



ELDERSTREET

VCT plc

Half-Yearly Report
for the six months ended
30 June 2012

SHAREHOLDER INFORMATION

Recent performance summary

	30 Jun 2012 pence	31 Dec 2011 pence	30 Jun 2011 pence
Net asset value per share	63.6	65.7	71.1
Cumulative distributions paid per share	<u>56.0</u>	<u>54.0</u>	<u>50.0</u>
Total return per share	<u><u>119.6</u></u>	<u><u>119.7</u></u>	<u><u>121.1</u></u>

Recent/forthcoming dividends

	Amount	Date of payment	Ex-div date	Record date
2011 Final	2.0	22 June 2012	23 May 2012	25 May 2012
2012 Interim	2.0	7 Dec 2012	7 Nov 2012	9 Nov 2012

Dividend history (since launch)

Gross dividends paid pence per share are summarised as follows:

Year end	Pence per share	Year end	Pence per share
1998	3.0	2005	2.0
1999	2.5	2006	3.5
2000	12.0	2007	5.0
2001	3.5	2008	4.0
2002	3.5	2009	4.0
2003	2.0	2010	4.0
2004	3.0	2011	4.0
Cumulative dividends paid to date			<u><u>56.0</u></u>

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

Share price

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

TIDM/EPIC Code:	EDV
Latest share price (24 August 2012):	53.0p per share

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

Shareholder information is continued on the inside back cover

CHAIRMAN'S STATEMENT

I am pleased to present the Half-Yearly Report for Elderstreet VCT plc for the six month period ended 30 June 2012. It has been a reasonably stable period for the Company's investment portfolio, although a significant fall in value of one AIM investment was mostly offset by gains in others.

Net asset value

At 30 June 2012, the Company's net asset value ("NAV") per share stood at 63.6p, a decrease of 0.1p or 0.2% since 31 December 2011 after adjusting for the dividend of 2.0p per share paid in the period.

Venture capital investments

During the period, the Company made two new investments and one follow-on investment at a total cost of £1.6 million.

£700,000 was invested in B&F Management Limited, a company associated with Baldwin and Francis (Holdings) Limited; £500,000 was invested in Concorde Solutions Limited, a software asset management company; and a further £446,000 was invested in AngloINFO Limited, to provide working capital to support further growth.

Loan notes were redeemed by Aconite Technology Limited and Smart Education Limited in the period, at a small premium of £10,000. In addition, the Company received retention proceeds of £113,000 in respect of the WeComm disposal which occurred during 2011.

At the period end, the Company held a portfolio of 24 venture capital investments valued at £14.3 million.

The Company's AIM-quoted investments have seen mixed results. Snacktime's share price has fallen as the company struggled to fully integrate a major acquisition. Management changes have now taken place and the new team is working to bring the business back on track. Although the value of the investment fell by £629,000 over the period, the Manager believes that there are prospects for the company to recover value.

On a positive note, Access Intelligence saw its share price rise over the period as a result of improved trading. The value of this investment rose in value by £388,000. Fulcrum Utility Services also increased by £83,000.

Following a review of the unquoted portfolio, the Board concluded that no adjustments to the previous carrying values were required.

Overall, the investment portfolio produced unrealised losses of £158,000 and realised gains of £123,000 over the period.

Fixed income securities

The Company continues to hold a small portfolio of fixed income investments, valued at £1.5 million, which are managed by Smith & Williamson. During the period, this portfolio produced unrealised losses of £8,000 and realised losses of £3,000.

Top-up share issue

The Company undertook a top-up offer during the period, issuing 1,348,003 shares at 70.7p per share. Net proceeds of the offer were £900,000 which provides the Company with the ability to pursue further investment opportunities.

Results

The loss on activities after taxation for the period was £74,000 (2011: £1.6 million), comprising a revenue return of £116,000 and a capital loss of £190,000.

CHAIRMAN'S STATEMENT (continued)

Dividend

The Company intends to pay an interim dividend to Shareholders of 2.0p per share on 7 December 2012 to Shareholders on the register at 9 November 2012.

Share buybacks

In June 2012, the Company spent approximately £131,000 purchasing 237,429 shares for cancellation at a price of 55.0p per share being a 15% discount to the most recently published NAV.

Currently, the Board intends to make a certain level of funds available, approximately four times each year, to buy in shares. Such purchases will be made at approximately a 15% discount to the latest published NAV. The Board will, however, regularly review this policy and make adjustments if they see fit.

Enhanced share buyback

As noted in the Annual Report, the Company has been planning to offer an enhanced share buyback facility to Shareholders. The offer document and circular are now in the process of being finalised and will be sent to Shareholders shortly.

The enhanced share buyback will allow Shareholders who have already held their shares for five years to sell them back to the Company at a price equivalent to NAV on the condition that they reinvest the proceeds in new shares in the Company. The new shares will be issued at a price equivalent to approximately a 3% premium to NAV. The issue of new shares will entitle eligible Shareholders to 30% income tax relief on the current value of their shares and Shareholders will end up with an almost identical shareholding to that which they have now, although the new shares will need to be held for five years to retain the new income tax relief. Full details will be included in the offer document.

Outlook

The Board continues to be reasonably satisfied with the Company's investments which, in most cases, are proving to be resilient throughout the on-going long double-dip recession.

The Company also continues to hold a reasonable level of liquid resources which leaves it well placed to both support existing portfolio companies and to participate in new investment opportunities.



David Brock
Chairman

28 August 2012

UNAUDITED BALANCE SHEET

as at 30 June 2012

	As at 30 Jun 2012 £'000	As at 30 Jun 2011 £'000	As at 31 Dec 2011 £'000
Fixed assets			
Investments	15,769	15,185	14,884
Current assets			
Debtors	89	46	52
Cash at bank and in hand	3,274	5,608	4,111
	<u>3,363</u>	<u>5,654</u>	<u>4,163</u>
Creditors: amounts falling due within one year	<u>(177)</u>	<u>(200)</u>	<u>(186)</u>
Net current assets	3,186	5,454	3,977
Net assets	<u>18,955</u>	<u>20,639</u>	<u>18,861</u>
Capital and reserves			
Called up share capital	1,490	1,452	1,435
Capital redemption reserve	241	212	229
Merger reserve	1,936	1,985	2,034
Share premium	9,832	8,999	8,999
Special reserve	1,202	1,619	1,216
Revaluation reserve	1,367	2,093	1,705
Capital reserve - realised	2,673	3,864	2,844
Revenue reserve	214	415	399
Equity shareholders' funds	<u>18,955</u>	<u>20,639</u>	<u>18,861</u>
Net asset value per share	63.6p	71.1p	65.7p

UNAUDITED INCOME STATEMENT

for the six months ended 30 June 2012

	Six months ended 30 Jun 2012			Six months ended 30 Jun 2011			Year ended 31 Dec 2011
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	270	-	270	285	-	285	575
Gains/(losses) on investments:							
- realised	-	120	120	-	4	4	4
- unrealised	-	(166)	(166)	-	(1,602)	(1,602)	(2,004)
	<u>270</u>	<u>(46)</u>	<u>224</u>	<u>285</u>	<u>(1,598)</u>	<u>(1,313)</u>	<u>(1,425)</u>
Investment management fees	(48)	(143)	(191)	(47)	(141)	(188)	(394)
Other expenses	<u>(106)</u>	<u>(1)</u>	<u>(107)</u>	<u>(98)</u>	<u>-</u>	<u>(98)</u>	<u>(207)</u>
Return/(loss) on ordinary activities before taxation	116	(190)	(74)	140	(1,739)	(1,599)	(2,026)
Taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Return/(loss) attributable to equity shareholders	<u>116</u>	<u>(190)</u>	<u>(74)</u>	<u>140</u>	<u>(1,739)</u>	<u>(1,599)</u>	<u>(2,026)</u>
Basic and diluted return per share	0.4p	(0.6p)	(0.2p)	0.5p	(6.4p)	(5.9p)	(7.2p)

All Revenue and Capital items in the above statement derive from continuing operations. The total column within the Income Statement represents the profit and loss account of the Company.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the six months ended 30 June 2012

	30 Jun 2012 £'000	30 Jun 2011 £'000	31 Dec 2011 £'000
Opening shareholders' funds	18,861	18,785	18,785
Issue of shares	952	3,823	3,823
Share issue costs	(52)	(210)	(210)
Purchase of own shares	(131)	(160)	(344)
Total recognised losses in the period	(74)	(1,599)	(2,026)
Dividends	<u>(601)</u>	<u>-</u>	<u>(1,167)</u>
Closing shareholders' funds	<u>18,955</u>	<u>20,639</u>	<u>18,861</u>

UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 June 2012

	Note	Six months ended 30 Jun 2012 £'000	Six months ended 30 Jun 2011 £'000	Year ended 31 Dec 2011 £'000
Net cash outflow from operating activities and returns on investments	1	<u>(73)</u>	<u>(29)</u>	<u>(74)</u>
Capital expenditure				
Purchase of investments		(2,284)	(153)	(254)
Sale of investments		<u>1,352</u>	<u>1,204</u>	<u>1,204</u>
Net cash (outflow)/inflow from capital expenditure		<u>(932)</u>	<u>1,051</u>	<u>950</u>
Equity dividends paid		<u>(601)</u>	<u>-</u>	<u>(1,167)</u>
Net cash (outflow)/inflow before financing		(1,606)	1,022	(291)
Financing				
Proceeds from share issue		912	3,823	3,695
Share issue costs		(12)	(204)	(76)
Purchase of own shares		<u>(131)</u>	<u>(160)</u>	<u>(344)</u>
Net cash inflow from financing		<u>769</u>	<u>3,459</u>	<u>3,275</u>
(Decrease)/increase in cash	2	<u>(837)</u>	<u>4,481</u>	<u>2,984</u>
Notes to the cash flow statement:				
1 Net cash outflow from operating activities and returns on investments				
Loss on ordinary activities before taxation		(74)	(1,599)	(2,026)
Losses on investments		46	1,598	2,000
Increase in other debtors		(37)	(20)	(25)
Decrease in other creditors		<u>(8)</u>	<u>(8)</u>	<u>(23)</u>
Net cash outflow from operating activities and returns on investments		<u>(73)</u>	<u>(29)</u>	<u>(74)</u>
2 Analysis of net funds				
Beginning of period		4,111	1,127	1,127
Net cash (outflow)/inflow		<u>(837)</u>	<u>4,481</u>	<u>2,984</u>
End of period		<u>3,274</u>	<u>5,608</u>	<u>4,111</u>

SUMMARY OF INVESTMENT PORTFOLIO

as at 30 June 2012

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
Top ten venture capital investments				
Fords Packaging Systems Limited	1,047	1,845	-	9.7%
Wessex Advanced Switching Products Limited	60	1,799	-	9.4%
Access Intelligence plc *	1,633	1,631	388	8.6%
AngloINFO Limited	1,108	1,483	-	7.8%
Smart Education Limited	877	1,371	-	7.2%
Lyalvale Express Limited	915	1,255	-	6.6%
Fulcrum Utility Services Limited *	500	792	83	4.2%
B & F Management Limited	700	700	-	3.7%
Baldwin & Francis (Holdings) Limited	690	690	-	3.6%
Snacktime plc *	1,375	589	(629)	3.1%
	<u>8,905</u>	<u>12,155</u>	<u>(158)</u>	<u>63.9%</u>
Other venture capital investments	4,628	2,118	-	11.0%
Fixed income securities	1,454	1,496	(8)	7.9%
Subtotal	<u>14,987</u>	<u>15,769</u>	<u>(166)</u>	<u>82.8%</u>
Cash at bank and in hand		<u>3,274</u>		<u>17.2%</u>
Total investments		<u>19,043</u>		<u>100.0%</u>

All venture capital investments are unquoted unless otherwise stated.

* Quoted on AIM

SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 30 June 2012

Additions

	£'000
<i>Venture capital investments</i>	
AngloINFO Limited	446
B&F Management Limited	700
Concorde Solutions Limited	500
	<u>1,646</u>
<i>Other investments</i>	
S&W Cash Fund	23
United Kingdom 1% Gilt 07/09/2017	615
	<u>638</u>
	<u>2,284</u>

Disposals

	Cost £'000	Market value at 1 January 2012 £'000	Disposal proceeds £'000	Gain against cost £'000	Total realised gain/ (loss) £'000
<i>Loan note redemptions</i>					
Aconite Technology Limited	100	100	110	10	10
Smart Education Limited	397	530	530	133	-
	<u>497</u>	<u>630</u>	<u>640</u>	<u>143</u>	<u>10</u>
<i>Retention proceeds</i>					
WeComm Limited	-	-	113	113	113
	<u>-</u>	<u>-</u>	<u>113</u>	<u>113</u>	<u>113</u>
<i>Other investments</i>					
S&W Cash Fund	33	33	33	-	-
United Kingdom 2.75% Gilt 22/01/2015	559	569	566	7	(3)
	<u>592</u>	<u>602</u>	<u>599</u>	<u>7</u>	<u>(3)</u>
	<u>1,089</u>	<u>1,232</u>	<u>1,352</u>	<u>263</u>	<u>120</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

- The unaudited half yearly financial results cover the six months to 30 June 2012 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 December 2011, which were prepared under UK Generally Accepted Accounting Practice and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" revised January 2009.
- The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
- The comparative figures are in respect of the six months ended 30 June 2011 and the year ended 31 December 2011 respectively.

4. Basic and diluted return per share

	30 Jun 2012	30 Jun 2011	31 Dec 2011
Return per share based on:			
Net revenue gain for the period (£'000)	<u>116</u>	<u>140</u>	<u>271</u>
Capital return per share based on:			
Net capital loss for the period (£'000)	<u>(190)</u>	<u>(1,739)</u>	<u>(2,297)</u>
Weighted average number of shares	<u>29,306,317</u>	<u>26,954,181</u>	<u>27,950,201</u>

5. Dividends

	30 Jun 2012			31 Dec 2011	
	Per share Pence	Revenue £'000	Capital £'000	Total £'000	Total £'000
Paid in the period					
2011 Final	2.0	301	300	601	-
2011 Interim	2.0	-	-	-	581
2010 Final	2.0	-	-	-	586
		<u>301</u>	<u>300</u>	<u>601</u>	<u>1,167</u>

6. Net asset value per share

	30 Jun 2012	30 Jun 2011	31 Dec 2011
Net asset value per share based on:			
Net assets (£'000)	<u>18,955</u>	<u>20,639</u>	<u>18,861</u>
Number of shares in issue	<u>29,812,249</u>	<u>29,032,002</u>	<u>28,701,675</u>
Net asset value per share	<u>63.6p</u>	<u>71.1p</u>	<u>65.7p</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

7. Called up share capital

	Shares	£'000
<i>Ordinary shares of 5p each</i>		
As at 1 January 2012	28,701,675	1,435
Shares issued in period	1,348,003	67
Shares bought back and cancelled	(237,429)	(12)
As at 30 June 2012	29,812,249	1,490

Between 5 April 2012 and 2 May 2012, the Company allotted 1,348,003 Ordinary Shares of 5p each, under the terms of a prospectus dated 9 December 2011, at 70.7p per share, with gross proceeds received thereon of £952,000. Issue costs in respect of the offer amounted to £52,000.

During the period the Company purchased 237,429 Ordinary Shares of 5p each for cancellation for an aggregate consideration of £131,000, at a price of 55.0p per share (approximately equal to a 15% discount to the most recently published NAV at the time of purchase), and representing 0.8% of the issued Ordinary Share capital held at 1 January 2012.

8. Capital and reserves

	Capital redemption reserve £'000	Merger reserve £'000	Share premium £'000	Special reserve £'000	Revaluation reserve £'000	Capital reserve - realised £'000	Revenue reserve £'000
At 1 January 2012	229	2,034	8,999	1,216	1,705	2,844	399
Issue of new shares	-	-	885	-	-	-	-
Share issue costs	-	-	(52)	-	-	-	-
Purchase of own shares	12	-	-	(131)	-	-	-
Expenses capitalised	-	-	-	-	-	(144)	-
(Losses)/gains on investments	-	-	-	-	(166)	120	-
Realisation of revaluations from previous years	-	-	-	-	(172)	172	-
Realisation of fair value assets previously acquired	-	(98)	-	-	-	98	-
Transfer between reserves	-	-	-	117	-	(117)	-
Dividends paid	-	-	-	-	-	(300)	(301)
Retained net revenue for the period	-	-	-	-	-	-	116
At 30 June 2012	241	1,936	9,832	1,202	1,367	2,673	214

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

8. Capital and reserves (continued)

Distributable reserves comprise the Special reserve, Capital reserve – realised, and Revenue reserve, and are reduced by losses within the Revaluation reserve of £3.0 million (31 Dec 2011: £2.8 million). £477,000 (31 Dec 2011: £477,000) of the Merger reserve is also distributable. At the period end, total distributable reserves were £1.6 million (31 Dec 2011: £2.1 million).

9. Risks and uncertainties

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

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

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

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

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

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

10. Going concern

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

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

- 11.** The Directors confirm that, to the best of their knowledge, the half-yearly financial statements have been prepared in accordance with the “Statement: Half-Yearly Financial Reports” issued by the UK Accounting Standards Board and the half-yearly financial report includes a fair review of the information required by:
- (a)** DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the current financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b)** DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.
- 12.** The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies. The figures for the year ended 31 December 2011 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the Auditor’s report on those financial statements was unqualified.
- 13.** Copies of the unaudited half-yearly results will be sent to Shareholders shortly. Further copies can be obtained from the Company’s Registered Office or downloaded from www.downing.co.uk.

SHAREHOLDER INFORMATION (continued)

Share scam warning

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

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

Selling shares

The Company’s shares are listed on the London Stock Exchange and can be bought or sold like any other listed shares, using a stockbroker.

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

Notification of change of address

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

Other information for Shareholders

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

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

Directors

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

Company Secretary and Registered Office

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(calls cost 10p per minute plus network extras)

www.capitaregistrars.com