



ELDERSTREET

VCT plc

Half-Yearly Report
for the six months ended
30 June 2013

SHAREHOLDER INFORMATION

Recent performance summary

	30 Jun 2013 pence	31 Dec 2012 pence	30 Jun 2012 pence
Net asset value per share	70.3	68.9	63.6
Cumulative distributions paid per share	60.0	58.0	56.0
Total return per share	130.3	126.9	119.6

Recent/forthcoming dividends

	Amount	Date of payment	Ex-div date	Record date
2012 Final	2.0	28 Jun 2013	22 May 2013	24 May 2013
2013 Interim	2.0	6 Dec 2013	6 Nov 2013	8 Nov 2013

A full dividend history for the Company can be found at www.downing.co.uk

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

Latest share price (28 August 2013): 55.0p per share

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.

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 2013 and to report a solid performance by the Company over the period.

Net asset value, results and dividends

At 30 June 2013, the Company's net asset value ("NAV") per share stood at 70.3p, an increase of 3.4p or 4.9% since 31 December 2012 after adjusting for the dividend of 2.0p per share paid in the period.

The return on activities after taxation for the period was £1.1 million (2012 loss: £74,000), comprising a revenue return of £37,000 and a capital return of £1.1 million.

The Company will pay an interim dividend of 2.0p per share on 6 December 2013 to Shareholders on the register at 8 November 2013.

Venture capital investments

With a reasonably low level of liquid funds available, there was a limited level of investment activity during the period. The Company completed one follow-on investment in SnackTime plc at a cost of £400,000.

At the period end, the Company held a portfolio of 24 venture capital investments, valued at £15.5 million.

The Board reviewed the unquoted investment valuations at the period end and has made a number of adjustments, the most notable being uplifts to, what are now, the Company's two largest investments, Wessex Advanced Switching Products Limited ("WASP") and Fords Packaging Systems Limited ("Fords").

WASP, a manufacturer of switches, touch screens, key pads and related items for the defence, aerospace and medical instrument markets, experienced strong trading, particularly in its aerospace business, justifying an uplift of £771,000.

The valuation of the investment in Fords, a manufacturer of packaging equipment for the food and drink market, has been increased by £747,000 on the back of steady trading with improved margins.

The value of the investment in Aconite Technology Limited was also increased by £195,000 as the business is making progress and attracting interest from other investors.

The other two significant valuation movements were in respect of two of the AIM holdings. Access Intelligence fell by £335,000, although the business continues to make progress, while Fulcrum fell by £258,000 on the back of a profits warning and disappointing results.

Overall, the portfolio showed net unrealised gains of £1.2 million over the period.

Fixed income securities

The Company continues to hold a small portfolio of fixed income investments which is managed by Smith & Williamson. The portfolio, valued at £1.5 million at the period end, recognised unrealised capital losses of £16,000 in the period.

Fundraising activities

The Company undertook a top-up offer for subscription during the period, issuing 1,291,055 new shares at 67.5p per share. Net proceeds of the offer were £823,000.

CHAIRMAN'S STATEMENT (continued)

Share buybacks

In June 2013, the Company purchased 216,480 shares for cancellation for an aggregate consideration of £121,000 at a price of 55.5p per share being a 15% discount to the most recently published NAV at the time of purchase.

The Board has a policy of making market purchases of its shares approximately four times each year and makes a certain level of funds available for this purpose. The Board expects to purchase shares at approximately a 15% discount to the latest published NAV although this policy is reviewed from time to time.

Outlook

The performance over the period supports the Board's view that the Company holds a reasonably robust portfolio which includes a number of investments which have good potential for continuing to build value. We again expect to see a low level of new investment activity as the Board is keen to hold a reasonable level of liquid funds to support existing investments should they require it. The Manager's focus will therefore remain on continuing to nurture the current portfolio.

Looking forward, the Board notes that there is now a trend in the market towards larger VCTs, which have lower running costs per share as one of their attractions. The Board is considering ways in which it may be able to grow the size of the Company and deliver reduced running costs to Shareholders, possibly through a new fundraising strategy. I will, of course, report to Shareholders any significant developments to this end if, or when, they arise.



David Brock
Chairman

28 August 2013

SUMMARY OF INVESTMENT PORTFOLIO

as at 30 June 2013

	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio by value
Top ten venture capital investments				
Wessex Advanced Switching Products Limited	60	3,085	771	14.1%
Fords Packaging Systems Limited	1,047	3,018	747	13.8%
Smart Education Limited	761	2,471	-	11.3%
Access Intelligence plc *	1,633	1,519	(335)	6.9%
AngloINFO Limited	1,108	1,483	-	6.8%
Lyalvale Express Limited	915	1,255	-	5.8%
B & F Management Limited	700	700	-	3.2%
Baldwin & Francis (Holdings) Limited	690	690	-	3.2%
Aconite Technology Limited	462	688	195	3.2%
SnackTime plc *	1,775	630	-	2.9%
	<u>9,151</u>	<u>15,539</u>	<u>1,378</u>	<u>71.2%</u>
Other venture capital investments	4,666	2,246	(161)	10.3%
Fixed income securities	<u>1,454</u>	<u>1,474</u>	<u>(16)</u>	<u>6.8%</u>
	<u>15,271</u>	<u>19,259</u>	<u>1,201</u>	<u>88.3%</u>
Cash at bank and in hand		<u>2,560</u>		<u>11.7%</u>
Total investments		<u>21,819</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 2013

Additions

£'000

Venture capital investments

SnackTime plc

400

Disposals

There have been no disposals in the period.

UNAUDITED BALANCE SHEET

as at 30 June 2013

	Note	30 Jun 2013 £'000	30 Jun 2012 £'000	31 Dec 2012 £'000
Fixed assets				
Investments		<u>19,259</u>	<u>15,769</u>	<u>17,659</u>
Current assets				
Debtors		152	89	90
Cash at bank and in hand		<u>2,560</u>	<u>3,274</u>	<u>3,030</u>
		2,712	3,363	3,120
Creditors: amounts falling due within one year		<u>(220)</u>	<u>(177)</u>	<u>(191)</u>
Net current assets		<u>2,492</u>	<u>3,186</u>	<u>2,929</u>
Net assets		<u>21,751</u>	<u>18,955</u>	<u>20,588</u>
Capital and reserves				
Called up share capital	7	1,547	1,490	1,494
Capital redemption reserve	8	436	241	425
Merger reserve	8	1,882	1,936	1,882
Share premium	8	856	9,832	9,929
Special reserve	8	7,290	1,202	-
Capital reserve - unrealised	8	7,741	1,367	6,540
Capital reserve - realised	8	1,768	2,673	(187)
Revenue reserve	8	<u>231</u>	<u>214</u>	<u>505</u>
Equity shareholders' funds	6	<u>21,751</u>	<u>18,955</u>	<u>20,588</u>
Basic and diluted net asset value per share	6	70.3p	63.6p	68.9p

UNAUDITED INCOME STATEMENT

for the six months ended 30 June 2013

	Note	Six months ended 30 Jun 2013			Six months ended 30 Jun 2012			Year ended 31 Dec 2012
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income		197	-	197	270	-	270	715
Gains/(losses) on investments:								
- realised		-	-	-	-	120	120	120
- unrealised		-	1,201	1,201	-	(166)	(166)	1,883
		<u>197</u>	<u>1,201</u>	<u>1,398</u>	<u>270</u>	<u>(46)</u>	<u>224</u>	<u>2,718</u>
Investment management fees		(52)	(154)	(206)	(48)	(143)	(191)	(380)
Other expenses		<u>(108)</u>	<u>-</u>	<u>(108)</u>	<u>(106)</u>	<u>(1)</u>	<u>(107)</u>	<u>(214)</u>
Return/(loss) on ordinary activities before taxation		37	1,047	1,084	116	(190)	(74)	2,124
Taxation		-	-	-	-	-	-	-
Return/(loss) attributable to equity shareholders	4	<u>37</u>	<u>1,047</u>	<u>1,084</u>	<u>116</u>	<u>(190)</u>	<u>(74)</u>	<u>2,124</u>
Basic and diluted return/(loss) per share	4	0.1p	3.4p	3.5p	0.4p	(0.6p)	(0.2p)	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 2013

	Note	30 Jun 2013 £'000	30 Jun 2012 £'000	31 Dec 2012 £'000
Opening Shareholders' funds		20,588	18,861	18,861
Issue of shares	7	871	952	1,134
Issue of shares under Enhanced Share Buyback scheme		-	-	2,131
Share issue costs	7	(48)	(52)	(127)
Purchase of own shares	7	(121)	(131)	(198)
Purchase of own shares under Enhanced Share Buyback scheme		-	-	(2,142)
Total recognised gains/(losses) in the period		1,084	(74)	2,124
Dividends	5	<u>(623)</u>	<u>(601)</u>	<u>(1,195)</u>
Closing Shareholders' funds	6	<u>21,751</u>	<u>18,955</u>	<u>20,588</u>

UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 June 2013

	Six months ended 30 Jun 2013	Six months ended 30 Jun 2012	Year ended 31 Dec 2012
Note	£'000	£'000	£'000
Net cash (outflow)/inflow from operating activities and returns on investments	9 <u>(178)</u>	<u>(73)</u>	<u>83</u>
Capital expenditure			
Purchase of investments	(400)	(2,284)	(2,284)
Sale of investments	-	1,352	1,512
Net cash outflow from capital expenditure	<u>(400)</u>	<u>(932)</u>	<u>(772)</u>
Equity dividends paid	<u>(623)</u>	<u>(601)</u>	<u>(1,201)</u>
Net cash outflow before financing	(1,201)	(1,606)	(1,890)
Financing			
Proceeds from share issue	870	912	1,093
Proceeds from shares issued under Enhanced Share Buyback	-	-	2,131
Share issue costs	(18)	(12)	(75)
Purchase of own shares	(121)	(131)	(198)
Purchase of own shares under Enhanced Share Buyback	-	-	(2,142)
Net cash inflow from financing	<u>731</u>	<u>769</u>	<u>809</u>
Decrease in cash	10 <u><u>(470)</u></u>	<u><u>(837)</u></u>	<u><u>(1,081)</u></u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 June 2013

- The unaudited half yearly financial results cover the six months to 30 June 2013 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 December 2012, 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 2012 and the year ended 31 December 2012 respectively.
- Basic and diluted return per share**

	Six months ended 30 Jun 2013	Six months ended 30 Jun 2012	Year ended 31 Dec 2012
Return per share based on:			
Net revenue gain for the period (£'000)	37	116	406
Capital return per share based on:			
Net capital gain/(loss) for the period (£'000)	1,047	(190)	1,718
Weighted average number of shares	30,458,332	29,306,317	29,559,342

5. Dividends

		Six months ended 30 Jun 2013			Year ended 31 Dec 2012 Total £'000
	Per share pence	Revenue £'000	Capital £'000	Total £'000	
Paid in the period					
2012 Final	2.0	311	312	623	-
2012 Interim	2.0	-	-	-	594
2011 Final	2.0	-	-	-	601
		311	312	623	1,195

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2013

6. Basic and diluted net asset value per share

	Shares in issue	Net assets £'000	NAV per share pence
Period ended 30 June 2013	30,948,108	<u>21,751</u>	<u>70.3p</u>
Period ended 30 June 2012	29,812,249	<u>18,955</u>	<u>63.6p</u>
Year ended 31 December 2012	29,873,533	<u><u>20,588</u></u>	<u><u>68.9p</u></u>

7. Called up share capital

	Shares in issue	£'000
Period ended 30 June 2013	30,948,108	<u>1,547</u>
Period ended 30 June 2012	29,812,249	<u>1,490</u>
Year ended 31 December 2012	29,873,533	<u><u>1,494</u></u>

Between 3 April 2013 and 30 April 2013, the Company allotted 1,291,055 Ordinary Shares of 5p each, under the terms of an offer document dated 14 January 2013, at 67.5p per share. Gross proceeds received thereon were £871,000 with issue costs in respect of the offer amounting to £48,000.

During the period the Company purchased 216,480 Ordinary Shares of 5p each for cancellation for an aggregate consideration of £121,000, at a price of 55.5p per share (approximately equal to a 15% discount to the most recently published NAV at the time of purchase), and representing 0.7% of the issued Ordinary Share capital held at 1 January 2013.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2013

8. Reserves

	Capital redemption reserve £'000	Merger reserve £'000	Share premium £'000	Special reserve £'000	Capital reserve- unrealised £'000	Capital reserve- realised £'000	Revenue reserve £'000
At 1 January 2013	425	1,882	9,929	-	6,540	(187)	505
Issue of new shares	-	-	807	-	-	-	-
Share issue costs	-	-	(48)	-	-	-	-
Purchase of own shares	11	-	-	(121)	-	-	-
Expenses capitalised	-	-	-	-	-	(154)	-
Gains on investments	-	-	-	-	1,201	-	-
Cancellation of share premium account	-	-	(9,832)	9,832	-	-	-
Transfer between reserves	-	-	-	(2,421)	-	2,421	-
Dividends paid	-	-	-	-	-	(312)	(311)
Retained net revenue for the period	-	-	-	-	-	-	37
At 30 June 2013	436	1,882	856	7,290	7,741	1,768	231

On 27 February 2013 the Company obtained court approval to cancel £9.8 million of the Company's share premium account. The special reserve is available to the Company to enable the purchase of its own shares in the market without affecting its ability to pay dividends, and also allows the Company to write back realised capital losses arising on disposals and impairments.

Distributable reserves are calculated as follows:

	Six months ended 30 Jun 2013 £'000	Six months ended 30 Jun 2012 £'000	Year ended 31 Dec 2012 £'000
Special reserve	7,290	1,202	-
Capital reserve - realised	1,768	2,673	(187)
Revenue reserve	231	214	505
Merger reserve – distributable element	477	477	477
Unrealised losses	-	-	-
– excluding unrealised unquoted gains	(790)	(2,967)	(256)
	<u>8,976</u>	<u>1,599</u>	<u>539</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2013

9. Reconciliation of return on operating activities before taxation to net cash flow from operating activities

	Six months ended 30 Jun 2013 £'000	Six months ended 30 Jun 2012 £'000	Year ended 31 Dec 2012 £'000
Return/(loss) on ordinary activities before taxation	1,084	(74)	2,124
(Gains)/losses on investments	(1,201)	46	(2,003)
Decrease in other debtors	(61)	(37)	(38)
Decrease in other creditors	-	(8)	-
Net cash outflow from operating activities	<u>(178)</u>	<u>(73)</u>	<u>83</u>

10. Analysis of changes in cash at bank and in period

	Six months ended 30 Jun 2013 £'000	Six months ended 30 Jun 2012 £'000	Year ended 31 Dec 2012 £'000
Beginning of period	3,030	4,111	4,111
Net cash (outflow)/inflow	<u>(470)</u>	<u>(837)</u>	<u>(1,081)</u>
End of period	<u>2,560</u>	<u>3,274</u>	<u>3,030</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued) for the six months ended 30 June 2013

11. 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.

12. 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) for the six months ended 30 June 2013

13. 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.
14. 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 2012 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.
15. 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)

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 four times a year. Details of the next planned share buyback can be obtained by contacting Downing LLP on 020 7416 7780. Any Shareholders considering selling some or all of their shareholding should ensure they are fully aware of any tax consequences, especially if they purchased shares within the last five years or took part in the Enhanced Share Buyback offer. 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 and share price) 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 click on "Shareholders and employees".

Directors

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

Company Secretary and Registered Office

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