamson EIS portfolio. Elderstreet Investments Limited is a wholly owned subsidiary of Elderstreet Holdings Limited. Both Michael Jackson and STIG are significant shareholders in Elderstreet Holdings Limited. The shareholders of Elderstreet Holdings Limited as at the date of this document are:

Shareholder	No. of ordinary shares	Percentage of issued share capital
Michael Jackson	3,500	53.8%
Vin Murria	1,000	15.4%
STIG	2,000	30.8%
Total	6,842	100%

3. Directors' and other interests

- 3.1 Save as disclosed in the table below, 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.

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	767,058 *	767,058
Nicholas Lewis	48,498	48,498
Hugh Aldous	20,395	20,395
Barry Dean	20,421	20,421
David Brock	96,999	96,999

* This amounts to approximately 2.4% of the issued share capital of the Company prior to Admission, and to approximately 2.2% of the total enlarged issued share capital of the Company following Admission (assuming the Offer is fully subscribed).

3.3 Save as disclosed in paragraph 3.2 of this Part 8, 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 are being reserved for allocation to existing shareholders, directors or employees of the Company, or to the Sponsor.

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:

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.

Director	Agreement Date	Fees per Annum	Term	Performance Incentive / Fee Entitlement*	Notice Period
David Brock	30 Jan 1998	£15,000	rolling	0%	3 months
Hugh Aldous	1 Mar 2007	£10,000	rolling	0%	3 months
Barry Dean**	25 Jan 2005	£10,000	rolling	0%	3 months
Michael Jackson***	30 Jan 1998	£10,000	rolling	100%	3 months
Nicholas Lewis****	30 Jan 1998	£10,000	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.

** Since January 2005, Barry Dean has also been paid £5,000 per annum by the Manager for consultancy services to the Manager.

*** 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.

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

4. General Information

- 4.1 Save as disclosed in this document, there has been no significant change in the trading or financial position of the Company since 30 June 2014 being the date to which the last published unaudited half yearly accounts have been prepared, save for the subsequent payment of the Special Dividend.
- 4.2 Save as specifically noted in this document in relation to certain changes to the VCT rules on capital distributions, 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.
- 4.3 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 Offer Shares.
- 4.5 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.

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), 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 as a distribution in any one financial year are made then, as long as the NAV, before the distribution, is higher than 70.6p per Share, 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 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. 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 (plus VAT).
- 5.3 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.
- 5.4 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.
- 5.5 The Directors are not aware of any potential conflicts of interests between their duties to the Company and their private interests or other duties. There are no family relationships between the Directors at the date of this document.
- 5.7 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.

5.8 The Company and its Shareholders are subject to the provisions of the Takeover Code and the Act, which require shares to be acquired/transferred in certain circumstances.

6. Financial Information

Audited statutory accounts for the Company for each of the three years ended 31 December 2013 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 PKF (UK LLP, Parnell House, Park Street, Guildford, Surrey GU1 4HN, for the years ended 31 December 2011, 2012 and 2013 have been delivered to the Registrar of Companies.

Copies of the audited annual accounts for the year ended 31 December 2013 and the unaudited half year accounts to the period ended 30 June 2014 are available at the following websites: www.elderstreet.com and www.downing.co.uk

9 October 2014

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) All of Ergon House, Horseferry Road, London SW1P 2AL
Secretary	Grant Whitehouse
Investment Manager	Elderstreet Investments Limited 10-11 Charterhouse Square London EC1M 6EH
Fixed Income Securities Manager	Smith & Williamson Investment Services Limited 25 Moorgate London EC2R 6AY
Administration Manager	Downing LLP
VCT Status Adviser	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Solicitors to the Company and the Offer	RW Blears LLP 125 Old Broad Street London EC2N 1AR
Registrars	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Receiving Agent	The City Partnership (UK) Ltd Thistle House 21 Thistle Street Edinburgh EH2 1DF
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 Offer 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 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 of one of those contained at the end of this document
“Articles”	articles of association of the Company from time to time
“Business Days”	any day (other than a Saturday) on which clearing banks are open for normal banking business in sterling
“Capita Registrars”	a trading name of Capita IRG Plc
“Company”	Elderstreet VCT plc
“Commission”	commission paid to the financial intermediaries of Professional Client Investors and Execution Only Investors
“CREST”	the computerised settlement system to facilitate the transfer of 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 35 of this document
“Early Investment Incentive”	the additional Offer Shares offered to Applicants who subscribe for Offer Shares within the relevant periods referred to in the section “Offer Statistics” of this document, such additional Offer Shares being issued in the manner described on pages 23 to 24 of this document
“Elderstreet Funds”	funds managed by the Investment Manager
“Estimated Offer Price”	the amount of 74.3 pence per New Ordinary Share, calculated on the basis of the assumptions referred to on page 3 of this document

“Execution Only (Investors)”	Investors who invest in the Offer via an “execution only” broker who does not provide the Investor will advice as to the merits of the investment
“FCA”	Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Gross Proceeds”	the amount of monies subscribed by an Applicant for 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
“Investment Management Team”	those people whose details are set out on page 20 of this document
“Investment Manager” or the “Manager”	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”	either the ISDX Main Board or the ISDX Growth Market, being markets 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”	3,132,000 New Ordinary Shares
“Net Asset Value” or “NAV”	net asset value per 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 document
“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 23 as applied by the Board
“Offer 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 published NAV, the level of the Promoter’s Fee, Commission or Adviser Charges (as relevant) to intermediaries, as described on pages 23 and 24 of this document and in the Terms and Conditions
“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
“Qualifying Company”	an unquoted (including ISDX-traded and AIM-traded) company which satisfies the requirements of Part 4 of Chapter 6 of ITA
“Qualifying Investment”	shares in, or securities of, a Qualifying Company held by a VCT which meet the requirements of Part 4 of Chapter 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
“Terms and Conditions of Application”	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
“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 fewer Offer Shares than the number 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 the Offer Shares on the basis of the respective Pricing Formula set out on pages 23 to 24 of the Offer Document and subject to the provisions of this document, these Terms and Conditions and the Articles. Applicants for New Ordinary Shares for whom Application Forms are received and accepted by the Company prior to 4.00p.m. on 15 December 2015 will be charged a reduced Promoter's Fee of 0.5% and will, therefore, receive additional New Ordinary Shares to their usual entitlement via the operation of the Pricing Formula. Where the financial intermediaries of such Investors have confirmed that they will pass on such amount to the relevant Investor in the form of additional New Ordinary Shares, the Manager will rebate up to 2% of the relevant Adviser Charge or Commission; .
 - (b) accept that the Net Asset Value used will be the most recently announced net asset value per Ordinary Share, adjusted where necessary for the subsequent payment of dividends, expressed in pounds sterling prior to the date of allotment of the relevant Offer Shares (and will ordinarily be unaudited);
 - (c) accept that the number of New Ordinary Shares to be issued on the final allotment date under the Offer will be scaled back pro rata to the number of New Ordinary Shares applied for by Investors in the event that full allotment would result in more than 10% of the number of Ordinary Shares admitted to trading on the London Stock Exchange at the date of this document being otherwise issued;
 - (d) 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 Offer 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;
 - (e) in consideration of the Company agreeing that it will not, prior to the Offer closing, offer any Offer Shares for subscription to any persons other than as set out in this document, agree that your Application may not be revoked 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;
 - (f) 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 Offer Shares applied for or to enjoy or receive any rights or distributions in respect of such Offer Shares unless and until you make payment in cleared funds for such Offer 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 Offer Shares, the Company may (without prejudice to its other rights) treat the agreement to allot such Offer Shares as void and may allot such Offer Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such Offer Shares (other than return of such late payment);
 - (g) 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 2007 ("the Regulations") and that such monies will not bear interest;
 - (h) 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 Regulations;

- (i) agree that, in respect of those Offer 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;
- (j) 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;
- (k) agree that, having had the opportunity to read this document, you are deemed to have had notice of all information and representations contained therein;
- (l) 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;
- (m) 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;
- (n) 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 Offer Shares subscribed by you into your name and authorise any representatives of the Company, Capita Registrars or the Manager to execute any document required therefore and to enter your name on the register of members of the Company;
- (o) 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);
- (p) 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;
- (q) confirm that you have read and complied with paragraph 3 below;
- (r) confirm that you have reviewed the restrictions contained in paragraph 4 below;
- (s) warrant that you are not under the age of 18 years;
- (t) 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;
- (u) agree that your Application Form is addressed to the Company;
- (v) 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 Offer 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 Offer Shares;
- (w) warrant that the Offer 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 there under 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 Offer 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 of Application 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 of Application may be altered by the Company with the agreement of the Company. In particular, the Directors may close the Offer at their sole discretion.

7. Authorised financial advisers who, acting on behalf of their clients, return valid Application Forms in respect of execution-only transactions (bearing their stamp and FCA number) will be entitled to commission on the amount payable in respect of the Offer 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. Authorised financial advisers 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 advisers 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 Offer Shares, such intermediaries will usually be paid an annual trail commission of 0.25% of the gross subscriptions (excluding any Adviser Charge) for five years. Annual trail commissions commission will be paid in October (commencing in October 2015) by the Company.

8. In respect of applications received pursuant to execution-only transactions commission (but not annual trail commission) will be taken into account when calculating and will reduce the number of Offer Shares which are issued on the basis of the relevant Pricing Formula set out on pages 23 and 24 of the Offer Document.

9. Authorised financial advisers may agree to waive part or all of their 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 advisers should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for their commission.

10. 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 having first categorised you as a retail client, 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 Offer Shares which are issued to you on the basis of the relevant Pricing Formula set out on pages 23 and 24 of the Offer Document. The investor will be issued fewer Offer Shares to the

equivalent value of the Adviser Charge. The Adviser Charge is inclusive of VAT, where applicable.

11. 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.
12. The section headed Application Procedure forms part of these Terms and Conditions of Application.
13. It is a condition of the Offer that compliance with the Money Laundering Regulations 2007 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 2007.
14. The right is also reserved to treat as valid any application not complying fully with these Terms and Conditions of Application 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 of Application.

APPLICATION PROCEDURE

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

It is essential 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, Thistle House, 21 Thistle Street, Edinburgh, EH2 1DF 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 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 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 Offer Shares (not the number of Offer 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 VCT" and crossed "A/C Payee only". Your payment must relate solely to this application. No receipt will be issued.

Money Laundering Regulations 2007 — Important note for applications of £14,000 or more (equivalent to £15,000 or more)

The verification of identity requirements in the Money Laundering Regulations 2007 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 £14,000 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 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 £14,000 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 2007. The relevant financial institution or regulated person will be familiar with the requirements and the relevant form.

For Applications of £14,000 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 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 VCT PLC
APPLICATION FORM FOR ORDINARY GENERALIST VCT SHARES

IMPORTANT: BEFORE COMPLETING THIS APPLICATION FORM, IT IS VERY IMPORTANT YOU HAVE READ THE SECURITIES NOTE AND THE TERMS AND CONDITIONS AND APPLICATION PROCEDURE PAGES

Money Laundering Notice: If your application is for the sterling equivalent of €15,000 or more (or is one of a series of linked 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 43 and 44 of the Offer Document 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	1283 2768
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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, Thistle House, 21 Thistle Street, Edinburgh, EH2 1DF

If subscribing by cheque then sufficient time must be allowed for the cheque to clear. This means in practice the cheque must be in City Partnership's possession no later than 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		

2	I hereby subscribe for the following amount of investment in New Ordinary Shares, to be allocated between tax years 2014/15 and 2015/16 in the following proportions:
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	2014/15	2015/16	Total (A+B)
A	£ <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>
B			
C			Min £6,000

3	TO BE COMPLETED BY RETAIL CLIENT INVESTORS WHO WISH TO HAVE THEIR AGREED ADVISER FEE FACILITATED THROUGH THEIR SUBSCRIPTION	Amount of agreed adviser fee	£ <input type="text"/>
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BY SIGNING THIS FORM I HEREBY DECLARE THAT: (i) I have received the Offer Document dated 9 October 2014 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 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 VCT plc are correct.

4	Printed Name <input type="text"/>
	Date <input type="text"/>
	Signed <input type="text"/>

5 TO BE COMPLETED BY AN INVESTORS INDEPENDENT FINANCIAL ADVISOR

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; and we consent the Company relying on this Certificate.

Commission / Adviser Charges

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

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

(ii) The firm name below is an Execution Only broker which is permitted to receive commission in respect of this Application OR This Application is made on behalf of an Investor who is categorised by the below named firm as a Professional Client.

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 2.0%

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

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

For Official Use Only

Date on which New Ordinary Shares are Issued	Share Register Number
Amount paid for New Ordinary Shares issued £	Number of New Ordinary Shares Issued
Amount paid per New Ordinary Share £	Amount of commission waived (where applicable) £

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 2007 have been complied with.

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.

NP1014-1606

