



ELDERSTREET

VCT plc

Report & Accounts  
for the year ended  
31 December 2008

## SHAREHOLDER INFORMATION

### Dividends

Dividends are paid by the Registrar on behalf of Elderstreet VCT plc (“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 Limited, on 0870 162 3124 (calls cost 10p per minute plus network extras), or by writing to them at Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0GA.

### Dividend History (since launch)

#### Ordinary Shares

Year end (including interim dividends)	Gross Pence per share	Year end (including interim dividends)	Gross Pence per share
1998	3.0	2004	3.0
1999	2.5	2005	2.0
2000	12.0	2006	3.5
2001	3.5	2007	5.0
2002	3.5	2008 Interim	3.0
2003	2.0		
		<b>Cumulative dividends paid to date</b>	<b>43.0</b>
		2008 Final (proposed - payable 12 June 2009)	1.0

### C Share Conversion

On 31 October 2008, the C Shares of 5p each were converted into Ordinary Shares of 5p each with C Shareholders receiving 0.6691 Ordinary Shares for every one C Share held. Dividends of 30.0p per C Share were paid prior to the merger, equivalent to 44.8p per Ordinary Share.

### Elderstreet Millennium Shareholders

Shareholders in Elderstreet Millennium Venture Capital Trust (“EMVCT”) were issued 0.381 Ordinary Shares in Elderstreet VCT plc for every 1 share held. Dividends of 61.5p per EMVCT Share were paid prior to the merger, equivalent to 161.5p per Ordinary Share in Elderstreet VCT plc.

### Share Price

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

TIDM/EPIC Code:	<b>EDV</b>
Latest share price (8 April 2009):	<b>54.0p per share</b>

A link to the share price is also available on Elderstreet Private Equity Limited’s website ([www.elderstreet.com](http://www.elderstreet.com)) and on Downing’s website ([www.downing.co.uk](http://www.downing.co.uk)).

### Selling Shares

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

Shareholders should note that the Company has announced that it will not buy in any of its own shares for cancellation at the current time. In practice, this may create a very illiquid market in the Company’s shares and it may be difficult for Shareholders to sell their holdings.

### Notification of Change of Address

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

### Other Information for Shareholders

Up-to-date Company information (including financial statements, share price and dividend history) may be obtained from either Downing’s website at [www.downing.co.uk](http://www.downing.co.uk) by clicking on “VCT Information and Accounts” or Elderstreet Private Equity Limited’s website at [www.elderstreet.com](http://www.elderstreet.com) by clicking on “investor information”.

If you have any queries regarding your shareholding in Elderstreet VCT plc, please contact the Registrar on the above number or visit Capita’s website at [www.capitaregistrars.com](http://www.capitaregistrars.com) and click on “Shareholders”.

## CONTENTS

	<b>Page</b>
Company information	1
Investment objective, financial highlights and financial calendar	2
Directors	3
Chairman's statement	4
Investment manager's report	6
Review of investments	7
Report of the directors	13
Directors' remuneration report	18
Corporate governance	20
Independent auditors' report	22
Income statement	23
Reconciliation of movements in shareholders' funds	23
Balance sheet	24
Cash flow statement	25
Notes to the accounts	26
Notice of Annual General Meeting	38



## COMPANY INFORMATION

<b>Registered number</b>	3424984
<b>Directors</b>	David Brock (Chairman) Hugh Aldous Barry Dean Michael Jackson Nicholas Lewis
<b>Secretary and registered office</b>	Grant Whitehouse Kings Scholars House 230 Vauxhall Bridge Road London SW1V 1AU
<b>Investment Manager</b>	Elderstreet Private Equity Limited 32 Bedford Row London WC1R 4HE Tel: 020 7831 5088 <a href="http://www.elderstreet.com">www.elderstreet.com</a>
<b>Administration Manager</b>	Downing Management Services Limited Kings Scholars House 230 Vauxhall Bridge Road London SW1V 1AU Tel: 020 7416 7780 <a href="http://www.downing.co.uk">www.downing.co.uk</a>
<b>Auditors</b>	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
<b>VCT status advisers</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
<b>Registrar</b>	Capita Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0GA Tel: 0870 162 3124 (calls cost 10p per minute plus network extras) <a href="http://www.capitaregistrars.com">www.capitaregistrars.com</a>
<b>Bankers</b>	Bank of Scotland West End Office St James's Gate 14-16 Cockspur Street London SW1Y 5BL

## INVESTMENT OBJECTIVE

The Company's principal investment objectives are to:

- achieve long term capital growth and generate income for its Shareholders principally from private equity and AIM investments; and
- maintain its VCT status.

The detailed investment policy adopted to achieve the investment objectives is set out in the Report of the Directors on page 13.

## FINANCIAL HIGHLIGHTS

	2008 pence	2007 pence
<b>Ordinary Shares</b>		
Net asset value (per share)	<u>72.8</u>	<u>81.9</u>
Cumulative paid dividends from launch to 31 December 2008 (per share)	<u>43.0</u>	<u>36.5</u>
Total return (net asset value plus cumulative dividends paid per share)	<u>115.8</u>	<u>118.4</u>
Final proposed distribution (per share) to be paid on 12 June 2009	<u>1.0</u>	<u>3.5</u>

## Performance summary for investors other than those investing at the Company's outset

Issue date	Issue price per Ordinary Share or equivalent (pence)	Income tax relief available on investment (%)	Net cost of investment per Ordinary share (pence)	NAV at 31 Dec 2008 per Ordinary share (pence)	Dividends received since issue per Ordinary share (pence)	Total return (pence)
Feb 1998 – Aug 1998	100.0	20%	80.0	72.8	43.0	115.8
Apr 2005 (C Shares)	149.5	40%	89.7	72.8	44.8	117.6
Apr 2006	68.9	40%	41.3	72.8	13.5	86.3
Apr 2008	92.0	30%	64.4	72.8	6.5	79.3
Jun 2008	91.4	30%	64.0	72.8	3.0	75.8
Elderstreet Millennium Venture Capital Trust plc (1996)	262.5	20%	210.0	72.8	173.0	245.8

All the above figures are expressed in terms of equivalence to one Ordinary Share.

## FINANCIAL CALENDAR

10 June 2009	Annual General Meeting
12 June 2009	Payment of final dividend
August 2009	Announcement of half yearly results

## DIRECTORS

**David Brock** (59) (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 & Spencer Plc. He is currently Chairman of Episys Limited and Jane Norman (Holdings) Limited and a non-executive director of the Puma VCTs.

**Hugh Aldous** (64) was managing partner of RSM Robson Rhodes LLP from 1987 to 1997 and was a partner of Grant Thornton UK LLP until his retirement in 2008. He is chairman of Melorio plc and The Eastern European Trust plc and is also a director of Henderson TR Pacific Investment Trust, Innospec Inc. (NASDAQ), Polar Capital Holdings PLC and a number of other companies, including Smart Education Limited. He has been a member of the Competition Commission and is also a non-executive director of Elderstreet Millennium Venture Capital Trust plc, which was acquired by Elderstreet VCT plc in 2008.

**Barry Dean** (59) is a chartered accountant, and has over 25 years experience in the private equity industry including 14 years as managing director of Dresdner Kleinwort Benson Private Equity Limited (now named Allianz Specialised Investment Limited). He is currently a director of New Star Private Equity Investment Trust Plc (a quoted investment trust investing in private equity) and of ProVen VCT plc. Barry is also an advisory committee member for Parallel Private Equity LLP and an adviser to an Italian private equity fund management business, and serves on the investment committee of Beamreach Capital LLP which invests in private equity.

**Michael Jackson** (59) founded Elderstreet Investments Limited in 1990 and is its executive chairman. For the past 20 years he has specialised in raising finance and investing in the smaller companies, quoted and unquoted, sector. From 1983 until 1987 he was a director and, from 1987 until 2006 was chairman, of FTSE 100 company, The Sage Group plc. He was also Chairman of PartyGaming plc, another FTSE 100 company. He is a director of, and investor in, many other quoted and unquoted companies, including Elderstreet portfolio companies, Snacktime plc and Kellan Group plc. Michael studied law at Cambridge University and qualified as a chartered accountant with Coopers and Lybrand before spending five years in marketing for various US multinational technology companies.

**Nicholas Lewis** (53) is a director of Downing Corporate Finance Limited, which he founded in 1986. Downing specialises in promoting and administrating tax-based investments, having raised more than £600 million since 1991. He is a director of a number of other venture capital trusts and an executive director of the managers of the Downing Protected VCTs. He was formerly with NatWest Ventures Limited and, before that, with Apax Partners & Co Limited.

All Directors are non-executive and, with the exception of Michael Jackson and Barry Dean, are independent of the Investment Manager.

## CHAIRMAN'S STATEMENT

It should come as no surprise that the deteriorating economic conditions have had some impact on your Company's performance over the second half of 2008, with the Company's Ordinary Share Total Return falling back to slightly below the level at which it stood at the start of the year.

During the year, the Company remained reasonably busy in terms of investment activity, undertook a small top-up fundraising, completed the targeted return of 30p per share to C Shareholders and converted its C Shares into Ordinary Shares.

### C Share conversion

In September 2008, the Company paid a dividend of 24p per C Share such that C Shareholders had then received the targeted total of 30p per share since the C Shares were first issued in 2005.

On 31 October 2008, following Shareholder approval of proposals to convert the C Shares into Ordinary Shares, all 1,488,078 C Shares in issue were converted into 995,648 Ordinary Shares of 5p each using a conversion rate of 0.6691 Ordinary Shares per C Share.

Following the conversion, the Company now has just one class of shares, which simplifies the Company's investment management, reporting and administration activities.

### Ordinary Share issue 2007/08 and 2008/09

The Company launched a small top-up share issue within the Ordinary Share pool in January 2008. 962,377 Ordinary Shares were issued at an average price of 91.9p per share. The total funds received under the offer were £885,000 with issue costs thereon of £49,000.

### Net Asset Value

At 31 December 2008, the Company's Net Asset Value per Ordinary Share ("Ordinary NAV") stood at 72.8p, a fall of 2.6p (3.2%) compared to the Ordinary NAV at the previous year end (after adjusting for the dividends of 6.5p per Ordinary Share paid during the year).

The total return to Shareholders who invested at varying times over the life of the Company is summarised on page 2 of this report.

### Venture capital investments

The Company made a number of new investments during the year and also achieved two significant investment exits.

The Company's investment in UM (Holdings) Limited, a provider of trenchless installation equipment, was sold to a trade buyer, generating a profit of £1.5 million against net original cost and £646,000 against the previous year end carrying value.

The other major disposal was the Company's holding in AIM-quoted software company, Mediasurface, which was the subject of a takeover offer. The final outcome gave the Company an uplift of £549,000 over the previous carrying value, although this was break-even against original cost.

In general, AIM-quoted investments within the portfolio performed badly in share price terms over the year, although the biggest disappointment within the portfolio arose late in the year with the failure of Oldbury Aluminium Alloys Group Limited. The company was a recycler and re-smelter of aluminium, but proved not to be resilient enough to withstand the extreme volatility in aluminium prices and demand during the latter parts of the year. The company's main trading subsidiary is now in administration and a full provision of £1.375 million has been made against the investment with no recovery expected.

Further commentary on the portfolio, together with a schedule of the additions, disposals and details of the largest investments by value, can be found within the Investment Manager's Report and Review of Investments on pages 6 to 12.

### Fixed interest investments

The Company continues to hold a small portfolio of fixed interest investments which are managed by Smith & Williamson Investment Management Limited. During the year this portfolio produced unrealised gains of £68,000 and realised gains of £2,000.



## CHAIRMAN'S STATEMENT (continued)

### Results and dividends

The loss on activities after taxation for the year was £859,000 (2007 return: £3,021,000), comprising a revenue return of £529,000 and a capital loss of £1,388,000.

Subject to Shareholder approval at the forthcoming Annual General Meeting ("AGM"), your Board is proposing to pay a final revenue dividend of 1.0p per share on 12 June 2009 to Shareholders on the register at 15 May 2009.

### Share buybacks

During the year, the Company repurchased 615,048 Ordinary Shares for cancellation at an average price of 75.3p per share and between 1 January 2008 and 31 October 2008, 54,124 C Shares were purchased for cancellation at an average price of 79.2p per share. These purchases were generally undertaken at a discount of approximately 10% to the latest published NAV.

The Company stated in the Offer Document published on 10 December 2008 in connection with the Share Offer mentioned below: "Elderstreet VCT has from time to time bought back its shares for cancellation. Elderstreet intends to continue to buy back its shares at a discount of approximately 10% to the last published NAV. The implementation of the buyback policy will be at the Board's discretion and subject to the Company's liquidity, stock market and other applicable regulations."

The Board, having considered the current climate, believes that the timing of any further realisations from the existing portfolio is uncertain but it is unlikely that any major realisations will take place in the short-term. In addition, your Board believes that it is not clear that the Company's current Share Offer will raise a significant level of new funds. For these reasons, the Board feels it must take a cautious approach to preserving the Company's liquid funds over the coming months and therefore it has decided not to undertake any further share buybacks at the current time. Shareholders should note that the Board intends to resume the policy of buying in shares in due course and will make a further announcement with the half-year results which are expected to be released in August 2009.

In order to give the Company the flexibility to resume share buybacks at an appropriate time, the Company is seeking to renew the authority for it to buy its own shares in the market. Resolution 7 will be put to the forthcoming AGM to seek this approval.

### Ordinary Share Offer 2008/09 and 2009/10

On 10 December 2008, the Company announced an Offer for Subscription covering the tax years 2008/09 and 2009/2010 to raise up to £2 million by the issue of further Ordinary Shares. As at the date of this report, the Company had allotted 1,862,390 Ordinary Shares at a price of approximately 74.7p per share under the Offer.

### Annual General Meeting

The next AGM of the Company will be held at 32 Bedford Row, London WC1R 4HE at 11:00 a.m. on 10 June 2009.

Notice of the meeting is at the end of this document. One item of Special Business is proposed to authorise the Company to make market purchases of its shares.

### Outlook

Despite some negative developments, the Board generally remains satisfied with the Company's investment portfolio. With the UK now in recession, all portfolio companies will face additional challenges. However, by continuing to take an active involvement in the underlying businesses, the Investment Manager can provide support in a variety of ways when it is most needed.

The Company also has a reasonable level of liquid funds available for new investment. With business valuations still falling, the optimum point in the economic cycle for investing may be approaching. New investment activities are always risky, particularly during difficult and unpredictable conditions. However, the Board supports the Investment Manager's view that good value opportunities are likely to start to appear over the next year or so.



**David Brock**  
Chairman

8 April 2009

## INVESTMENT MANAGER'S REPORT

During 2008, the investment team was active on both the portfolio and on new investments. As the economic environment deteriorated over the year we have concentrated even more on the existing portfolio to ensure that the companies have put in place defensive strategies in the face of increasingly tough trading conditions. In nine out of the top ten companies by value at 31 December 2008 we have at least one board seat and are actively involved with these businesses.

Follow on investments over £100,000 in value were made in five portfolio companies. These were in Wecomm Limited, supporting a larger investment round of £2.7 million led by a private family office; The Engine Group Limited in an £8 million round led by a large private equity investor; Snacktime plc in a £1million round raising further expansion capital; Smart Education Limited in a further funding with the founders for an acquisition and to take the business through to profitability; and Servoca plc in a £1.5 million round to fund further acquisitions.

During the year we sold three companies: UM Holdings Limited was sold for a profit of £1.5 million on cost; Mediasurface plc was sold to Alterian plc in a mixture of cash and shares realising 95% of cost. The sale is break-even against original cost, but it is a marked improvement on the position in March 2008 where the valuation was 20% of cost. Elderstreet was heavily involved with the sale process through its board representation. Halifax Industrials Limited was also sold recovering close to valuation.

Term sheets were issued to seven new potential investments. From these prospects we completed one new deal, acquiring a stake in an AIM-quoted company, Access Intelligence plc. The intention is to use the company as an acquisition vehicle to acquire further software companies. Elderstreet employed this strategy in a previous investment, Computer Software Group plc, where the VCT made a profit of £2.5 million. We have two board seats and have already made the first acquisition. The reduced valuation on cost in the accounts is a reflection of the bid to offer spread in the market.

Unfortunately, the main trading subsidiary of the Oldbury Aluminium Alloys Group Limited was placed into administration in the autumn. This followed a dramatic reduction in demand for its products from its customers who principally supplied the automotive industry and the extreme volatility of related commodity prices. After careful review we decided not to invest further in the business.

The current outlook for AIM and FTSE quoted stock is generally more difficult. Share prices have been severely affected by the general downturn. Our largest quoted investment is in Snacktime plc which represents 56% of the listed portfolio. Here we have two board seats. Snacktime recently raised further capital to fund its growth.

So far the lack of funding in the financial system has had relatively little effect on our largest investments. Of the top ten investments only one has a large external debt position which is well covered by earnings and comfortably within its banking covenants.

Finally, we believe that the current downturn will result in some good opportunities to invest at realistic prices. While we are in no rush to invest the economic climate should form the basis of some good investments in the coming year.

**Elderstreet Private Equity Limited**

8 April 2009

## REVIEW OF INVESTMENTS

### Portfolio of investments

The following investments were held at 31 December 2008. All companies are registered in England and Wales, with the exception of Component Source Inc, which is registered in the United States of America:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
<b>Top ten venture capital investments</b>				
Wessex Advanced Switching Products Limited	60	2,673	873	17.2%
Snacktime plc *	1,725	1,971	(673)	12.7%
Lyalvale Express Limited	915	1,027	112	6.6%
Baldwin & Francis (Holdings) Limited	690	1,020	(300)	6.6%
Smart Education Limited	1,403	985	32	6.3%
Wecomm Limited	850	745	(105)	4.8%
The Engine Group Limited	600	726	-	4.7%
Fords Packaging Systems Limited	83	542	-	3.5%
Access Intelligence plc *	633	460	(173)	3.0%
AngloINFO Limited	328	328	-	2.1%
	<u>7,287</u>	<u>10,477</u>	<u>(234)</u>	<u>67.5%</u>
<b>Other venture capital investments</b>				
Mears Group plc *	264	296	36	1.9%
Interquest Group plc *	351	223	(319)	1.5%
Cashfac Initiative Limited	260	197	164	1.3%
Servoca plc *	350	190	(250)	1.2%
Sift Limited	250	187	-	1.2%
The QSS Group Limited	268	135	(35)	0.9%
Melorio plc *	200	126	(84)	0.8%
Rosebowl plc	188	125	-	0.8%
NorthWest Transport Supplies Limited	101	101	-	0.6%
Veterinary Practice Initiatives Limited	100	100	-	0.6%
The Kellan Group plc (formerly Berkeley Scott Group)*	657	75	(120)	0.5%
Infoserve plc *	150	73	17	0.5%
Alterian plc *	125	57	(68)	0.3%
SparesFinder Limited	103	12	-	0.1%
Expansys plc *	202	10	(95)	0.1%
Lanchon Holdings Limited	7	7	-	-
Oldbury Aluminium Alloys Group Limited	1,375	-	(1,375)	-
Business Meetings ASP Limited	12	-	-	-
Component Source Inc	250	-	-	-
The National Solicitors Network Limited	901	-	(150)	-
	<u>6,114</u>	<u>1,914</u>	<u>(2,279)</u>	<u>12.3%</u>
<b>Listed fixed income securities</b>				
Treasury 8% Stock 2013	1,421	1,484	62	9.6%
Treasury 4% Stock 2009	936	962	10	6.2%
Nucleus Cash Trust	341	337	(4)	2.2%
	<u>2,698</u>	<u>2,783</u>	<u>68</u>	<u>18.0%</u>
	<u>16,099</u>	<u>15,174</u>	<u>(2,445)</u>	<u>97.8%</u>
Cash at bank and in hand		348		2.2%
<b>Total investments</b>		<u>15,522</u>		<u>100.0%</u>

All venture capital investments are unquoted unless otherwise stated

\* Quoted on AIM

## REVIEW OF INVESTMENTS (continued)

### Investment movements for the year ended 31 December 2008

#### ADDITIONS

	£'000
<b>New investments</b>	
Access Intelligence plc	633
Alterian plc	282
	<u>915</u>
<b>Follow on investments</b>	
AngloINFO Limited	5
MediaSurface plc	34
Servoca plc	200
Smart Education Limited	351
Snacktime plc	100
The Engine Group Limited	350
Wecomm Limited	250
Wessex Advanced Switching Products Limited	4
	<u>1,294</u>
<b>Listed fixed income securities</b>	
Nucleus Cash Trust	197
Treasury 8% Stock 2013	1,421
	<u>1,618</u>
	<u>3,827</u>

#### DISPOSALS

	Cost £'000	MV at 31/12/07* £'000	Proceeds £'000	Profit/ (loss) vs cost £'000	Realised gain/ (loss) £'000
<i>Full disposals</i>					
MediaSurface plc	823	274	823	-	549
Halifax Industrial Limited	331	320	320	(11)	-
UM Holdings Limited	54	915	1,561	1,507	646
<i>Partial disposals</i>					
Alterian plc	157	157	151	(6)	(6)
<i>Liquidation</i>					
Shopcreator Limited	375	-	-	(375)	-
<i>Retention monies from prior disposals</i>	-	-	16	16	16
<i>Listed fixed income securities</i>					
Nucleus Cash Trust	1	1	1	-	-
Treasury 5% Stock 2008	1,469	1,470	1,470	1	-
Treasury 4% Stock 2009	520	533	535	15	2
	<u>3,730</u>	<u>3,670</u>	<u>4,877</u>	<u>1,147</u>	<u>1,207</u>

\* Adjusted for purchases in the year

## REVIEW OF INVESTMENTS (continued)

Further details of the ten largest venture capital investments are as follows:

### Wessex Advanced Switching Products Limited



Cost:	£60,000	Latest accounts:	31/12/2007
Investment comprises:		Turnover:	£8.8 million
Ordinary shares:	£60,000	Profit before tax:	£1.4 million
		Net assets:	£2.8 million
Valuation method:	Earnings multiple		
Valuation at 31/12/08:	£2,673,000	Market capitalisation:	N/A
Valuation at 31/12/07:	£1,796,000	Proportion of equity held:	28.3%

Based in Hampshire, the company manufactures rotary switches for military communications systems, membrane switches and touch screens for electronic control panels. It is a leading specialist in the supply of control systems for premium airline seats.

[www.waspswitches.co.uk](http://www.waspswitches.co.uk)

### Snacktime plc



Cost:	£1,725,000	Latest audited accounts:	31/03/2008
Investment comprises:		Turnover:	£3.8 million
Ordinary shares:	£1,325,000	Profit before tax:	£123,000
Loan stock:	£400,000	Net assets:	£4.1 million
Equity valuation method:	Bid Price		
Loan stock valuation method:	Recent investment		
Valuation at 31/12/08:	£1,971,000	Market capitalisation:	£7.1 million
Valuation at 31/12/07:	£2,543,000	Proportion of equity held:	25.1%

Based in Wokingham, Snacktime was established in 2001 to provide agreement-free vending machines to sites with insufficient potential to support traditional large machines. The Company provided development capital to support its expansion. It has enabled Snacktime to develop a national network to support vending machines dispensing snacks, confectionary and soft drinks located primarily in businesses on retail parks. Snacktime floated on AIM on 19 December 2007.

[www.snacktimeuk.co.uk](http://www.snacktimeuk.co.uk)

### Lyalvale Express Limited



Cost:	£915,000	Latest audited accounts:	29/03/2008
Investment comprises:		Turnover:	£7.5 million
Ordinary shares:	£915,000	Profit before tax:	£965,000
		Net assets:	£4.2 million
Valuation method:	Earnings multiple		
Valuation at 31/12/08:	£1,027,000	Market capitalisation:	N/A
Valuation at 31/12/07:	£915,000	Proportion of equity held:	19.0%

Lyalvale, based near Lichfield, is a leading UK manufacturer of shotgun cartridges, serving the clay, target and game shooting markets in the UK and overseas. It offers a comprehensive range of over 30 cartridge types developed to maximise the potential in all shots.

[www.lyalvaleexpress.com](http://www.lyalvaleexpress.com)

### Baldwin & Francis (Holdings) Limited




Cost:	£690,000	Latest audited accounts:	27/03/2008
Investment comprises:		Turnover:	£18 million
Ordinary shares:	£170,000	Profit before tax:	£560,000
Loan stock:	£520,000	Net assets:	£1.1 million
Valuation method:	Earnings multiple		
Valuation at 31/12/08:	£1,020,000	Market capitalisation:	N/A
Valuation at 31/12/07:	£1,320,000	Proportion of equity held:	30%

Baldwin and Francis is a specialist switch gear manufacturer which designs and supplies products which meet international flameproof standards in the mining, petrochemical and process industries. The majority of its sales are to export markets.


[www.baldwinandfrancis.com](http://www.baldwinandfrancis.com)

## REVIEW OF INVESTMENTS (continued)

<b>Smart Education Limited</b>  	Cost:	£1,403,000	Latest audited accounts:	31/12/2007
	Investment comprises:		Turnover:	£3.8 million
	Ordinary shares:	£90,000	Loss before tax:	(£500,000)
	Loan stock:	£1,313,000	Net liabilities:	(£1.6 million)
	Valuation method:	Provision	Market capitalisation:	N/A
	Valuation at 31/12/08:	£985,000	Proportion of equity held:	30.8%
	Valuation at 31/12/07:	£603,000		


www.smartteachers.co.uk

Smart provides both temporary and permanent staff to schools in the Greater London area. The business has grown steadily since it was established in 2005 and it received further funding in 2008 to support small acquisition.

<b>Wecomm Limited</b>  	Cost:	£850,000	Latest audited accounts:	31/03/2008
	Investment comprises:		Turnover:	£1.8 million
	Ordinary shares:	£850,000	Loss before tax:	(£2.2 million)
	Valuation method:	Price of recent investment	Net assets:	£283,000
	Valuation at 31/12/08:	£745,000	Market capitalisation:	N/A
	Valuation at 31/12/07:	£600,000	Proportion of equity held:	5.9%


www.wecomm.com

Wecomm manufactures software for high performance mobile applications. Wecomm combines interactive mobile TV and music, infotainment and sports portals, betting and gaming and transactional applications into scalable, converged media experiences. Its customers include Sky, Turner Broadcasting, News International and Real Networks.

<b>The Engine Group Limited</b>  	Cost:	£600,000	Latest audited accounts:	31/12/2007
	Investment comprises:		Turnover:	£68 million
	Ordinary shares:	£600,000	Profit before tax:	£2.1 million
	Valuation method:	Price of recent investment	Net assets:	£17 million
	Valuation at 31/12/08:	£726,000	Market capitalisation:	N/A
	Valuation at 31/12/07:	£375,000	Proportion of equity held:	0.8%

www.theenginegroup.com


The Engine Group is the UK's largest privately-owned integrated marketing communications agency. Based in London it has pursued an aggressive acquisition strategy to build its business.

<b>Fords Packaging Systems Limited</b>  	Cost:	£83,000	Latest audited accounts:	30/06/2008
	Investment comprises:		Turnover:	£8.2 million
	Ordinary shares:	£83,000	Profit before tax:	£408,000
	Valuation method:	Earnings multiple	Net assets:	£1.5 million
	Valuation at 31/12/08:	£542,000	Market capitalisation:	N/A
	Valuation at 31/12/07:	£542,000	Proportion of equity held:	25.0%

www.fords-packsys.co.uk


Based in Bedford, Fords 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. It also acts as the UK distributor for a number of Continental European end of line and packaging machinery manufacturers.

## REVIEW OF INVESTMENTS (continued)

<p><b>Access Intelligence plc</b></p> 	Cost:	£633,000	Latest audited accounts:	30/11/2007
	Investment comprises:		Turnover:	£4.1 million
	Ordinary shares:	£633,000	Loss before tax:	(£478,000)
			Net assets:	£7.7 million
	Valuation method:	Bid price		
	Valuation at 31/12/08:	£460,000	Market capitalisation:	£4.4 million
Valuation at 31/12/07:	Not held	Proportion of equity held:	14.4%	

Access Intelligence is a group of software and computer services companies delivering a range of business critical support services to private and public sector organisations. 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.

[www.theenginegroup.com](http://www.theenginegroup.com)

<p><b>AngloINFO Limited</b></p> 	Cost:	£328,000	Latest audited accounts:	31/12/2007
	Investment comprises:		Turnover:	£594,000
	Ordinary shares:	£328,000	Loss before tax:	(£415,000)
			Net assets:	£52,000
	Valuation method:	Price of recent investment		
	Valuation at 31/12/08:	£328,000	Market capitalisation:	N/A
Valuation at 31/12/07:	£245,000	Proportion of equity held:	13.9%	

Anglo Info is an online media company providing local business directory, classified advertising and information services in the English language at [www.angloinfo.com](http://www.angloinfo.com). Anglo Info is the world's top network of websites for English-speakers living abroad. It operates in many regions of countries around the world providing vital support and information to the local international communities.

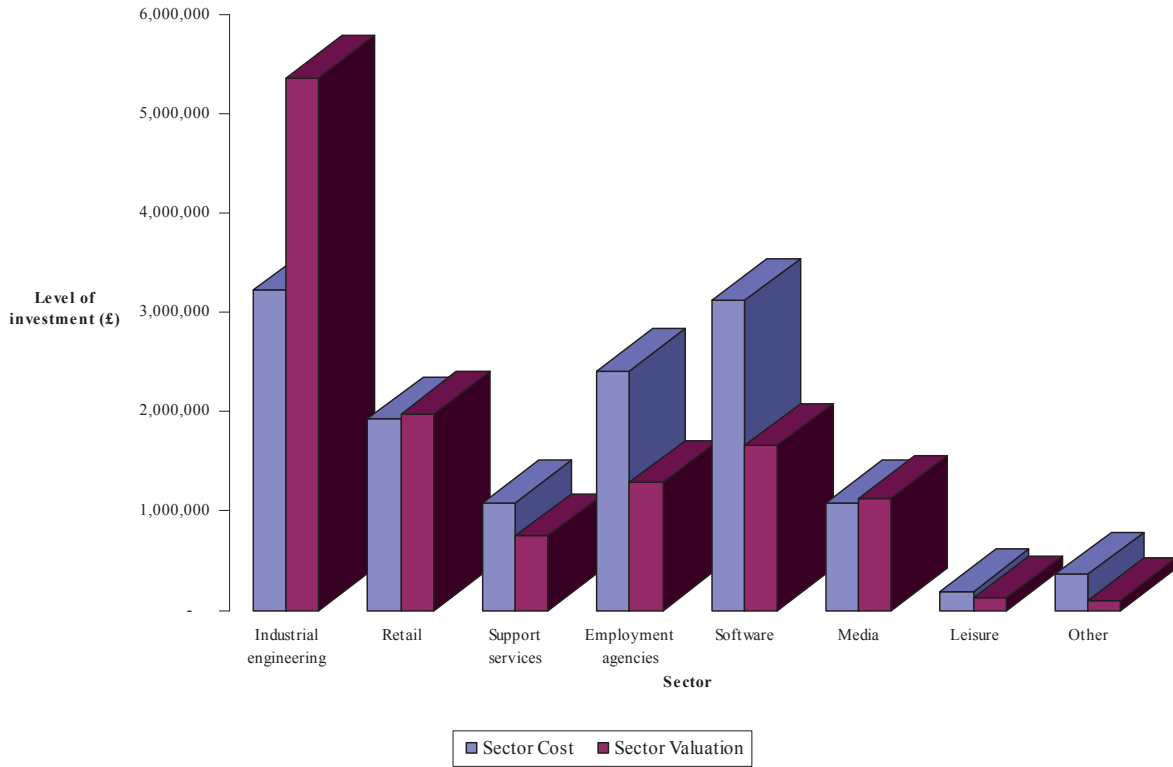
[www.angloinfo.com](http://www.angloinfo.com)

## REVIEW OF INVESTMENTS (continued)

### Analysis of investments by commercial sector

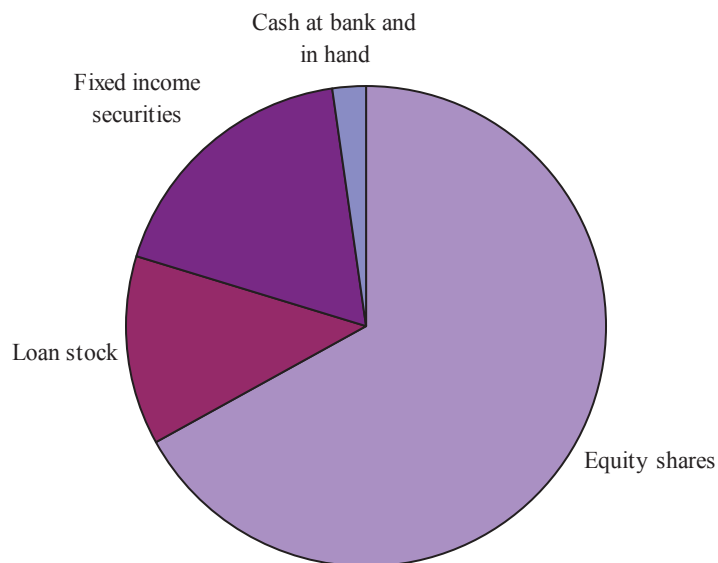
The split of the venture capital investment portfolio by commercial sector (by cost and by value at 31 December 2008) is as follows:

Spread of Investments by Sector



### Analysis of investments by type:

The following chart summarises the investment portfolio by type of instrument held (by value at 31 December 2008):





## REPORT OF THE DIRECTORS

The Directors present the Annual Report and Financial Statements of the Company for the year ended 31 December 2008.

### Principal activity and status

The Directors initially obtained provisional approval for the Company to act as a venture capital trust from HM Revenue & Customs and have continued to meet the standards set out by HM Revenue & Customs.

The Company revoked its status as an investment company on 26 October 2000 upon the payment of a capital distribution. However, the Directors consider that the Company has conducted its affairs in a manner to enable it to continue to comply with Part 6 of the Income Tax Act 2007.

The Company has no employees other than the Directors.

### Business review and developments

Worsening economic conditions have had a negative impact on the Company's portfolio of investments during the year, with valuations falling by £1.9 million. Disposals during the year produced realised gains of £1.2 million, reducing the net loss on investments to £1,238,000 for the year.

The Company's business and developments during the year are reviewed further in the Chairman's Statement, the Investment Manager's Report and the Review of Investments.

### Share capital

In accordance with the Company's policy as discussed in the Chairman's Statement, during the year the Company purchased 615,048 Ordinary Shares for cancellation for an aggregate consideration of £463,000 being an average price of 75.3p per Ordinary Share of 5p each (approximately equal to a 10% discount to the most recently published NAV at the time of purchase) and representing 3.0% of the issued Ordinary Share capital held at 1 January 2008. In addition, the Company purchased 54,124 C Shares for cancellation for an aggregate price of 79.2p per C Share of 5p each (approximately equal to a 10% discount to the most recently published NAV at the time of purchase) and representing 3.5% of the issued C Share capital held at 1 January 2008.

Between 4 April 2008 and 2 June 2008, the Company allotted 962,377 Ordinary Shares of 5p each, under the terms of a prospectus dated 4 February 2008, at an average price of 91.9p per share, with gross proceeds received thereon of £885,000. Issue costs in respect of the offer amounted to £49,000.

On 31 October 2008, 1,488,078 C Shares of 5p each in issue were converted into 995,648 Ordinary Shares of 5p each using a conversion rate of 0.6691 Ordinary Shares for every one C Share held.

At the year end the Company had 21,570,481 Ordinary Shares of 5p each in issue. There are no other share classes in issue.

### Results and distributions

	£'000	Pence per share
Loss for the year	<u>859</u>	4.2p

During the year the Company paid an interim dividend of 3.0p per Ordinary Share, comprising 1.5p revenue and 1.5p capital dividend, on 26 September 2008. On the same day, the Company paid an interim capital dividend of 24.0p per C Share.

Your Company is proposing to pay a final revenue dividend of 1.0p per Ordinary share on 12 June 2009 to Shareholders on the register at 15 May 2009.

### Performance incentive fees

Performance incentive fees payable to Elderstreet Private Equity Limited and the Directors will not be triggered until dividend payments, and/or distributions equivalent to not less than 8% per annum (compound) on each share, have been paid and net assets per share are £1 or more. These fees will be 15% of the grossed up amount of any dividend and/or capital distribution that would have been paid to Shareholders save for such fees. The performance incentive fees have been calculated in respect of the year under review, and, as the targets have not been met, no fee is due to be paid for the year ended 31 December 2008. It will be recalculated for the year ended 31 December 2009, and annually thereafter, following approval of the audited accounts by Shareholders.

Elderstreet Private Equity Limited will be entitled to 50% of the performance incentive fees and the Directors of the Company are entitled to the other 50% of the performance incentive fees.

### Investment policy

The Company aims to invest at least 70% of its funds in qualifying holdings and up to 30% in fixed interest securities, and therefore has a maximum exposure to such investments of 100%.

## REPORT OF THE DIRECTORS (continued)

### Investment policy (continued)

The Company will continue to invest predominantly in unquoted companies which 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.)
- A strong, balanced and well motivated management team.
- Investments which, where appropriate, include loan stock and preference shares to enhance the security of the portfolio and to provide income.
- Investments where Elderstreet Private Equity Limited can typically act as lead investor and have an active involvement in the business through a board position.

### Unquoted investments

It is the Directors' intention that qualifying investments 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 qualifying investments will be established businesses requiring development finance or funding for management buy-outs or buy-ins. 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.

In order to enhance the security of the portfolio and to provide income, the Company's investments may include, where appropriate, loan stock and preference shares.

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

The Investment 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.

### AIM quoted 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.

### Fixed income securities

The approach adopted by Smith & Williamson Investment Management Limited in respect of the fixed income securities will be to concentrate on the short-dated fixed interest securities of high credit quality to provide protection for the capital invested. Accordingly, it is intended that the fixed income securities will principally consist of financial instruments and fixed income securities issued by the UK Government, major companies and institutions.

### 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. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares" ("eligible shares" generally being ordinary share capital);
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. A maximum unit size of £1 million in each VCT qualifying investment (per tax year).

## REPORT OF THE DIRECTORS (continued)

### Investment policy (continued)

#### 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 credit of the consolidated reserves of the Company and its subsidiary.

At 31 December 2008, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £1,626,278. There are no plans to utilise this ability at the current time.

#### Environmental and social policy

As a VCT with all of its executive and administrative activities delegated to third parties, the Company does not have a policy on either environmental or social and community issues.

#### Investment management fees

Elderstreet Private Equity Limited provides investment advisory services to the Company in respect of venture capital investments for a fee of 2.0% of net assets per annum less the annual fee due to Downing Management Services Limited.

Elderstreet Private Equity Limited is also entitled to 50% of any performance incentive fee that becomes payable. The management agreement, originally entered into on 30 January 1998 for a fixed period of five years, is terminable by one year's prior written notice by either side.

The Board is pleased with the performance of the Company and is satisfied with Elderstreet Private Equity Limited's strategy, approach and procedures in providing investment management services to the Company. The Directors have therefore concluded that the continuing appointment of Elderstreet Private Equity Limited as investment manager remains in the best interest of Shareholders.

#### Administration management fees

Downing Management Services Limited provides administration services to the Company for a fee of 0.6% (excluding VAT) of net assets per annum subject to a maximum of £60,000 per annum (plus VAT). The administration agreement, originally entered into on 30 January 1998 for a fixed period of five years, is terminable by one year's prior written notice by either side.

### Fixed interest investment management

Smith & Williamson Investment Management Limited provides investment management services to the Company in respect of fixed income securities for a fee of 0.15% per annum (plus VAT) of the amount invested in fixed income securities subject to a maximum of £10,000 per annum (plus VAT).

### Annual running costs cap

The Company's annual running costs are capped at 3.5% of the Net Assets. Any excess will be paid by Elderstreet Private Equity Limited and Downing Management Services Limited pro-rata to their respective fees received for investment management and administration respectively.

### Directors

The Directors of the Company during the year and their beneficial interests in the share capital of the Company, at each year end, were as follows:

Director	31 Dec 2008	31 Dec 2007	
	Ordinary Shares	Ordinary Shares	C Shares
Hugh Aldous	20,000	20,000	-
David Brock	100,000	100,000	-
Barry Dean	6,841	-	10,225
Michael Jackson	638,617	390,323	204,500
Nicholas Lewis	50,000	50,000	-

At the date of this report the Directors holdings were as follows:

Director	Ordinary Shares
Hugh Aldous	20,000
David Brock	100,000
Barry Dean	20,627
Michael Jackson	776,485
Nicholas Lewis	50,000

Hugh Aldous and Nicholas Lewis will retire by rotation and, being eligible, will both offer themselves for re-election at the forthcoming AGM. The remainder of the Board feel they have made valuable contributions to the VCT during the terms of their appointment and remain committed to their roles. The Board therefore recommends Shareholders to re-elect both Directors at the forthcoming AGM.

Each of the Directors has entered into a consultancy agreement which is terminable on three months notice by either side. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires and their powers are bound by the Company's Articles of Association. Appointments of new Directors to the Board are considered by all existing Directors as, and when, required.

## REPORT OF THE DIRECTORS (continued)

### Directors (continued)

The Company provides Directors' and Officers' liability insurance, giving appropriate cover for legal action brought against its Directors, and has also agreed to indemnify Directors in circumstances where they are not considered to be culpable. The indemnity, which is a qualifying third party indemnity provision for the purpose of the Companies Act, is for the benefit of all of the Company's current Directors.

### VCT status

The Company has retained PricewaterhouseCoopers LLP to advise it on compliance with VCT requirements, including evaluation of investment opportunities and regular review of the portfolio. Although PricewaterhouseCoopers work closely with the Investment Manager, they report directly to the Board.

	<b>Compliance as at 31 Dec 2008/ Year ended 31 Dec 2008</b>
1. The Company holds at least 70% of its investments in qualifying companies	78.7%
2. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares"	71.9%
3. At least 10% of each investment in a qualifying company is held in "eligible shares"	Complied
4. No investment constitutes more than 15% of the Company's portfolio;	Complied
5. The Company's income for each financial year is derived wholly or mainly from shares and securities;	91.6%
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;	0.1%
7. A maximum unit size of £1 million in each VCT qualifying investment (per tax year).	Complied

### Creditor payment policy

The Company's payment policy is to pay creditors within thirty days of receipt of an invoice except where other terms have been agreed. The Company did not have any trade creditors at the year end (2007: None).

### Key performance indicators

The main key performance indicators for the Company are the Venture Capital Trust Regulations as shown in the table above. The Investment and Administration Managers together with PricewaterhouseCoopers LLP review compliance with the regulations monthly, and the Board reviews the position at the quarterly Board Meetings.

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in meeting its investment policy (as shown on page 13). The Board believes the Company's key performance indicators, for comparison against similar VCTs, are Net Asset Value Total Return (NAV plus cumulative dividends paid to date) and dividends per share (see page 2).

In addition, the Board considers the Company's performance in relation to other VCTs. The Company has joined the Association of Investment Companies (AIC), and it is hoped that the AIC's monthly performance statistics will provide a further measure of comparative performance.

### Principal risks and uncertainties

The principal financial risks faced by the Company, which include interest rate, market price, credit and liquidity risks, are summarised within note 20 to the financial statements.

In addition to these risks, the Company, as a fully listed Company on the London Stock Exchange and as a Venture Capital Trust, operates in a complex regulatory environment and therefore faces a number of related risks. A breach of the VCT Regulations could result in the loss of VCT status and consequent loss of tax reliefs currently available to Shareholders and the Company being subject to capital gains tax. Serious breaches of other regulations, such as the UK Listing Authority Listing Rules and the Companies Act could lead to suspension from the Stock Exchange and damage to the Company's reputation.

The Board reviews and agrees policies for managing each of these risks. They receive quarterly reports from the Investment and Administration Managers ("the Managers") which monitor the compliance of these risks, and place reliance on the Managers to give updates in the intervening periods. These policies have remained unchanged since the beginning of the financial period.

## REPORT OF THE DIRECTORS (continued)

### Independent Auditor

A resolution to re-appoint PKF (UK) LLP as the Company's Auditor will be proposed at the forthcoming Annual General Meeting.

### Annual General Meeting

The Annual General Meeting will be held at 32 Bedford Row, London WC1R 4HE at 11.00 a.m. on 10 June 2009. The Notice of the Annual General Meeting and Form of Proxy are at the end of this document.

### Substantial interests

As at 31 December 2008 the Company was not aware of any beneficial interest exceeding 3 per cent of the issued Ordinary Share capital.

Following an allotment of shares on 2 April 2009, at the date of this report Michael Jackson, a Director, now has a beneficial interest of 3.3% in the Ordinary Share capital of the Company.

### Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements. They also confirm that the annual report includes a fair review of the development and performance of the business together with a description of the principal risks and uncertainties faced by the Company. The Directors of the Company as at 31 December 2008 are shown on page 15 of the Annual Report and Accounts.

The Directors are responsible for ensuring that the Company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information relating to the Company included on the Manager's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

### Corporate Governance

The Company's compliance with, and departures from, the Financial Reporting Council's Combined Code on Corporate Governance June 2006 ([www.frc.org.uk](http://www.frc.org.uk)) is shown on pages 20 and 21.

### Statement as to disclosure of information to Auditors

The Directors in office at the date of the report have confirmed, as far as they are aware, that there is no relevant audit information of which the Auditors are unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditor.

By order of the Board



### Grant Whitehouse

Secretary  
Kings Scholars House  
230 Vauxhall Bridge Road  
London SW1V 1AU

8 April 2009

## DIRECTORS' REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. A resolution to approve this report will be put to the members at the Annual General Meeting to be held on 10 June 2009.

Under the requirements of Schedule 7A, the Company's Auditors are required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Auditors' Report on page 22.

### Directors' remuneration policy

Directors' remuneration is calculated in accordance with the Company's Articles of Association as follows:

- The Directors shall be paid out of the funds of the Company by way of fees for their services an aggregate sum not exceeding £1,000,000 per annum. The Directors shall also receive by way of additional fees such further sums (if any) as the Company in General Meeting may from time to time determine. Such fees and additional fees shall be divided among the Directors in such proportion and manner as they may determine and in default of determination equally.
- The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors including any expenses incurred in attending Meetings of the Board or of Committees of the Board or General Meetings and if in the opinion of the Directors it is desirable that any of their number should make any special journeys or perform any special services on behalf of the Company or its business, such Director or Directors may be paid reasonable additional remuneration and expenses as the Directors may from time to time determine.

Directors' remuneration, as shown in the following table, is set at a level designed to reflect the time commitment and the high level of responsibility borne by the non-executive directors and should be broadly comparable with those paid by similar companies.

### Service contracts

Each of the Directors has signed consultancy agreements with the Company which specify a notice period of three months.

### Performance incentive fees (audited)

The Directors are entitled to performance incentive fees in the following proportions:

	2008	2007
Hugh Aldous	10.0%	8.33%
David Brock	10.0%	8.33%
Barry Dean	10.0%	8.33%
Michael Jackson	10.0%	8.33%
Luke Johnson	n/a	8.33%
Nicholas Lewis	10.0%	8.33%

Performance incentive fees payable to Elderstreet Private Equity Limited and the Directors will not be triggered until dividend payments, and/or distributions equivalent to not less than 8% per annum (compound) on each share have been paid and net assets per share are £1 or more. These fees will be 15% of the grossed up amount of any dividend and/or capital distribution that would have been paid to Shareholders save for such fees.

Elderstreet Private Equity Limited will be entitled to 50% of the performance incentive fees and the Directors of the Company are entitled to the other 50% of the performance incentive fees.

As stated in the Directors' Report, the performance targets for the year ended 31 December 2008 have not been met and as such no performance incentive fees are due.

### Directors' remuneration (audited)

Directors' remuneration for the year under review was as follows:

	Current Annual Fee *	2008 Annual fee	2007 Annual fee
Hugh Aldous	£10,000	£10,000	£8,333
David Brock	£15,000	£15,000	£15,000
Barry Dean	£10,000	£10,000	£10,000
Michael Jackson	£10,000	£10,000	£10,000
Luke Johnson	n/a	n/a	£7,938
Nicholas Lewis	£10,000	£10,000	£10,000
	<u>£55,000</u>	<u>£55,000</u>	<u>£61,271</u>

\* The maximum annual fee excludes any performance fee due.

No other emoluments, pension contributions or life assurance contributions were paid by the Company to, or on behalf of, any Director. The Company does not have any share options in place.

### 2009 Remuneration

The remuneration for the forthcoming year will be based on the current annual fee as highlighted in the above table.

## DIRECTORS' REMUNERATION REPORT (continued)

### Performance graph

The chart below shows the performance of the Ordinary Shares since launch. The chart shows NAV Total Return (Net Asset Value plus reinvested dividends) and Share Price Total Return (share price plus reinvested dividends) against the FTSE AIM All Share Index. All series have been rebased to 100 at launch date. The FTSE AIM All Share Index has been chosen as it is considered to be the closest match of publicly available indices to the spread of investments held by the Company.

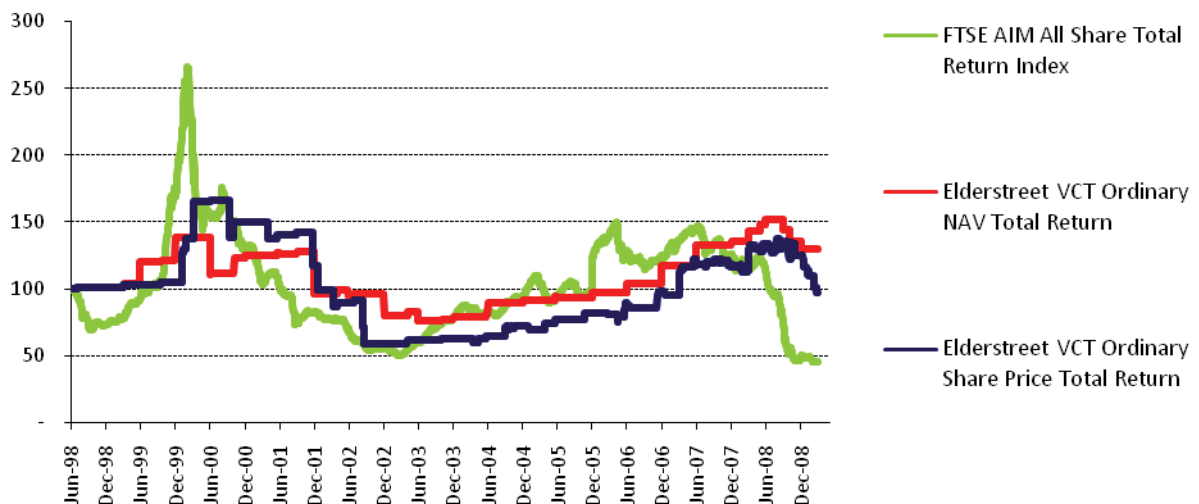
By order of the Board



**Grant Whitehouse**  
Secretary  
Kings Scholars House  
230 Vauxhall Bridge Road  
London SW1V 1AU

8 April 2009

Elderstreet VCT plc - Ordinary Share Performance



## CORPORATE GOVERNANCE

The Directors support the relevant principles of the Combined Code being the principles of good governance and the code of best practice.

### The Board

The Company has a Board comprising of five non-executive Directors. The Chairman and senior independent Director is David Brock. Biographical details of all Board members (including the significant commitments of the Chairman) are shown on page 3.

Directors are subject to re-election at the first AGM after their appointment and by rotation thereafter. In accordance with the Combined Code, two Directors were re-elected during the year. Two Directors are offering themselves for re-election at the next AGM.

Full Board meetings take place quarterly and the Board meets more regularly to address specific issues including considering recommendations from the Investment Manager, making all decisions concerning the acquisition or disposal of investments, and periodically reviews the terms of engagement of all third party advisers (including Investment Manager and Administration Manager). The Board has a formal schedule of matters specifically reserved for its decision.

All the members of the Board attended each full Board meeting held during the year, with the exception of Michael Jackson and Nicholas Lewis who were absent from one meeting.

The Board has also established procedures whereby Directors wishing to do so in the furtherance of their duties may take independent professional advice at the Company's expense.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary provides the Board with full information on the Company's assets and liabilities and other relevant information requested by the Chairman, in advance of each Board meeting.

As the Company has a small Board of non-executive Directors, all Directors sit on the Nomination Committee and Remuneration Committee. David Brock and Hugh Aldous sit on the Audit Committee. Committee meetings are held in conjunction with the Board meetings. The Chairman of each committee is David Brock. All committees have defined terms of reference and duties.

### Audit Committee

The Audit Committee is responsible for reviewing the half yearly and annual accounts before they are presented to the Board, the terms of appointment of the Auditors, together with their remuneration, as well as a full review of the effectiveness of the Company's internal control and risk management systems.

Any non-audit services provided by the Auditors are reviewed and approved by the Committee prior to being undertaken, to ensure that Auditor objectivity and independence is safeguarded. The Committee is satisfied with the performance of the Auditors and recommends to Shareholders that they be re-appointed as Auditors for the forthcoming year.

The Committee met twice during the year. They reviewed the internal financial control memorandum during the period. They also considered the need for an internal Audit function and concluded that this function would not be an appropriate control for a venture capital trust.

As the Company has had no staff, other than directors, there are no procedures in place in respect of C3.4 of the Combined Code, relating to whistle blowing. The Audit Committee understands that the Investment Manager and Administration Manager have whistle blowing procedures in place.

### Nomination Committee

The Nomination Committee's primary function is to make recommendations to the Board on all new appointments and also to advise generally on issues relating to the Board composition and balance. The Committee meets as and when required.

### Remuneration Committee

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

### Relations with Shareholders

Shareholders have the opportunity to meet the Board at the AGM. The Board is also happy to respond to any written queries made by Shareholders during the course of the year.

In addition to the formal business of the AGM, representatives of the management team and the Board are available to answer any questions a Shareholder may have.



## CORPORATE GOVERNANCE (continued)

### Relations with Shareholders (continued)

Separate resolutions are proposed at the AGM on each substantially separate issue. Downing Management Services Limited collates proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM.

In order to comply with the Combined Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called, and are published immediately following the AGM.

The notice of the next AGM and proxy form can be found at the end of these financial statements.

The terms of reference of the Committees and terms and conditions of appointment of non-executive Directors are available to Shareholders upon request.

### Financial reporting

The Directors' statement of responsibilities for preparing the accounts is set out in the Directors' Report on page 17, and a statement by the Auditors about their reporting responsibilities is set out in the Auditors' Report on page 22.

### Internal control

The Board has adopted an Internal Control Manual ("Manual") for which they are responsible, which has been compiled in order to comply with the Combined Code. The Manual is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, which it achieves by detailing the perceived risks and controls to mitigate them. The Board reviews the perceived risks in line with relevant guidance on an annual basis and implements additional controls as appropriate.

The Board is responsible for ensuring that the procedures to be followed by the advisers and themselves are in place, and review the effectiveness of the Manual, based on the report from the Audit Committee, on an annual basis to ensure that the controls remain relevant and were in operation throughout the year.

Although the Board is ultimately responsible for safeguarding the assets of the Company, the Board has delegated, through written agreements, the day-to-day operation of the Company (including the Financial Reporting Process) to the following advisers:

<i>Venture Capital Investment</i>	Elderstreet Private Equity Limited
<i>Administration</i>	Downing Management Services Limited
<i>Fixed Interest Investment</i>	Smith & Williamson Investment Management Limited

### Going concern

The Directors are satisfied that, as at the date of this report, the Company has adequate resources to continue in business for the foreseeable future. For this reason they believe that the Company continues to be a going concern and that it is appropriate to continue to apply the going concern basis in preparing the financial statements.

### Compliance statement

The Listing Rules require the Board to report on compliance with the forty-eight Combined Code provisions throughout the accounting period. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 31 December 2008 with the provisions set out in Section 1 of the Combined Code:

- a) New directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. Also the Company has no major Shareholders so Shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than at the Annual General Meeting. (A5-1, A3-3)
- b) The non-executive Directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts. (B1-6) The Directors do have consultancy agreements in place.
- c) Due to the size of the Board, a formal performance evaluation of the Board, its committees, the individual Directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise. (A6, A7-2)

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ELDERSTREET VCT PLC

We have audited the financial statements of Elderstreet VCT plc for the year ended 31 December 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information in the Directors' Report includes that specific information presented in the Chairman's Statement, Investment Management Report and Review of Investments that is cross referenced from the business review section of the Directors' Report. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding Directors' Remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Investment Management Report, the Review of Investments the Directors' Report, the unaudited part of the Directors' Remuneration Report, and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PKF (UK) LLP  
Registered Auditors  
London UK

8 April 2009

## INCOME STATEMENT

### for the year ended 31 December 2008

	Note	Year ended 31 December 2008			Year ended 31 December 2007		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income - Continuing operations	2	861	-	861	455	-	455
- Acquisitions		-	-	-	199	-	199
(Losses)/gains on investments							
- Continuing operations	10	-	(1,238)	(1,238)	-	1,330	1,330
- Acquisitions		-	-	-	-	1,582	1,582
		861	(1,238)	(377)	654	2,912	3,566
Investment management fees	3	(90)	(272)	(362)	(85)	(254)	(339)
Recoverable VAT	4	25	75	100	-	-	-
Other expenses	5	(218)	(2)	(220)	(206)	-	(206)
<b>Return on ordinary activities before tax</b>		578	(1,437)	(859)	363	2,658	3,021
Tax on ordinary activities	7	(49)	49	-	(57)	57	-
<b>Return attributable to equity shareholders</b>	9	<u>529</u>	<u>(1,388)</u>	<u>(859)</u>	<u>306</u>	<u>2,715</u>	<u>3,021</u>
<b>Basic and diluted return per share:</b>							
<b>Ordinary share</b>	9	2.5p	(6.7p)	(4.2p)	1.4p	14.3p	15.7p
<b>C share</b>	9	N/A	N/A	N/A	1.8p	(6.5p)	(4.7p)

The revenue and capital movements in the year relate to continuing operations. No operations were acquired or discontinued during the year. The total column within the Income Statement represents the profit and loss account of the Company.

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement as shown above.

Other than revaluation movements arising on investments held at fair value through the Income Statement, there were no differences between the return/deficit as stated above and historical cost.

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

### for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Opening shareholders' funds		17,968	12,922
Issue of shares		885	3,782
Share issue costs		(49)	-
Purchase of own shares		(509)	(665)
Total recognised losses for the year		(859)	3,021
Dividends paid	8	(1,738)	(1,092)
Closing shareholders' funds		<u>15,698</u>	<u>17,968</u>

The accompanying notes form an integral part of these financial statements.

**BALANCE SHEET**  
**at 31 December 2008**

		2008		2007	
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Investments	10		15,174		17,462
<b>Current assets</b>					
Investments	11	5,110		5,110	
Debtors	12	392		168	
Cash at bank and in hand		348		381	
		<u>5,850</u>		<u>5,659</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(5,326)</u>		<u>(5,153)</u>	
<b>Net current assets</b>			524		506
<b>Net assets</b>			<u>15,698</u>		<u>17,968</u>
<b>Capital and reserves</b>					
Called up share capital	14		1,079		1,088
Capital redemption reserve	15		157		124
Merger reserve	15		3,475		3,475
Share premium	15		3,042		2,230
Special reserve	15		3,461		4,563
Investment holding gains	15		124		2,509
Capital reserve – realised	15		4,141		3,649
Revenue reserve	15		219		330
<b>Equity shareholders' funds</b>	16		<u>15,698</u>		<u>17,968</u>
<b>Basic and diluted net asset value per share</b>	16				
Ordinary share			72.8p		81.9p
C share			N/A		90.4p

The financial statements on pages 23 to 37 were approved and authorised for issue by the Board of Directors on 8 April 2009 and were signed on its behalf by:



**David Brock**  
Director

The accompanying notes form an integral part of these financial statements.

**CASH FLOW STATEMENT**  
**for year ended 31 December 2008**

		<b>2008</b>	<b>2007</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
<b>Net cash inflow from operating activities</b>	<b>17</b>	211	48
<b>Capital expenditure</b>			
Purchase of investments		(3,827)	(4,114)
Sale of investments		4,877	3,932
<b>Net cash inflow/(outflow) from capital expenditure</b>		<u>1,050</u>	<u>(182)</u>
<b>Acquisitions</b>			
Purchase of subsidiary undertaking		-	(225)
Cash acquired from subsidiary undertaking		162	369
<b>Net cash inflow from capital expenditure</b>		<u>162</u>	<u>144</u>
<b>Equity dividends paid</b>		<u>(1,738)</u>	<u>(1,092)</u>
<b>Net cash outflow before financing</b>		(315)	(1,082)
<b>Financing</b>			
Proceeds from share issue		885	-
Share issue costs		(94)	(6)
Purchase of own shares		(509)	(745)
<b>Net cash inflow/(outflow) from financing</b>		<u>282</u>	<u>(751)</u>
<b>Decrease in cash</b>	<b>18</b>	<u>(33)</u>	<u>(1,833)</u>

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE ACCOUNTS for year ended 31 December 2008

### 1. Accounting policies

#### **Basis of accounting**

The Company has prepared its financial statements under UK Generally Accepted Accounting Practice (“UK GAAP”) and in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” revised January 2009 (“SORP”).

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain financial instruments and on the basis that it is not necessary to prepare consolidated accounts as explained in note 11.

The Company implements new Financial Reporting Standards (“FRS”) issued by the Accounting Standards Board when required. The Association of Investment Companies issued a new SORP in January 2009 which has been adopted for these financial statements. No comparative restatements have been required as a result of the implementation of the new SORP.

#### **Presentation of Income Statement**

In order to better reflect the activities of a Venture Capital Trust and in accordance with guidance issued by the Association of Investment Companies (“AIC”), supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Part 6 of the Income Tax Act 2007.

#### **Investments**

Venture capital investments are designated as “fair value through profit or loss” assets and are measured at fair value. A financial asset is designated within this category if it is both acquired and managed, with a view to selling after a period of time, in accordance with the Company's documented investment policy. The fair value of an investment upon acquisition is deemed to be cost. Thereafter investments are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines “IPEV” together with FRS26.

Listed fixed income investments and investments quoted on AIM are measured using bid prices, with marketability discounts applied where deemed appropriate, in accordance with the IPEV.

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

- Price of recent investment;
- Earnings multiple;
- Net assets;
- Discounted cash flows or earnings (of underlying business);
- Discounted cash flows (from the investment); and
- Industry valuation benchmarks.

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

Where an investee company has gone into receivership or liquidation the loss on the investment, although not physically disposed of, is treated as being realised.

Gains and losses arising from changes in fair value are included in the Income Statement for the year as a capital item and transaction costs on acquisition or disposal of the investment expensed.

It is not the Company's policy to exercise either significant or controlling influence over investee companies. Therefore the results of these companies are not incorporated into the Revenue Account except to the extent of any income accrued.

#### **Income**

Dividend income from investments is recognised when the Shareholders' rights to receive payment has been established, normally the ex dividend date.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable and only where there is reasonable certainty of collection.

## NOTES TO THE ACCOUNTS (continued) for year ended 31 December 2008

### 1. Accounting policies (continued)

#### Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the Income Statement, all expenses have been presented as revenue items except as follows:

- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated and accordingly the investment management fee and finance costs have been allocated 25% to revenue and 75% to capital, in order to reflect the Directors' expected long-term view of the nature of the investment returns of the Company.

#### Taxation

The tax effects on different items in the Income Statement are allocated between capital and revenue on the same basis as the particular item to which they relate using the Company's effective rate of tax for the accounting period.

Due to the Company's status as a Venture Capital Trust and the continued intention to meet the conditions required to comply with Part 6 of the Income Tax Act 2007, no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments which arise.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts.

#### Issue costs

Issue costs in relation to the shares issued are deducted from the respective share premium account.

### 2. Income

	2008 £'000	2007 £'000
<b>Income from investments</b>		
Loan stock interest	338	282
Dividend income	316	163
Interest on listed fixed income securities	135	92
	<u>789</u>	<u>537</u>
<b>Other income</b>	6	20
Deposit interest	66	97
	<u>861</u>	<u>654</u>

### 3. Investment management fees

	2008 £'000	2007 £'000
Investment management fees	<u>362</u>	<u>339</u>

The Company has an agreement with Elderstreet Private Equity Limited for the provision of management services in respect of its portfolio of venture capital investments which is terminable with one year's notice. The management fee is based upon an annual amount of 2.0% of net assets, less the annual fee due to Downing Management Services Limited. The fee is also subject to the annual running costs cap discussed in note 5.

Following a European Court of Justice decision, HM Revenue & Customs announced that the provision of management services to investment trusts is exempt from VAT. As a result, the Manager, Elderstreet Private Equity Limited, ceased to charge VAT on management fees payable by the Company with effect from 1 October 2008. The fee shown above therefore includes VAT (at the rate of 17.5%) until 30 September 2008. The Company has recovered an element of the historic VAT suffered by the Company as described in note 4.

**NOTES TO THE ACCOUNTS (continued)**  
**for year ended 31 December 2008**

**4. Recoverable VAT**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
VAT recoverable on investment management fees	111	-
One-off fee in respect of VAT recovery	(11)	-
	100	-

As discussed in note 3, VAT is no longer payable on investment management fees following the announcement by HMRC that the provision of management services to investment trusts is exempt from VAT. Elderstreet Private Equity Limited made a claim for the historic VAT that the Company had suffered on management fees, totalling £111,000. This was received shortly after the Company's year end. The Company paid a fee of £10,000 plus VAT to Elderstreet Private Equity for the work undertaken. The net figure, shown above, has been allocated 25% to revenue 75% to capital in line with the treatment of the investment management fees.

**5. Other expenses**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Administration services	70	70
Directors' remuneration	55	61
Social security costs	4	4
Auditors' remuneration for - audit	19	16
- tax compliance fees	2	3
Other expenses	70	52
	220	206

The annual running costs of the Company are also subject to a cap at 3.5% of the Company's net assets. The administration fee and Investment Manager's fee are, therefore, restricted accordingly if the cap is breached.

**6. Directors' remuneration**

Details of remuneration of the Directors (excluding employers' NI) can be found in the Directors' remuneration report on page 18.

The Company had no employees other than the Directors during the year (2007: nil). No other emoluments or pension contributions were paid by the Company to, or on behalf of, any Directors.

**7. Taxation on ordinary activities**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>(a) Tax charge for year</b>		
<b>Current year</b>		
UK corporation tax at 24.8% (2007: 19.0%)	49	57
Charged to Capital Expenses	(49)	(57)
	-	-
<b>(b) Factors affecting tax charge for the year</b>		
Return on ordinary activities before tax	(859)	3,021
Tax charge calculated on operating profit at the applicable rate of 24.8% (2007: 19.0%)	(213)	574
Losses/(gains) on investments	307	(554)
UK dividend income	(78)	(30)
Expenses disallowed for taxation purposes	3	-
Losses (utilised)/ carried forward	(19)	10
	-	-



**NOTES TO THE ACCOUNTS (continued)**  
**for year ended 31 December 2008**

**7. Taxation on ordinary activities (continued)**

- (c) A deferred tax asset has not been recognised in respect of timing difference relating to excess management expenses carried forward as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £111,000 (2007: £99,000) and would only be recovered were the Company to make sufficient taxable profits in the future.

**8. Dividends**

		2008			2007		
	Pence	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Paid in year</b>							
2006 Final Ordinary dividend	3.5	-	-	-	156	573	729
2006 Final C dividend	3.5	-	-	-	54	-	54
2007 Interim Ordinary dividend	1.5	-	-	-	-	309	309
2007 Final Ordinary dividend	3.5	262	472	734	-	-	-
2007 Final C dividend	1.5	23	-	23	-	-	-
2008 Interim Ordinary dividend	3.0	312	312	624	-	-	-
2008 Interim C dividend	24.0	-	357	357	-	-	-
		<u>597</u>	<u>1,141</u>	<u>1,738</u>	<u>210</u>	<u>882</u>	<u>1,092</u>
<b>Proposed</b>							
2007 Final Ordinary dividend	3.5	-	-	-	253	455	708
2007 Final C dividend	1.5	-	-	-	23	-	23
2008 Final Ordinary dividend	1.0	216	-	216	-	-	-
		<u>216</u>	<u>-</u>	<u>216</u>	<u>276</u>	<u>455</u>	<u>731</u>

**9. Return per share**

Revenue return per Ordinary Share is based on the net revenue return after taxation of £529,000 (2007: £278,000), in respect of 20,770,524 (2007: 19,718,057) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year. Revenue return per C Share is based on the net revenue return after taxation of £nil (2007: £28,000), in respect of 1,512,843 (2007: 1,542,202) C Shares, being the weighted average number of C Shares in issue during the year.

Capital return per Ordinary Share is based on the net capital loss for the financial year of £1,388,000 (2007 return: £2,815,000), in respect of 20,770,524 (2007: 19,718,057) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year. Capital return per C Share is based on the net revenue return after taxation of £nil (2007 loss: £100,000), in respect of 1,512,843 (2007: 1,542,202) C Shares, being the weighted average number of C Shares in issue during the year.

As the Company has not issued any convertible securities or share options, there is no dilutive effect on return per Ordinary Share. The return per share disclosed therefore represents both basic and diluted return per share.

**NOTES TO THE ACCOUNTS (continued)**  
**for year ended 31 December 2008**

**10. Fixed Assets - Investments**

	Listed fixed income securities £'000	Investments quoted on AIM £'000	Unquoted investments £'000	Total £'000
<b>Opening cost at 1 January 2008</b>	3,071	4,387	8,544	16,002
Gains at 1 January 2008	30	5	1,425	1,460
<b>Opening fair value at 1 January 2008</b>	<u>3,101</u>	<u>4,392</u>	<u>9,969</u>	<u>17,462</u>
<b>Movement in year</b>				
Purchases at cost	1,618	1,249	960	3,827
Sales - proceeds	(2,006)	(974)	(1,897)	(4,877)
- realised gains on sales	2	543	662	1,207
Unrealised gains/(losses) in the income statement	68	(1,728)	(785)	(2,445)
<b>Closing fair value at 31 December 2008</b>	<u>2,783</u>	<u>3,482</u>	<u>8,909</u>	<u>15,174</u>
Closing cost at 31 December 2008	2,698	4,656	8,745	16,099
Gains/(losses) at 31 December 2008	85	(1,174)	164	(925)
	<u>2,783</u>	<u>3,482</u>	<u>8,909</u>	<u>15,174</u>

Costs of acquisition of investments acquired during the year amounted to £2,000 (2007: £Nil) and costs of investments disposed of during the year amounted to £3,000 (2007: minimal). A schedule disclosing the material additions and disposals during the year are disclosed on page 8.

**11. Current Assets – Investments**

	2008 £'000	2007 £'000
Investment in subsidiary undertaking	<u>5,110</u>	<u>5,110</u>

The investment in subsidiary undertaking represents a holding of the entire share capital of Elderstreet Millennium Venture Capital Trust plc (“EMVCT”), a company incorporated in England and Wales. The investment was acquired under a share-for-share offer (“the Offer”) made by the Company on 1 December 2006. The Offer was declared unconditional on 22 January 2007 and subsequently the Company compulsorily acquired the remaining shares in EMVCT which it did not already own. Consideration for the acquisition has been calculated by valuing Elderstreet VCT plc shares at the mid-market price of 61.5p per share at the date when the Offer was declared unconditional.

On 28 February 2007, the investments, other assets, liabilities and trade of EMVCT were transferred to Elderstreet VCT plc at fair value at that date. Consideration for this transfer was paid by creating an inter-company balance between the Company and EMVCT. EMVCT has since been dormant with its only asset being the inter-company debtor due from Elderstreet VCT plc.

The Directors have decided to place EMVCT into members’ voluntary liquidation in due course and distribute the inter-company debtor in specie to Elderstreet VCT plc. The effect will be to cancel the inter-company creditors of £5,110,000 shown as due to subsidiary undertaking in note 13, and also to reduce the fair value of the investment in the subsidiary to £nil.

EMVCT has been dormant since 1 March 2007. At 31 December 2008, EMVCT’s assets and liabilities comprise solely of an inter-company debtor of £5,110,000 due from its parent.

All assets and liabilities of EMVCT have been transferred to the parent. EMVCT was dormant throughout the year under review and the shareholders’ funds are fully reflected in the Financial Statements of the Company.

**NOTES TO THE ACCOUNTS (continued)**  
**for year ended 31 December 2008**

**11. Current Assets – Investments (continued)**

The performance of EMVCT for the year ended 28 February 2007 and for the period from 1 March 2007 until the date the assets and liabilities were transferred to the Company (i.e. year ended 28 February 2007) is summarised as follows:

	Year ended 28 February 2008 (Unaudited, Source: Management Accounts)			Year ended 28 February 2007 (Unaudited, Source: Management Accounts)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	-	-	-	314	-	314
Gain on investments	-	-	-	-	417	417
	-	-	-	314	417	731
Investment management fees	-	-	-	(52)	(155)	(207)
Other expenses	-	-	-	(174)	-	(174)
<b>Return on ordinary activities before tax</b>	-	-	-	88	262	350
Tax on ordinary activities	-	-	-	(27)	27	-
<b>Return attributable to equity shareholders</b>	-	-	-	61	289	350

Having regard to the terms of the offer to acquire EMVCT and the impact of the subsequent hive up of that company's business, assets and liabilities, the Board does not consider the now dormant EMVCT to be a material subsidiary for the purposes of showing a true and fair view. The Financial Statements therefore present only the results of Elderstreet VCT plc, which the Directors also consider is the most useful presentation for Shareholders.

**12. Debtors**

	2008 £'000	2007 £'000
Other debtors	177	-
Prepayments and accrued income	215	168
	<u>392</u>	<u>168</u>

**13. Creditors: amounts falling due within one year**

	2008 £'000	2007 £'000
Amounts due to subsidiary undertaking	5,110	5,110
Other creditors	162	-
Other taxes and social security	6	6
Accruals and deferred income	48	37
	<u>5,326</u>	<u>5,153</u>

**14. Called up share capital**

	2008 £'000	2007 £'000
<b>Authorised:</b>		
50,036,500 (2007: 40,000,000) Ordinary shares of 5p each	2,502	2,000
Nil (2007: 15,000,000) C shares of 5p each	-	750
	<u>2,502</u>	<u>2,750</u>
<b>Allotted, called up and fully paid:</b>		
21,570,481 (2007: 20,227,504) Ordinary shares of 5p each	1,079	1,011
Nil (2007: 1,542,202) C shares of 5p each	-	77
	<u>1,079</u>	<u>1,088</u>

## NOTES TO THE ACCOUNTS (continued)

### for year ended 31 December 2008

#### 14. Called up share capital (continued)

During the year the Company purchased 615,048 Ordinary Shares for cancellation for an aggregate consideration of £463,000 being an average price of 75.3p per Ordinary Share of 5p each (approximately equal to a 10% discount to the most recently published NAV at the time of purchase) and representing 3.0% of the issued Ordinary Share capital held at 1 January 2008. In addition, the Company purchased 54,124 C Shares for cancellation for an aggregate price of 79.2p per C Share of 5p each (approximately equal to a 10% discount to the most recently published NAV at the time of purchase) and representing 3.5% of the issued C Share capital held at 1 January 2008.

Between 4 April 2008 and 2 June 2008, the Company allotted 962,377 Ordinary Shares of 5p each, under the terms of a prospectus dated 4 February 2008, at 91.9p per share, with gross proceeds received thereon of £885,000. Issue costs in respect of the offer amounted to £49,000.

On 31 October 2008, 1,488,078 C Shares of 5p each in issue were converted into 995,648, Ordinary Shares of 5p each, using a conversion rate of 0.6691 Ordinary Shares for every one C Share held. The 15,000,000 authorised C share capital was also converted to 10,036,500 Ordinary Shares of 5p each. The total authorised share capital at 31 December 2008 was 50,036,500 Ordinary Shares of 5p each.

#### 15. Reserves

	Capital redemption reserve £'000	Merger reserve £'000	Share premium £'000	Special reserve £'000	Investment holding gains £'000	Capital reserve - realised £'000	Revenue Reserve £'000
At 1 January 2008	124	3,475	2,230	4,563	2,509	3,649	330
Issue of new shares	-	-	861	-	-	-	-
Share issue costs	-	-	(49)	-	-	-	-
Purchase of own shares	33	-	-	(466)	-	-	(43)
Expenses charged to capital	-	-	-	-	-	(199)	-
Tax on capital expenses	-	-	-	-	-	49	-
Gains/(losses) on investments	-	-	-	-	(2,445)	1,207	-
Realisation of revaluations from previous years	-	-	-	-	60	(60)	-
Transfer between reserves	-	-	-	(636)	-	636	-
Retained net revenue	-	-	-	-	-	-	529
Dividends paid	-	-	-	-	-	(1,141)	(597)
At 31 December 2008	157	3,475	3,042	3,461	124	4,141	219

The Special Reserve is a distributable reserve that allows the Company to make market purchases of its own shares and to pay dividends. The Capital Reserve – realised and Revenue Reserves, together with a proportion of the Merger Reserve, are also distributable reserves.

#### 16. Net asset value per share

	Shares in issue		2008 Net asset value		2007 Net asset value	
	2008	2007	pence per share	£'000	pence per share	£'000
Ordinary shares	21,570,481	20,227,504	72.8	15,698	81.9	16,573
C shares	N/A	1,542,202	N/A	N/A	90.4	1,395
				15,698		17,968

As the Company has not issued any convertible securities or share options, there is no dilutive effect on net asset per share. The net asset value per share disclosed therefore represents both basic and diluted return per share.

**NOTES TO THE ACCOUNTS (continued)**  
**for year ended 31 December 2008**

**17. Cash flow from operating activities and returns on investments**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Return on ordinary activities before tax	(859)	3,021
Losses/(gains) on investments	1,238	(2,912)
Increase in debtors	(178)	(66)
Increase in creditors	10	5
Net cash inflow from operating activities and returns on investments	<u>211</u>	<u>48</u>

**18. Reconciliation of net cash flow to movement in net funds**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Beginning of year	381	2,214
Net cash outflow for the year	<u>(33)</u>	<u>(1,833)</u>
End of year	<u>348</u>	<u>381</u>

**19. Financial instruments and derivatives**

The Company's financial instruments comprise investments in quoted companies, unquoted companies, listed fixed interest investments and are all designated as "fair value through profit or loss" assets. The main purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations. The fair value of investments is determined using the detailed accounting policy as shown in note 1.

Loans and receivables (including cash at bank and in hand and debtors) and other financial liabilities are stated at amortised cost which the Directors consider is equivalent to fair value.

The Company has not entered into any derivative transactions.

**Interest rate risk profile of financial assets and financial liabilities**

The Company's financial assets (excluding cash at bank) and liabilities, other than the Company's investments, have no attributable interest rate, and cash at bank and in hand attracts interest at a floating rate. Investments in listed fixed interest investments attract interest at a fixed rate. Venture capital investments comprise equity and loan stock, with the equity holdings having no interest rate attached to them and the majority of loan stock having an attributable fixed rate of interest.

	<b>Average interest rate</b>	<b>Average period until maturity</b>	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Fixed rate	7.1%	785 days	4,451	5,904
Floating rate	4.3%		348	381
No interest rate (sterling)			<u>10,899</u>	<u>11,683</u>
			<u>15,698</u>	<u>17,968</u>

- "Fixed rate assets" represent investments with predetermined yield targets.
- "Floating rate assets" predominantly bear interest at rates linked to Bank of England base rate.
- "No interest rate assets" includes equity investments, debtors and creditors having no attributable rate of interest.

**Financial liabilities**

The Company has no financial liabilities or guarantees, other than as disclosed within the balance sheet.

**Currency exposure**

As at 31 December 2008, the Company had one American investment which was valued at £nil (2007: £nil).

**Borrowing facilities**

The Company has no committed borrowing facilities as at 31 December 2008.

## NOTES TO THE ACCOUNTS (continued) for year ended 31 December 2008

### 20. Principal financial risks

As a VCT, the majority of the Company's assets are represented by financial instruments which are held as part of the investment portfolio. In order to ensure continued compliance with relevant VCT regulation and to be in a position to deliver the long term capital growth which is part of the Company's investment objective, the Board is very much aware of the need to manage and mitigate the risks associated with the financial instruments held within the investment portfolio.

The management of these risks requires the application of a clear investment strategy, which has been developed by the Board which is made up of experienced investment professionals. Furthermore, the Board has appointed an experienced Investment Manager to whom they have communicated the Company's investment strategy and whose remuneration is linked to the achievement of that strategy. The Investment Manager reports regularly to the Board on performance, and to facilitate the direct Board involvement with key decisions, on whether or not to invest, disinvest and the nature, terms and the security of investments being made.

Further information about the VCT's investment strategy is set out in the Investment Manager's report on page 6 and in the Report of the Directors' on page 13.

In assessing the risk profile of its investment portfolio, the Board has identified three principal classes of financial instrument which are analysed within note 10. All financial instruments are "fair value through the profit and loss account" and are recognised as such on initial recognition.

In addition to its investment portfolio, the VCT maintains a cash position. Cash is mainly held by Bank of Scotland plc which is an A+ rated financial institution. The Directors consider that the risk profile associated with cash deposits is low and thus the carrying value in the Financial Statements is a close approximation of its fair value.

The Board has reviewed the Company's financial risk profile and concluded that due to the deterioration in the economic climate the Company's exposure to market price risk has changed significantly. As a result the sensitivity to market price risk has been altered as discussed below.

A review of the specific financial risks faced by the Company is presented below.

#### **Market risks**

The key market risks to which the Company is exposed are interest rate risk and market price risk. The Company has undertaken sensitivity analysis on its financial instruments, split into the relevant component parts, taking into consideration the economic climate at the time of review in order to ascertain the appropriate risk allocation.

#### ***Interest rate risk***

The Company receives interest on cash deposits at a rate agreed with its banker, while investments in loan stock and fixed interest investments predominately attract interest at fixed rates. The Company's future cash flows can be influenced by changes in interest rates resulting in an increase or decrease in income from investments linked to the base rate. A summary of the interest rate profile of the Company's investments is shown in note 19. As the Company must comply with the VCT regulations, increases in interest rates could lead to a potential breach of these regulations as the proportion of the Company's income from sources other than shares and securities could exceed the required level. The Company therefore monitors the level of income received from fixed, floating and non-interest bearing assets to ensure that the regulations are not breached. The Company has reviewed the financial impact that a 1.0% change in base rate (i.e. reducing base rate to nil) would have on the Company with income and the total return for the year changing by £10,000, equivalent to a 6.4% impact on overall income receivable by the Company. Such a change would have an immaterial impact on Net Asset Value.

#### ***Market price risk***

Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements. At 31 December 2008, the unrealised loss on the quoted portfolios (AIM quoted and Fixed Income Investments) was £1,089,000 (2007 gain: 35,000).

The investments the Company holds are, in the main, thinly traded and as such the prices are more volatile than those of more widely traded securities. In addition, the ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The ability of the Company to purchase or sell investments is also constrained by the requirements set down for Venture Capital Trusts.

**NOTES TO THE ACCOUNTS (continued)**  
**for year ended 31 December 2008**

**20. Principal financial risks (continued)**

The Board considers each investment purchase to ensure that an acquisition will enable the Company to continue to have an appropriate spread of market risk and that an appropriate risk reward profile is maintained.

It is not the Company's policy to use derivative instruments to mitigate market risk, as the Board believes that the effectiveness of such instruments does not justify the cost involved.

The Company's sensitivity to fluctuations in the share prices of its AIM-quoted investments, based on current market conditions, is summarised below. A 50% fall (2007: 10% fall) in the share price all of the AIM-quoted stocks held by the Company would have an effect as follows:

	<b>Risk exposure (current val'n) £'000</b>	<b>Impact on Net Assets £'000</b>	<b>Impact on NAV per share Pence</b>
<b>50% fall in quoted stocks</b>			
Ordinary Shares	3,482	(1,741)	(8.0p)

A fall in share prices generally would have a lesser impact on the valuation of the unquoted portfolio due to the underlying nature of the investment and securities held within each individual company. A 25% fall (2007: 10% fall) in the valuations of all of the unquoted investments held by the Company would have an effect as follows:

	<b>Risk exposure (current val'n) £'000</b>	<b>Impact on Net Assets £'000</b>	<b>Impact on NAV per share Pence</b>
<b>25% fall in unquoted investments</b>			
Ordinary Shares	8,909	(2,227)	(10.3p)

The Company also has exposure to variations in the price of its non-qualifying investments. As the investment is a government gilt, such securities are subject to lower price fluctuations. A 2.5% fall (2007: 5% fall) in the valuation of these assets held by the Company would have the following impact:

	<b>Risk exposure (current val'n) £'000</b>	<b>Impact on Net Assets £'000</b>	<b>Impact on NAV per share Pence</b>
<b>2.5% fall in value of non-qualifying investments (government gilt)</b>			
Ordinary Shares	2,783	(70)	(0.3p)

In each case, the impact of such changes on the return for the year would be the same as that on Net Assets and NAV per share.

**NOTES TO THE ACCOUNTS (continued)**  
**for year ended 31 December 2008**

**20. Principal financial risks (continued)**

**Credit risk**

Credit risk is the risk that a counterparty to a financial instrument is unable to discharge a commitment to the Company made under that instrument. The Company's financial assets that are exposed to credit risk are summarised as follows:

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<i>Fair value through profit or loss assets</i>		
Investments in listed fixed interest securities	2,783	3,101
Investments in loan stocks	2,005	2,950
<i>Loans and receivables</i>		
Cash and cash equivalents	348	381
Interest, dividends and other receivables	385	168
	5,521	6,600

Credit risk in respect of investments in listed fixed interest securities is minimised by investing in UK Government stocks.

Investments in loan stocks comprise a fundamental part of the Company's venture capital investments and are managed within the main investment management procedures.

Cash is mainly held by Bank of Scotland plc, which is an A+ rated financial institution and, consequently the Directors consider that the risk profile associated with cash deposits is low and thus the carrying value in the Financial Statements is a close approximation of its fair value.

Interest, dividends and other receivables are predominantly covered within the investment management procedures.

**Liquidity risk**

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. As the Company only ever has a very low level of creditors and has no borrowings, the Board believes that the Company's exposure to liquidity risk is minimal.

**21. Management of capital**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to continue to provide returns for Shareholders.

The requirements of the Venture Capital Trust Regulations and the fact that the Company has a policy of not having any borrowings mean that there is limited scope to manage the Company's capital structure. However, to the extent it is possible, the Company can maintain or adjust its capital structure by adjusting the amount of dividends paid to Shareholders, purchasing its own shares or issuing new shares.

As the Company has a low level of liabilities, the Board considers the Company's net assets to be its capital.

The Company does not have any externally imposed capital requirements.

There has been no change in the objectives, policies or processes for managing capital from the previous year.

**22. Contingencies, guarantees and financial commitments**

The Company had no commitments, contingencies or guarantees at the year end.



**NOTES TO THE ACCOUNTS (continued)**  
**for year ended 31 December 2008**

**23. Controlling party and related party transactions**

In the opinion of the Directors there is no immediate or ultimate controlling party.

Michael Jackson is a director of Elderstreet Private Equity Limited which provides investment management services to the Company. During the year £377,000 (2007: £340,000) was due to Elderstreet Private Equity Limited in respect of these services, including VAT. At the year end £126,000 was repayable to the Company in respect of recoverable VAT on investment management fees which was received in full after the year end. A further £10,000 plus VAT was paid to Elderstreet Private Equity Limited in respect of work undertaken to recover the VAT on behalf of the Company. In addition, £51,000 is repayable to the Company in respect of fundraising costs paid by the Company on behalf of Elderstreet Private Equity Limited during the year.

Nicholas Lewis is a director of Downing Management Services Limited, which provides administration services to the Company. During the year £60,000 plus VAT (2007: £60,000 plus VAT) was due to Downing Management Services Limited in respect of these services.

## NOTICE OF THE ANNUAL GENERAL MEETING of Elderstreet VCT plc

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Elderstreet VCT plc will be held at 32 Bedford Row, London, WC1R 4HE at 11:00 a.m. on 10 June 2009 for the transaction of the following business:

As **Ordinary Business**, to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the Report of the Directors and Accounts of the Company for the year ended 31 December 2008, together with the report of the Auditors thereon.
2. To approve the Directors' Remuneration Report.
3. To approve the payment of a final dividend of 1.0p per Ordinary Share.
4. To re-appoint PKF (UK) LLP as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts of the Company are presented and to authorise the Directors to determine their remuneration.
5. To re-elect as Director, Hugh Aldous, who retires and, being eligible, offers himself for re-election.
6. To re-elect as Director, Nicholas Lewis, who retires and, being eligible, offers himself for re-election.

As **Special Business**, to consider and, if thought fit, pass the following resolutions:

### *Special Resolution*

7. That, the Company be and is hereby generally and unconditionally authorised for the purpose of section 166 of the Act to make one or more market purchases (as defined in section 163 of the Act) of Ordinary Shares provided that:
  - (i) such authority is limited to the purchase of 14.9 per cent. of the issued Ordinary Share capital prior to the passing of this resolution;
  - (ii) the minimum price (exclusive of expenses) which may be paid for such Ordinary Shares is 5p per share, being the nominal amount thereof;
  - (iii) the maximum price (exclusive of expenses) which may be paid for such Ordinary Shares shall be an amount equal to 5 per cent. above the average of the middle market quotations for such class of the Company's shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days immediately preceding the day on which the purchase was made;
  - (iv) the Company may make a contract to purchase its own Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of Ordinary Shares in pursuance of any such contract;

and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Annual General Meeting of the Company next following the passing of this resolution or, if earlier, on the expiry of 15 months from the passing of this resolution.

By order of the Board



**Grant Whitehouse**  
Secretary

Registered Office  
Kings Scholars House  
230 Vauxhall Bridge Road  
London SW1V 1AU

8 April 2009

## **NOTICE OF THE ANNUAL GENERAL MEETING (continued) of Elderstreet VCT plc**

### **Notes**

- (a) Any member of the Company entitled to attend and vote at the Meeting may appoint a proxy to attend and, on a poll, vote instead of that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company.
- (b) To be valid the instrument appointing a proxy and authority under which it is executed must be deposited at Downing Management Services Limited, Kings Scholars House, 230 Vauxhall Bridge Road, London SW1V 1AU not less than 48 hours (excluding weekends and bank holidays) before the time of the Meeting.
- (c) Completion and return of a form of proxy will not preclude a member of the Company from attending and voting in person.
- (d) Copies of the Directors' consultancy agreements and the Register of Directors' interests in the Ordinary Shares of the Company will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and Public Holidays excluded) from the date of this notice, until the end of the Annual General Meeting for at least 15 minutes prior to and during the Meeting.
- (e) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 11:00 a.m. on 8 June 2009 or, in the event that the Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 11:00 a.m. on 8 June 2009 or, in the event that the Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Meeting.



## FORM OF PROXY

### Elderstreet VCT plc

For use at the Annual General Meeting of the above-named Company to be held on 10 June 2009, at 32 Bedford Row, London, WC1R 4HE at 11:00 a.m.

I/ We\* .....  
(in BLOCK CAPITALS please)

of .....

being the holder(s)\* of Ordinary Shares of 5p in the capital of the above-named Company, hereby appoint the Chairman of the meeting (see note 1)

or .....

of .....

as my/our\* proxy to attend for me/us\* on my/our\* behalf at the Annual General Meeting of the Company to be held at 32 Bedford Row, London, WC1R 4HE on 10 June 2009 or at any adjournment thereof.

I/ We\* desire to vote on the resolutions as indicated in the appropriate column below. Please indicate with an "X" how you wish your vote to be cast.

Details of the resolutions are set out in the Notice of the Annual General Meeting.

	FOR	AGAINST	WITHHELD
<b>ORDINARY BUSINESS</b>			
1. To receive and adopt the Directors' report and accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the payment of a final dividend	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint the Auditors and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Hugh Aldous as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Nicholas Lewis as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>SPECIAL BUSINESS</b>			
7. To authorise the Company to make market purchases of its shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Dated this ..... day of ..... 2009

Signature(s) ...../.....

**Notes:**

1. If you wish to appoint a proxy of your own choice delete the words "the Chairman of the meeting" and insert the name and address of the person whom you wish to appoint in the space provided. A proxy need not be a member of the Company.
2. In the case of a corporation this form must be executed under its common seal or signed on its behalf by its attorney or a duly authorised officer of the corporation.
3. In the case of joint shareholders any one of them may sign. The vote of the person whose name stands first in the register of members will be accepted to the exclusion of the votes of the other joint holders.
4. If you do not indicate the way you desire your proxy to vote, you will be deemed to have authorised your proxy to vote or abstain from voting at his/her discretion.
5. A "vote withheld" is not a vote in law and is not counted in the calculation of the proportion of the votes for and against a resolution.
6. To be valid this form of proxy must be completed and deposited (together with any power of attorney, or other authority under which it is signed) with Downing Management Services Limited, Kings Scholars House, 230 Vauxhall Bridge Road, London SW1V 1AU not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting.
7. Completion of this form will not preclude you from attending and voting at the Meeting if you so wish.
8. Any alteration made to the form of proxy must be initialled.

\* Delete as appropriate



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Business Reply  
Licence Number  
RRJU-YLYH-CTJK



**ELDERSTREET VCT plc**  
**c/o DOWNING MANAGEMENT SERVICES LIMITED**  
**Kings Scholars House**  
**230 Vauxhall Bridge Road**  
**London**  
**SW1V 1AU**

Second Fold

First fold



