ELDERSTREET VCT plc

Report & Accounts
for the year ended
31 December 2011

SHAREHOLDER INFORMATION

Share price

The Company's share price can be found on various financial websites with the TIDM/EPIC code "**EDV**". A link to the share price is also available on Elderstreet Investments Limited's website (www.elderstreet.com) and on Downing's website (www.downing.co.uk).

Latest share price (27 April 2012):	**46.5p per share**

Financial calendar

14 June 2012	Annual General Meeting
22 June 2012	Payment of final dividend
August 2012	Announcement of half yearly results

Dividends

Dividends will be paid by the Registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose (form can be downloaded from www.capitaregistrars.com). Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's Registrar, Capita Registrars, on 0871 664 0324 (calls cost 10p per minute plus network extras, lines open 8:30 a.m. to 5:30 p.m. Monday to Friday), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Selling shares

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

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

Notification of change of address

Communications with Shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrar, Capita 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 Downing's website at www.downing.co.uk. Financial information is also available on Elderstreet Investments Limited's website at www.elderstreet.com by clicking on "investor information".

If you have any queries regarding your shareholding in Elderstreet VCT plc, please contact the Registrar on the above number or visit Capita's website at www.capitaregistrars.com and click on "Shareholders".

Share scam warning

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

Further information can be found on Downing's website. If you have any concerns, please contact Downing on 020 7416 7780.

ELDERSTREET
VCT plc

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COMPANY INFORMATION

Directors
David Brock (Chairman)
Hugh Aldous
Barry Dean
Michael Jackson
Nicholas Lewis
all of
10 Lower Grosvenor Place
London SW1W 0EN

Company number
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Secretary and Registered Office
Grant Whitehouse
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London SW1W 0EN
Tel No: 020 7416 7780

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www.elderstreet.com

Administration Manager
Downing LLP
10 Lower Grosvenor Place
London SW1W 0EN
Tel: 020 7416 7780
www.downing.co.uk

Listed Fixed Income Securities Manager
Smith & Williamson Investment Management Ltd
25 Moorgate
London EC2R 6AY

Auditor
PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London EC1M 3AP

VCT Status Advisers
PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Registrar
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel No: 0871 664 0324
(calls cost 10p per minute plus network extras
lines open Mon-Fri from 8.30 am to 5.30pm)
www.capitaregistrars.com

Bankers
Royal Bank of Scotland plc
119/121 Victoria Street
London
SW1E 6RA

Bank of Scotland plc
33 Old Broad Street
London BX2 1LB

FINANCIAL SUMMARY

	2011 pence	2010 pence
Net asset value per share ("NAV")	65.7	76.6
Cumulative dividends paid since launch	54.0	50.0
Total return (NAV plus cumulative dividends paid per share)	119.7	126.6
Dividends in respect of financial year		
Interim dividend paid per share	2.0	2.0
Final proposed dividend per share (payable on 22 June 2012)	2.0	2.0
	4.0	4.0

Dividend History (Ordinary Shares) (since launch)

Year end (including interim dividends)	Gross pence per share
1998	3.0
1999	2.5
2000	12.0
2001	3.5
2002	3.5
2003	2.0
2004	3.0

Year end (including interim dividends)	Gross pence per share
2005	2.0
2006	3.5
2007	5.0
2008	4.0
2009	4.0
2010	4.0
2011 Interim	2.0
Cumulative dividends paid to date	**54.0**
2011 Final proposed	2.0

Performance summary for investors

Share 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 2011 per Ordinary Share (pence)	Dividends received since issue per Ordinary Share (pence)	Total return (pence)
Feb 1998 – Aug 1998	100.0	20%	80.0	65.7	54.0	119.7
Apr 2005 ('C' Shares)	149.5	40%	89.7	65.7	55.8	121.5
Apr 2006	68.9	40%	41.3	65.7	24.5	90.2
Apr 2008	92.0	30%	64.4	65.7	17.5	83.2
Jun 2008	91.4	30%	64.0	65.7	14.0	79.7
Apr 2009	74.7	30%	52.3	65.7	11.0	76.7
May 2009	74.7	30%	52.3	65.7	10.0	75.7
Apr/May 2010	80.4	30%	56.3	65.7	8.0	73.7
Mar 2011	81.1	30%	56.7	65.7	4.0	69.7
Apr/May 2011	78.0	30%	54.6	65.7	4.0	69.7
Elderstreet Millennium Venture Capital Trust plc (1996)	262.5	20%	210.0	65.7	184.0	249.7

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

Original 'C' Shareholders

Shareholders investing under the 'C' Share offer were issued 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 one 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.

INVESTMENT OBJECTIVES

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 pages 14 to 16.

DIRECTORS

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

Hugh Aldous is chairman of Capita Sinclair Henderson, Smart Education Limited, and SPL Guernsey ICC Ltd. He is a director of Henderson Asian Growth Trust plc, Innospec Inc. (NASDAQ) and Polar Capital Holdings plc. He was previously a partner of Grant Thornton UK LLP, to which he is now a consultant. He was a member of the Competition Commission.

Barry Dean is a chartered accountant and has over 30 years experience in the private equity industry including 14 years as managing director of Dresdner Kleinwort Benson Private Equity Limited. He is currently a director of Henderson Private Equity Investment Trust plc (a quoted investment trust investing in private equity), Downing Absolute Income VCT 2 plc and ProVen VCT plc. Barry is also an advisory committee member for Parallel Private Equity LLP, and serves on the investment committee of Beamreach Capital LLP which invests in private equity.

Michael Jackson founded Elderstreet Investments Limited in 1990 and is its executive chairman. For the past 21 years, he has specialised in raising finance and investing in the smaller companies quoted and unquoted sector. From 1983 until 2006 he was a director of FTSE 100 company, The Sage Group plc, becoming chairman in 1997. He was also chairman of PartyGaming plc, another FTSE 100 company. He is also a director of Elderstreet portfolio companies SnackTime plc, Fords Packaging Systems Limited, and Access Intelligence plc. Michael studied law at Cambridge University, and qualified as a chartered accountant with Coopers & Lybrand before spending five years in marketing for various US multinational technology companies.

Nicholas Lewis is a partner of Downing LLP, a business which he founded as Downing Corporate Finance Limited in 1986. Downing specialises in promoting, managing and administrating tax-based investments, having raised approximately £1 billion since 1991. He is a director of a number of other venture capital trusts and an executive director of the companies which manage many of the Downing VCTs. He was formerly with NatWest Ventures Limited and, before that, with Apax Partners & Co Limited.

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

CHAIRMAN'S STATEMENT

I present the Company's Annual Report for the year ended 31 December 2011. Conditions have continued to be difficult throughout the year, providing challenges for many of the investee companies. In line with general market movements, the Company's two major AIM-quoted investments saw their share prices fall which has contributed significantly to the reduction in the Company's net asset value per share ("NAV").

Net asset value
At 31 December 2011, the Company's NAV stood at 65.7p, equivalent to a decrease of 6.9p (9.0%) over the year after adding back dividends of 4.0p per share which were paid during the year.

The total return to Shareholders who invested at the launch of the Company in 1998 (NAV plus cumulative dividends) is now 119.7p compared to the original cost (net of income tax relief) of 80p per share. A summary of net cost and total return for Shareholders who invested in the Company's various other fundraisings is included on page 2 of this report.

Venture capital investments
The Company undertook two small follow-on investments during the year totalling £235,000. One loan note was also partially redeemed during the year and WeComm Limited was sold, realising gains of £4,000 in the year.

The quoted portfolio fell in value over the year by a net amount of £2.1 million, of which £2.0 million related to falls in value in Access Intelligence plc and SnackTime plc.

The Board has reviewed the valuation of the unquoted investments at the year end and made a number of adjustments.

Further commentary on the portfolio, together with a schedule of 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 13.

Fixed interest investments
The Company continues to hold a portfolio of fixed interest investments which is managed by Smith & Williamson Investment Management Limited. A small addition to the portfolio was made during the year for £19,000. This portfolio recognised unrealised gains of £43,000 over the period.

Results and dividends
The loss on ordinary activities after taxation for the year was £2.0 million (2010 return: £893,000), comprising a revenue return of £271,000 (2010: £185,000) and a capital loss of £2.3 million (2010 gain: £708,000).

Subject to Shareholder approval at the forthcoming Annual General Meeting ("AGM"), your Board is proposing to pay a final dividend of 2.0p per share on 22 June 2012 to Shareholders on the register at 25 May 2012.

Fundraising activities
As stated in the half yearly report to 30 June 2011, the Company issued 4,778,800 Ordinary Shares, under an Offer for Subscription launched on 21 December 2010 at an average price of 80.0p per Share. Net proceeds thereon, after accounting for issue costs, totalled £3.6 million.

On 9 December 2011, the Company launched a further Ordinary Share top-up fundraising seeking to raise up to approximately £2.0 million. As at the date of this report, the Company had allotted shares producing net proceeds of approximately £827,000.

Share buybacks
In June 2011, the Company spent approximately £160,000 purchasing 263,000 shares for cancellation at a price of 60.5p per share. A further purchase was made in November 2011, with the Company purchasing a further 330,327 shares for cancellation at a price of 55.5p per share, equating to approximately £184,000. Both purchases were undertaken at prices approximately equivalent to a 15% discount to the most recently published NAV.

The Board intends to make funds of up to approximately £200,000 available for buybacks following the release of these results with a view to buying in any shares that are available in the market at approximately a 15% discount to the latest published NAV. It is expected that the next buyback will take place at the end of May. In future, the Board intends to buy in shares approximately four times each year. Any Shareholders who wish to sell their shares will need to use a stockbroker. Such Shareholders should ask their stockbroker to register their interest in selling their shares with Shore Capital.

CHAIRMAN'S STATEMENT (continued)

Share premium cancellation

The Board is seeking Shareholder approval at the forthcoming AGM to cancel the amount of the Share Premium account at the close of the latest fundraising issue. Subject to Shareholder approval of this resolution, the Company expects to apply to the court to increase the level of distributable reserves available to the Company by an equivalent amount, thereby ensuring the Company has sufficient reserves to make dividend payments and to buy back its own shares for the foreseeable future.

Continuation as a VCT

The Board is also proposing to amend the Articles of Association to remove the requirement for a resolution to be put to Shareholders in 2013 and at the fifth Annual General Meeting thereafter to vote on whether the Company should continue as a venture capital trust.

As the Company is a generalist VCT, with no expectation of a fixed wind-up date, and is seeking to provide long-term tax free income, the Directors are proposing to remove the requirement for Shareholders to regularly vote on a resolution for the Company to continue as a venture capital trust. The Directors do not believe that this will have any significant negative impact on the way the Company is run and it does not prevent Directors from putting such a resolution to Shareholders if they believed it to be in the best interest of Shareholders.

Enhanced share buyback

A number of VCTs have offered schemes whereby shareholders have been able to sell their shares back to the VCT at a very small discount to NAV on the basis that they reinvest the proceeds in a new issue of shares by the same VCT. This allows investors to obtain a further 30% income tax relief on their investment if they continue to hold their new shares for a further five years.

Elderstreet VCT is progressing plans with a view to offering such a facility to the Company's Shareholders in due course. Full details will be sent to all Shareholders as soon as they are available.

Annual General Meeting ("AGM")

The next AGM of the Company will be held on 14 June 2012 at 32 Bedford Row, London WC1R 4HE at 11.00 a.m.

Notice of the meeting is at the end of this document. Five items of Special Business are proposed; one ordinary resolution and special resolutions in relation to: the allotment of shares; making market purchases of shares, cancelling the share premium account and removing Article 174 relating to the duration of the Company.

Outlook

Despite the falls in value by some investments over the last year, the Board remains reasonably satisfied with most of the portfolio companies and believes that many have the potential to deliver attractive returns in the medium term.

As a result of the previous and current fundraisings, the Company now has a significant level of funds available to invest which will allow the Company to take advantage of attractive new investment opportunities as they arise.

David Brock
Chairman

27 April 2012

INVESTMENT MANAGER'S REPORT

The VCT recorded a decline in the total return (net asset value including cumulative dividends), from 126.6p to 119.7p after paying dividends of 4.0p per share over the year. Net asset value ("NAV") per share reduced from 76.6p to 65.7p. A large proportion of this drop in NAV was due to the fall in share price of two AIM quoted companies, Access Intelligence plc and SnackTime plc. Their fall represents £2.0 million of value and 7.0p of NAV. While this is a disappointing performance, the underlying trading outlook is encouraging and is commented on below.

Two new investments were made in the year. A short term loan was extended to Aconite which has subsequently been repaid, and a secondary purchase of management shares was made in AngloINFO. Since the year end, we have completed further follow-on rounds to support Baldwin and Francis, and to further increase our holding in AngloINFO. During the year, we fully realised the holding in WeComm Limited, resulting in a return just above cost and an uplift of 47% over the previous carrying value.

Within the AIM portfolio we continue to be cautiously optimistic about the resilience of the three significant holdings, Access Intelligence plc, SnackTime plc and Fulcrum Utilities plc.

Following its 2011 year end, Access Intelligence informed the market that sales and profits before tax would be in line with market expectations. The company announced the sale of its subsidiary Solcara Ltd to Thomson Reuters for a sum of £2.5 million. Solcara was purchased in November 2008 at a cost of £750,000. However, the share price has drifted from 4.75p to 2.25p over the year resulting in a fall of just over £1.0 million, equivalent to about 3.7p of the VCT NAV, although the shares have subsequently recovered to in excess of 4.0p at the time of writing. At 2.25p, the company is valued at £5.1 million, of which cash represented £4.1 million at the November year end. Your manager believes that, at this price, the company is substantially undervalued and the benefits of investment in increased marketing and R&D will manifest themselves over the coming 18 months.

SnackTime has substantially completed the integration of the Vendia acquisition made in 2010. In February 2012, the company announced a profits downgrade for the year end March 2012 to EBITDA of £1.5 million from the forecast £3.7 million reflecting tough market conditions in the sector. The company's brokers are forecasting EBITDA OF £2.5 million for the year end to March 2013, the first year where the full benefit of substantial reorganisation and overhead reduction will come through. Over the year, the share price has fallen from £1.20 to 65.0p on very little trading volume, a decline in value of £988,000 equivalent to about 3.4p of VCT NAV per share. At the time of writing, the share price was 46.5p. We believe that the shares have substantial upside potential over the next 12-18 month period.

The management of Fulcrum Utilities reported the six months to September 2011 has been a transformational period for Fulcrum with the company now well positioned to deliver growth and to move into profitability. Management remains confident that the underlying financial performance in the second half will be in line with expectations.

We are also seeing encouraging signs of growth within other portfolio companies; for the year end 2011, Smart Education has increased its turnover by 11% and repaid one third of the VCT debt principal ahead of schedule; and AngloINFO has reported an increase in turnover for the fourth consecutive year. Elsewhere, Fords and Lyalvale remain stable and are paying solid dividends. Baldwin and Francis is subject to long sales cycles and 'lumpy orders' which are coming through now, and your Manager has put in place an executive chairman to help the existing managers to consolidate and build the business.

Within the private company portfolio, Wessex Advanced Switching Products Ltd ("WASP") has been adversely affected by the decline in US defence budgets. This reduced level of orders is expected to continue through 2012. However, WASP expects to derive two thirds of its sales in the next year (2011: 63%) from its non defence related aviation products where demand remains strong.

INVESTMENT MANAGER'S REPORT (continued)

Generally, it is worth noting that, in nine out of the top ten companies by value at 31 December 2011, we have at least one board seat or observer rights and are very actively involved with these businesses. We continue to maintain a good level of liquidity so that we are able to respond to investment opportunities that become available and over the year have followed our strategy of investing into the existing portfolio. A new investment into a software business is currently progressing on track. Overall, the low external debt position of the portfolio is well covered by earnings and comfortably within banking covenants, and gives us confidence for the future.

While the past year has not been without issues, your Manager retains a balanced but positive outlook for the portfolio.

Elderstreet Investments Limited

27 April 2012

ELDERSTREET
VCT plc

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments were held at 31 December 2011. All companies are registered in England and Wales.

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
Ten largest venture capital investments (by value)				
Smart Education Limited	1,274	1,901	-	10.0%
Fords Packaging Systems Limited	1,047	1,845	693	9.7%
Wessex Advanced Switching Products Limited	60	1,799	(874)	9.5%
Lyalvale Express Limited	915	1,255	228	6.6%
Access Intelligence plc *	1,633	1,243	(1,058)	6.6%
SnackTime plc *	1,375	1,218	(988)	6.4%
AngloINFO Limited	662	1,037	305	5.5%
Fulcrum Utility Services Limited *	500	708	63	3.7%
Baldwin & Francis (Holdings) Limited	690	690	(80)	3.6%
Aconite Technology Limited	562	412	(149)	2.2%
	8,718	12,108	(1,860)	63.8%
Other venture capital investments				
The Engine Group Limited	455	385	-	2.0%
Interquest Group plc *	336	323	(67)	1.7%
Cashfac Initiative Limited	260	263	66	1.4%
Mears Group plc **	188	175	(68)	0.9%
Rosebowl plc	187	47	(78)	0.3%
Servoca plc *	333	42	(42)	0.2%
Sift Limited	250	38	1	0.2%
The Kellan Group plc *	657	22	9	0.1%
SparesFinder Limited	104	12	-	0.1%
City Visitor Group plc (formerly Infoserve plc)	127	-	(7)	-
The National Solicitors Network Limited	501	-	-	-
The QSS Group Limited	268	-	-	-
	3,666	1,307	(186)	6.9%
Listed fixed income securities				
United Kingdom 2.25% Gilt 07/03/2014	830	880	19	4.6%
United Kingdom 2.75% Gilt 22/01/2015	559	570	23	3.0%
S&W Investment Funds Cash Fund	19	19	-	0.1%
	1,408	1,469	42	7.7%
	13,792	14,884	(2,004)	78.4%
Cash at bank and in hand		4,111		21.6%
Total investments		18,995		100.0%

All venture capital investments are unquoted unless otherwise stated

* Quoted on AIM
** Quoted on the Main Market

Elderstreet Investments Limited also acts as investment manager for Bedford Row VCT plc which has co-invested in SnackTime plc investment.

REVIEW OF INVESTMENTS (continued)

Investment movements for the year ended 31 December 2011

ADDITIONS

	£'000
Venture capital investments	
Aconite Technology Limited	102
AngloINFO Limited	133
Listed fixed income securities	
S&W Investment Funds Cash Fund	19
	254

DISPOSALS

	Cost £'000	MV at 01/01/11 £'000	Proceeds £'000	Profit vs cost £'000	Realised gain £'000
Smart Education Limited	199	265	265	66	-
WeComm Limited	850	935	939	85	4
	1,049	1,200	1,204	151	4

Further details of the ten largest investments (by value) follow:

Smart Education Limited
www.smartteachers.co.uk

Cost:		£1,274,000	Valuation at 31/12/11:	£1,901,000
Investment comprises:			Valuation at 31/12/10:	£2,165,000
Equity shares:		£90,000	Valuation method:	Earnings multiple
10.0% loan note:		£397,000		
0% loan note:		£787,000		

Abbreviated audited accounts:	31/12/10	31/12/09	Dividend income:	£nil
Turnover:	Unpublished information		Loan note income:	£58,000
Profit before tax:	Unpublished information		Proportion of equity held:	31.0%
Net liabilities:	(£1.7m)	(£2.1m)	Diluted equity:	29.0%

Smart Education is a growing teacher supply agency based in London which was established in 2005 with four offices in Australia. It made a further acquisition of another small agency in 2011 and has continued to grow organically. The business is profitable and cash generating.

Fords Packaging Systems Limited
www.fords-packsys.co.uk

Cost:		£1,047,000	Valuation at 31/12/11:	£1,845,000
Investment comprises:			Valuation at 31/12/10:	£1,152,000
Equity shares:		£588,000	Valuation method:	Earnings multiple
8.0% loan note:		£459,000		

Audited accounts:	30/06/11	30/06/10	Dividend income:	£134,000
Turnover:	£5.4m	£6.1m	Loan note income:	£37,000
Profit before tax:	£0.3m	£0.6m	Proportion of equity held:	50.0%
Net assets:	£0.8m	£0.7m	Diluted equity:	50.0%

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. The business expects to achieve further growth from its continuing product development programme.

REVIEW OF INVESTMENTS (continued)

Wessex Advanced Switching Products Limited
www.waspswitches.co.uk

Cost:		£60,000	Valuation at 31/12/11:	£1,799,000
Investment comprises:			Valuation at 31/12/10:	£2,673,000
Equity shares:		£60,000	Valuation method:	Earnings multiple
Audited accounts:	31/12/10	31/12/09	Dividend income:	£85,000
Turnover:	£8.3m	£7.8m		
Profit before tax:	£1.0m	£1.4m	Proportion of equity held:	29.0%
Net assets:	£3.3m	£3.0m	Diluted equity:	29.0%

Wessex Advanced Switching Products ('WASP') designs and manufactures rotary switches, touch screens, membrane, keypads and lighting for defence and aerospace markets. A significant element of sales is to aircraft premium seat manufacturers. 60% of the company's revenue is derived from aerospace and 15% from military applications. It relocated to a new factory in 2011.

Lyalvale Express Limited
www.lyalvaleexpress.com

Cost:		£915,000	Valuation at 31/12/11:	£1,255,000
Investment comprises:			Valuation at 31/12/10:	£1,027,000
Equity shares:		£915,000	Valuation method:	Earnings multiple
Abbreviated audited accounts:	02/04/11	27/03/10	Dividend income:	£32,000
Turnover:	Unpublished information			
Profit before tax:	£1.2m	£1.2m	Proportion of equity held:	19.0%
Net assets:	£6.2m	£5.5m	Diluted equity:	19.0%

Lyalvale is the leading producer of shotgun ammunition in the UK. It offers a range of more than thirty different models of cartridge suitable for both game and clay shooting. Its cartridges range from premium items, such as that used by Richard Faulds to win an Olympic gold medal in Sydney, to popular everyday products. It also exports a significant proportion of its production.

Access Intelligence plc
www.accessintelligence.com

Cost:		£1,633,000	Valuation at 31/12/11:	£1,243,000
Investment comprises:			Valuation at 31/12/10:	£2,301,000
Equity shares:		£1,133,000	Valuation method:	Bid price
6.0% conv. loan note:		£500,000		
Equity share options:		£nil		
Audited accounts:	30/11/11	30/11/10	Dividend income:	£33,000
Turnover:	£7.2m	£7.2m	Loan note income:	£30,000
Loss before tax:	(£0.1m)	(£1.6m)	Proportion of equity held:	14.0%
Net assets:	£9.6m	£7.8m	Diluted equity:	20.0%

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

REVIEW OF INVESTMENTS (continued)

SnackTime plc
www.snacktimeuk.co.uk

Cost:		£1,375,000	Valuation at 31/12/11:	£1,218,000
Investment comprises:			Valuation at 31/12/10:	£2,206,000
Equity shares:		£1,325,000	Valuation method:	Bid price
10.0% loan note		£50,000		
Audited accounts:	31/03/11	31/03/10	Dividend income:	£nil
Turnover:	£17.0m	£7.6m	Loan note income:	£4,000
(Loss)/profit before tax:	(£2.2m)	£1.3m	Proportion of equity held:	11.0%
Net assets:	£18.0m	£11.0m	Diluted equity:	9.6%

SnackTime is the UK's third largest vending operator and the largest snack vending machine company in the UK and Ireland. The group specialises in offering customers a complete vending solution for hot drinks and coffee machines, water coolers, chilled drink vending machines and snack machines. The SnackTime company was originally founded in 2001 and the SnackTime plc vending group now has over 20,000 customer sites, including many household names, and around 350 staff. In 2007 SnackTime floated on the London Stock Exchange and SnackTime's shares are now actively traded on the AIM market under the ticker code SNAK.

AngloINFO Limited
www.angloinfo.com

Cost:		£662,000	Valuation at 31/12/11:	£1,037,000
Investment comprises:			Valuation at 31/12/10:	£598,000
Equity shares:		£462,000	Valuation method:	Price of recent investment
6.0% conv. loan note:		£200,000		
Abbreviated unaudited accounts:	31/12/10	31/12/09	Dividend income:	£nil
Turnover:	Unpublished information		Loan note income:	£12,000
Loss before tax:	Unpublished information		Proportion of equity held:	17.5%
Net assets:	£0.2m	£0.1m	Diluted equity:	22.5%

AngloINFO is an online media company providing local business directory, classified advertising and information services in the English language. AngloINFO 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.

Fulcrum Utility Services Ltd
www.fulcrumutilityserviceslimited.co.uk

Cost:	£500,000	Valuation at 31/12/11:	£708,000
Investment comprises:		Valuation at 31/12/10:	£646,000
Equity shares:	£500,000	Valuation method:	Bid price
Audited accounts:	Period ended 31/03/11	Dividend income:	£nil
Turnover:	£28.0m		
Loss before tax:	(£12.0m)	Proportion of equity held:	2.7%
Net assets	£4.9m	Diluted equity:	2.7%

Fulcrum was formed as a purchase from National Grid plc by Marwyn Capital and is an independent gas transporter and provider of unregulated gas connection services. Fulcrum's experience is gained from completing an average of 140,000 domestic, industrial and commercial gas connections per year from multi-million pound technical developments such as Heathrow Terminal 5 to smaller scale commercial projects like the supply upgrade to The New Angel restaurant in Dartmouth.

REVIEW OF INVESTMENTS (continued)

Baldwin & Francis (Holdings) Limited
www.baldwinandfrancis.com

Cost:		£690,000	Valuation at 31/12/11:	£690,000
Investment comprises:			Valuation at 31/12/10:	£770,000
Equity shares:		£170,000	Valuation method:	At cost
9.0% loan note:		£520,000		
Audited accounts:	27/03/11	27/03/10	Dividend income:	£nil
Turnover:	£9.5m	£12.0m	Loan note income:	£47,000
Loss before tax:	(£0.4m)	(£0.1m)	Proportion of equity held:	30.0%
Net assets:	£0.8m	£1.2m	Diluted equity:	30.0%

Baldwin and Francis manufactures flameproof switchgear for the mining, oil and rail industries, a significant percentage of which is currently exported. It has subsidiary or joint venture operations in China and Canada and has a long export record to other countries including the Russian Federation, India, Turkey and the Middle East.

Aconite Technology Limited
www.aconite.net

Cost:		£562,000	Valuation at 31/12/11:	£412,000
Investment comprises:			Valuation at 31/12/10:	£460,000
Equity shares:		£252,000	Valuation method:	Earnings multiple
10.0% loan note:		£210,000		
Short term loan:		£100,000		
Abbreviated audited accounts:	31/03/11	31/03/10	Dividend income:	£nil
Turnover:	Unpublished information		Loan note income:	£5,000
Loss before tax:	Unpublished information		Proportion of equity held:	5.7%
Net assets:	£1.4m	£1.4m	Diluted equity:	5.3%

Aconite provides a cost-effective solution that enables banks and retailers to provide smart card/token based contactless payment applications, which can include prepaid and pre-authorised accounts. Aconite was recently ranked number 30 in the Growth Business Top 50 Rising Starts of 2011.

Note:
The proportion of equity held by each investment also represents the level of voting rights held by the Company in respect of the investment.

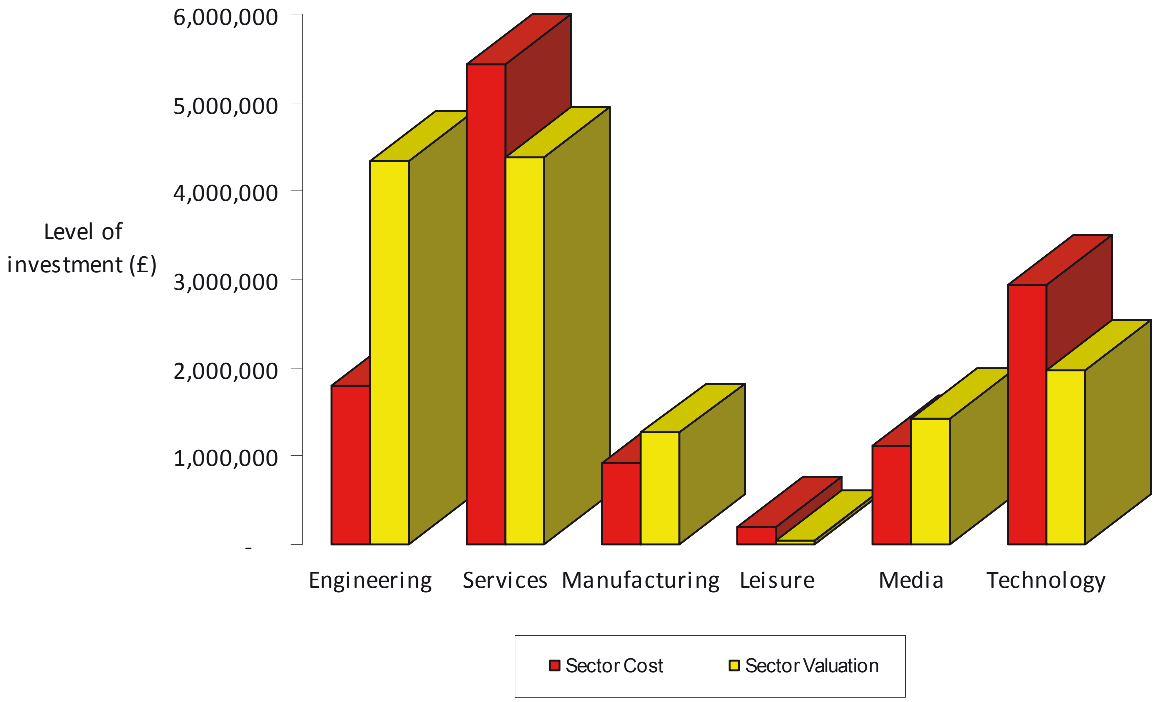
Loan notes disclosed in the above tables are valued at current expected redemption value, which is normally at par.

ELDERSTREET
VCT plc

REVIEW OF INVESTMENTS (continued)

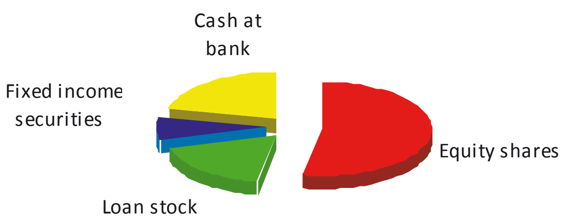
Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by cost and by value at 31 December 2011) is as follows:



Analysis of investments by nature of instrument

The following chart summarises the Company's investment portfolio by the nature of instrument held (by value at 31 December 2011):



Portfolio balance

At 31 December 2011, the Company assets employed were broadly in line with the targets within the investment policy. These are summarised as follows:

Type of investment (by value, according to HMRC regulations)	**Actual**	**Target**
VCT qualifying investments	76.7%	Minimum 70%
Other investments	9.2%	-
Fixed income securities	6.3%	Maximum 30%
Cash at bank and in hand	7.8%	-
Total	100.0%	100%

REPORT OF THE DIRECTORS

The Directors present the Annual Report and Financial Statements of the Company for the year ended 31 December 2011.

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.

Business review and developments

At the year end, the investment portfolio had fallen in value by £2.0 million. Net gains arising on disposals in the portfolio amounted to £4,000.

Additionally, the total running costs of the Company exceeded revenue income arising from the portfolio investments by £26,000.

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

During the year, the Company purchased 593,327 Ordinary Shares of 5p each for cancellation for an aggregate consideration of £344,000, at an average price of 57.7p per Ordinary Share (approximately equal to a 15% discount to the most recently published NAV at the time of purchase), and representing 2.4% of the issued Ordinary Share capital held at 1 January 2011.

Between 22 March 2011 and 5 May 2011, the Company allotted 4,778,800 Ordinary Shares of 5p each, under the terms of a prospectus dated 21 December 2010, at an average price of 80.0p per share, with gross proceeds received thereon of £3.8 million. Issue costs in respect of the offer amounted to £210,000.

On 5 April 2012, the Company allotted 1,238,457 Ordinary Shares of 5p each, under the terms of a prospectus dated 9 December 2011, at an average price of 70.7p per share, with gross proceeds received thereon of £875,000. Issue costs in respect of these allotments amounted to £48,000.

At the date of this report, the total number of Ordinary Shares of 5p each in issue was 29,940,132.

Results and dividends

	£'000	Pence per share
Loss for the year	(2,026)	(7.2p)
Dividends paid in respect of year ended 31/12/11		
2 December 2011	581	2.0p
Dividends paid in respect of year ended 31/12/10		
6 July 2011	586	2.0p

Subject to Shareholder approval at the forthcoming AGM, your Company is proposing to pay a final dividend of 2.0p per Ordinary Share (split as 1.0p revenue and 1.0p capital) on 22 June 2012 to Shareholders on the register at 25 May 2012.

Performance incentive fees

Performance incentive fees are payable to the Investment Manager, with effect from 1 January 2009, and only when the Company has paid and/or proposed distributions totalling 3.5p per share in respect of any one financial year and when the NAV, before the distribution, is above 70.6p per share. If the test is met, the fee is calculated at a rate of 20% of the distribution per share in excess of 3.5p and is based on the shares in issue at the year end. The performance incentive fee will also have a catch-up should any previous year's distribution not be met. As the test was not met at the year end, no performance fees are payable in respect of the year ended 31 December 2011.

Investment policy

The Company aims to invest at least 70% of its funds in qualifying holdings and up to 30% in fixed interest securities. Maximum exposure to such investments is 100%.

REPORT OF THE DIRECTORS (continued)

Investment policy (continued)

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

- Established companies which are seeking development capital or funding for management buy-outs. (Investments in early stage businesses should represent only a small proportion of the portfolio at any time.)
- 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 Investments Limited can typically act as lead investor and have an active involvement in the business through a board position.

The Company has a general portfolio mix by sector and its average deal size is approximately £1 million, although it will syndicate deals of up to £2 million. 30% of investments will usually be into early stage companies with high growth potential and 70% will be MBO and development capital investments – mature companies yielding dividends. The target deal size is £1 million across a broad range of industries. The Company will aim to have material influence, including board representation, in relation to all of its portfolio companies. Funds not invested in VCT qualifying investments will generally be invested in fixed income securities.

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.

REPORT OF THE DIRECTORS (continued)

Investment policy (continued)

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).

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 2011, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £1.9 million. 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 Investments Limited is the Investment Manager for the Company and receives a fee of 2% of net assets per annum. The 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 Investments 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 Investments 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 £50,000 per annum (plus VAT). On 25 August 2011, the administration agreement was novated to Downing LLP, who provides services to the Company on the same terms. The agreement may be terminated by either the Board or Downing serving on the other not less than 12 months' notice of termination.

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 where applicable) of the amount invested in fixed income securities subject to a maximum of £10,000 per annum (plus VAT where applicable).

Annual running costs cap

The Company's annual running costs (which exclude any performance fees payable) are capped at 3.5% of the net assets. Any excess will be paid by Elderstreet Investments Limited and Downing LLP pro-rata to their respective fees received for investment management and administration respectively. The total expense ratio for the year, based on net assets at the year end, was 3.2% (2010: 3.3%).

REPORT OF THE DIRECTORS (continued)

Directors

The Directors of the Company during the year and their beneficial interests in the issued Ordinary Shares of 5p each in the Company at each year end were as follows:

Director	31 Dec 2011 Ordinary Shares	31 Dec 2010 Ordinary Shares
David Brock (Chairman)	100,000	100,000
Hugh Aldous	20,000	20,000
Barry Dean	20,627	20,627
Michael Jackson	776,485	776,485
Nicholas Lewis	50,000	50,000

The Directors' holdings have remained unchanged between 31 December 2011 and the date of this report.

In accordance with developments with corporate governance practise, the Board has decided that it would be best practise for the whole Board of Directors to retire at each AGM, with those wishing to do so putting themselves forward for re-election. Accordingly, at the forthcoming AGM all Directors will retire and all of them are offering themselves for re-election. The Board recommends that Shareholders take into consideration each Director's considerable experience in VCTs and other areas, as shown in their respective biographies on page 3 together with the performance of the Company over the years, in order to support the resolutions to re-appoint each of the Directors.

Each of the Directors has entered into an agreement for services which are 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.

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 ("PwC") to advise it on compliance with VCT requirements, including evaluation of investment opportunities, as appropriate, and regular reviews of the portfolio. Although PwC works closely with the Investment and Administration Managers ("the Managers"), they report directly to the Board.

A summary of the VCT regulations is included in the Company's Investment Policy as shown on page 16.

Compliance with the main VCT regulations as at 31 December 2011 and for the year then ended is summarised as follows:

		Compliance as at 31 Dec 2011
1.	The Company holds at least 70% of its investments in qualifying companies	76.7%
2.	At least 30% of the Company's qualifying investments (by value) are held in "eligible shares"	78.5%
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;	92.5%
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;	Complied
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 (2010: 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 PwC, review compliance with the regulations monthly, and the Board reviews the position at the quarterly board meetings.

REPORT OF THE DIRECTORS (continued)

Key performance indicators (continued)

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 pages 14 to 16). 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).

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 17 of 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 Listing Rules of the Financial Services Authority 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 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 year.

Auditor

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

Substantial interests

As at 31 December 2011, and the date of this report, the Company was not aware of any beneficial interests exceeding three per cent of the issued Ordinary Share capital.

Annual General Meeting

The Annual General Meeting will be held at 32 Bedford Row, London WC1R 4HE at 11:00 a.m. on 14 June 2012. The Notice of the Annual General Meeting and Form of Proxy are at the end of this document.

Directors' responsibilities statement

The Directors are responsible for preparing the Report of the Directors, the Directors' Remuneration 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). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

REPORT OF THE DIRECTORS (continued)

Directors' responsibilities statement (continued)

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company'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.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are shown on page 3, confirms that, to the best of each person's knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and results of the Company; and
- the management report within the Chairman's Statement, Investment Manager's Report, Review of Investments and the Report of the Directors, includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

Electronic publication

The financial statements are published on www.elderstreet.com (maintained by the Investment Manager) and on www.downing.co.uk (maintained by the Administration Manager).

Corporate Governance

The Company's compliance with, and departures from, the Financial Reporting Council's UK Corporate Governance Code, June 2010 (www.frc.org.uk), is shown on pages 24 to 25.

Statement as to disclosure of information to Auditor

The Directors in office at the date of this report have confirmed, as far as they are aware, that there is no relevant audit information of which the Auditor is 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

G Whitehouse

Grant Whitehouse
Secretary of Elderstreet VCT plc

Company number: 03424984

Registered office:
10 Lower Grosvenor Place
London SW1W 0EN

27 April 2012

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report in accordance with the requirements of Sections 420 to 422 of the Companies Act 2006. A resolution to approve this report will be put to the members at the AGM to be held on 14 June 2012.

Under the requirements of Section 497, the Company's Auditor is required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Auditor's Report on page 26.

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.

The Company has a Remuneration Committee who reviews the remuneration levels received by the Board as and when deemed appropriate.

Agreement for services

Each of the Directors has signed an agreement for services with the Company which specify a notice period of three months. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires.

Directors' remuneration (audited)

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

	2011 Fee	**2010 Fee**
David Brock (Chairman)	£15,000	£15,000
Hugh Aldous	£10,000	£10,000
Barry Dean	£10,000	£10,000
Michael Jackson	£10,000	£10,000
Nicholas Lewis	£10,000	£10,000
	£55,000	£55,000

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.

2012 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 Board believes that NAV Total Return provides Shareholders with a fairer reflection of the Company's long term value than the Company's share price, due to the long term nature of an investment in Venture Capital Trust shares.

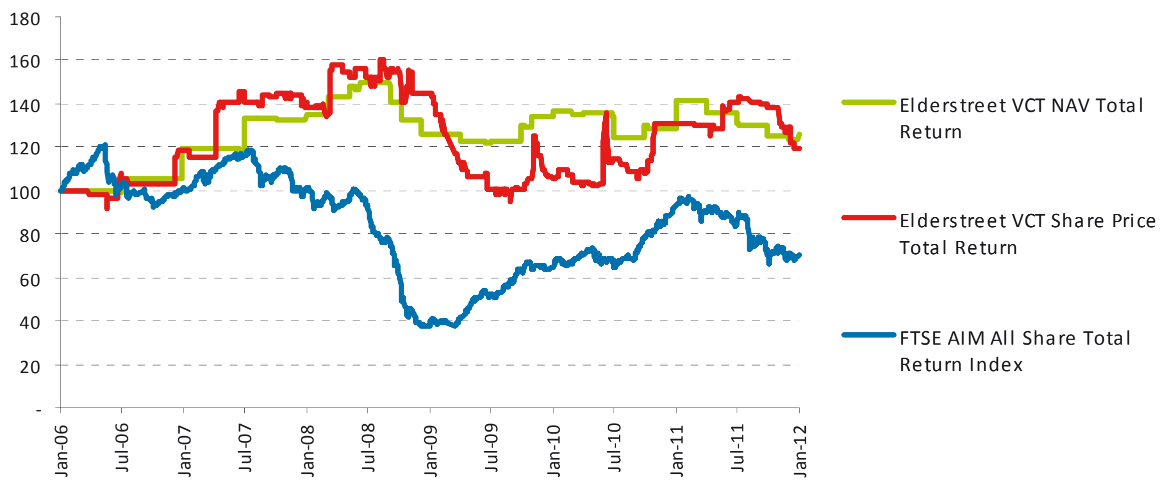
The following graph charts the total cumulative Shareholder return of the Company (assuming all dividends are re-invested) ("NAV Total Return") and total return of the Company's share price ("Share Price Total Return") over the past five years compared with the total cumulative return of the FTSE AIM All Share Index ("FTSE AIM All Share Index Total Return"), each of which has been rebased to 100 pence.

This Index is considered to be the most appropriate broad equity market index against which investors can measure the relative performance of the Company.

By order of the Board

Grant Whitehouse
Secretary
10 Lower Grosvenor Place
London SW1W 0EN

27 April 2012



CORPORATE GOVERNANCE STATEMENT

The Directors support the relevant principles of the UK Corporate Governance Code issued in June 2010 being the principles of good governance and the code of best practice, as set out in the UK Corporate Governance Code annexed to the Listing Rules of the UK Listing Authority.

The Board

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

In accordance with the Articles of Association, Directors are subject to re-election at the first AGM after their appointment and by rotation thereafter. In accordance with developments with corporate governance practice, the Board has decided that it would be best practice for the whole Board of Directors to retire at each AGM, with those wishing to do so putting themselves forward for re-election. Accordingly, at the forthcoming AGM all Directors will retire and all of them are offering themselves for re-election.

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 reviewing the terms of engagement of all third party advisers (including the Investment Manager and Administration Manager). The Board has a formal schedule of matters specifically reserved for its decision.

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.

Share capital

The Board has authority to make market purchases of the Company's own shares. This authority for up to 14.9% of the Company's issued share capital was granted at the last AGM. A resolution will be put to Shareholders to renew this authority at the forthcoming AGM.

The Board will also seek authority at the forthcoming AGM to issue new shares up to 10% of the current issued share capital.

The capital structure of the Company is disclosed on page 14.

Committees to the Board

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, which are available from www.downing.co.uk.

Board and Committee meetings

The following table sets out the Directors' attendance at the Board and Committee meetings held during the year.

	Board meetings attended (5 held)	**Audit Committee meetings attended (2 held)**
David Brock	5	2
Hugh Aldous	5	2
Barry Dean	5	N/A
Michael Jackson	5	N/A
Nicholas Lewis	5	N/A

Neither the Nomination nor Remuneration Committee met during the year.

CORPORATE GOVERNANCE STATEMENT (continued)

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 Auditor, together with their remuneration, as well as a full review of the effectiveness of the Company's internal control and risk management systems.

During the year, the Committee discharged its responsibilities by obtaining assurance from their own evaluation of the annual and half yearly reports, the audit feedback documentation, and from correspondence and discussions with the engagement partner of PKF (UK) LLP. Based on the assurance obtained, the Committee has recommended, to Shareholders and the Board, that PKF (UK) LLP are re-appointed as Auditor at the forthcoming AGM.

Any non-audit services provided by the Auditor (e.g. provision of corporation tax services) are reviewed and approved by the Committee prior to being undertaken, to ensure that auditor objectivity and independence is safeguarded. In addition, yearly reports are received from the Auditor confirming their independent status.

During the year, in addition to the audit, PKF (UK) LLP provided corporation tax compliance services on behalf of the VCT. The Committee considers that PKF (UK) LLP is well placed to provide this service given the knowledge gained from the work undertaken during the audit of the Company.

In addition, the Committee reviewed the internal financial controls and concluded that they were appropriate given the nature of the Company. 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.

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.

Diversity policy

When considering a new appointment to the Board, the Committee's responsibility is to ensure that Shareholders are safeguarded by appointing the most appropriate person for the position, (irrespective of gender) giving due regard to past and present experience in the sectors in which the Company invests. The Company therefore does not have a specific diversity policy in place.

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, or to meet with Shareholders if so requested. As disclosed in the Report of the Directors, there were no Shareholders with a substantial interest in the Company at the year end or at the date of this report.

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.

Separate resolutions are proposed at the AGM on each substantially separate issue. Downing LLP 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 UK Corporate Governance 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 conditions of appointment of non-executive Directors are available to Shareholders upon request.

CORPORATE GOVERNANCE STATEMENT (continued)

Financial reporting

The Directors' statement of responsibilities for preparing the accounts is set out in the Report of the Directors on page 18, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 26.

Risk management and 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 UK Corporate Governance 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 they 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:

Investment Management	Elderstreet Investments Limited
Administration	Downing LLP
Listed Fixed Income Securities Management	Smith & Williamson Investment Management Limited

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman's Statement on page 4, the Investment Manager's Report on page 6 and the Report of the Directors on page 14. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow Statement on page 29 and the Report of the Directors on page 16. In addition, note 17 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

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

The Directors confirm that they are satisfied that 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 apply the going concern basis in preparing the financial statements.

Compliance statement

The Listing Rules require the Board to report on compliance with the fifty-two UK Corporate Governance Code provisions throughout the accounting period. The preamble to the Combined Code does, however, acknowledge that some provisions may have less relevance for investment companies. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 31 December 2011 with the provisions set out in the UK Corporate Governance Code issued in June 2010.

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 the AGM. (B.4.1, B.4.2, E.1.1)

b) Due to the size of the Board and the nature of the Company's business, 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. Similarly, a senior independent director has not been appointed. (A.4.1, A.4.2, B.6.1, B.6.3, B.7.2)

CORPORATE GOVERNANCE STATEMENT (continued)

Compliance statement (continued)

c) The Company does not have a majority of independent Directors as defined by the UK Corporate Governance Code as a result of other directorships of companies managed by the same Investment Management Team and length of service. The Board considers that all Directors have sufficient experience to be able to exercise proper judgement within the meaning of the UK Corporate Governance Code. (B.1.2) (Consequently, the composition of the Audit Committee does not comply with C.3-1.)

d) The non-executive Directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts. (B.2.3) The Directors do have agreements for services in place. In the Directors' opinion, this does not make a substantive difference to the circumstances of the Company.

e) Due to the size of the Company, the Audit Committee has concluded that an internal audit function is not appropriate. (C.3.5)

f) As the Company has no staff, other than the Directors, there are no procedures in place in respect of C.3.4 of the UK Corporate Governance Code, relating to whistleblowing. The Audit Committee understands that the Investment Manager and Administration Manager have whistleblowing procedures in place.

G Whitehouse

Grant Whitehouse
Secretary
10 Lower Grosvenor Place
London SW1W 0EN

27 April 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELDERSTREET VCT PLC

We have audited the financial statements of Elderstreet VCT plc for the year ended 31 December 2011 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 reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 Auditor's 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 Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement, as set out on pages 22 to 25, in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 24, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the Shareholders by the Board on Directors' remuneration.

PKF (UK) LLP

Rhodri Whitlock (Senior Statutory Auditor)
for and on behalf of PKF (UK) LLP
Statutory Auditor
London UK

27 April 2012

INCOME STATEMENT
for the year ended 31 December 2011

	Note	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000
Income	2	575	-	575	493	-	493
(Losses)/gains on investments	9	-	(2,000)	(2,000)	-	1,024	1,024
		575	(2,000)	(1,425)	493	1,024	1,517
Investment management fees	3	(98)	(296)	(394)	(88)	(263)	(351)
Performance incentive fees	3	-	-	-	-	(48)	(48)
Other expenses	4	(206)	(1)	(207)	(214)	(11)	(225)
Return/(loss) on ordinary activities before tax		271	(2,297)	(2,026)	191	702	893
Tax on ordinary activities	6	-	-	-	(6)	6	-
Return/(loss) attributable to equity shareholders		271	(2,297)	(2,026)	185	708	893
Basic and diluted return/(loss) per share	8	1.0p	(8.2p)	(7.2p)	0.8p	2.9p	3.7p

All Revenue and Capital items in the above statement derive from 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 as stated above and at historical cost.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Opening Shareholders' funds		18,785	17,865
Issue of shares	12	3,823	1,455
Share issue costs	12	(210)	(80)
Purchase of own shares	12	(344)	(349)
Total recognised (losses)/gains for the year		(2,026)	893
Dividends paid	7	(1,167)	(999)
Closing Shareholders' funds		18,861	18,785

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

BALANCE SHEET
at 31 December 2011

	Note	£'000	2011 £'000	£'000	2010 £'000
Fixed assets					
Investments	**9**		14,884		17,834
Current assets					
Debtors	**10**	52		33	
Cash at bank and in hand		4,111		1,127	
		4,163		1,160	
Creditors: amounts falling due within one year	**11**	(186)		(209)	
Net current assets			3,977		951
Net assets			18,861		18,785
Capital and reserves					
Called up share capital	**12**		1,435		1,226
Capital redemption reserve	**13**		229		199
Merger reserve	**13**		2,034		2,082
Share premium	**13**		8,999		5,625
Special reserve	**13**		1,216		1,728
Revaluation reserve	**13**		1,705		3,875
Capital reserve – realised	**13**		2,844		3,775
Revenue reserve	**13**		399		275
Total equity shareholders' funds	**14**		18,861		18,785
Basic and diluted net asset value per share	**14**		65.7p		76.6p

The financial statements on pages 27 to 43 were approved and authorised for issue by the Board of Directors on 27 April 2012 and were signed on its behalf by:

David Brock
Chairman

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

ELDERSTREET
VCT plc

CASH FLOW STATEMENT
for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Net cash outflow from operating activities	15	(74)	(42)
Capital expenditure			
Purchase of investments		(254)	(2,403)
Sale of investments		1,204	2,652
Net cash inflow from capital expenditure		950	249
Equity dividends paid		(1,167)	(999)
Net cash outflow before financing		(291)	(792)
Financing			
Proceeds from share issue		3,695	1,455
Share issue costs		(76)	(86)
Purchase of own shares		(344)	(349)
Net cash inflow from financing		3,275	1,020
Increase in cash	16	2,984	228

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

NOTES TO THE ACCOUNTS
for the year ended 31 December 2011

1. Accounting policies

Basis of accounting

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

The financial statements are prepared under the historical cost convention modified by the revaluation of certain financial instruments.

The Company implements new Financial Reporting Standards issued by the Accounting Standards Board when required.

Presentation of Income Statement

In order to better reflect the activities of a venture capital trust, and in accordance with the SORP, 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.

Fixed asset investments

Investments are designated as "fair value through profit or loss" assets, upon acquisition, due to investments being managed and performance evaluated on a fair value basis. A financial asset is designated within this category if it is both acquired and managed, with a view to selling after a period of time, in accordance with the Company's 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 FRS 26.

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

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

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

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

Where an investee company has gone into receivership, liquidation, or administration (where there is little likelihood of recovery), 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.

The results of these companies are not incorporated into the Income Statement except to the extent of any income accrued. This is in accordance with the SORP that does not require portfolio investments to be accounted for using the equity method of accounting.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2011

1. Accounting policies (continued)

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.

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 acquisition of an investment are deducted as a capital item.

- 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. The Company has adopted the policy of allocating investment manager's fees, 75% to capital and 25% to revenue as permitted by the SORP. The allocation is in line with the Board's expectation of long term returns from the Company's investments in the form of capital gains and income respectively.

- Performance incentive fees arising are treated as a capital item.

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 not discounted and 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.

Other debtors and other creditors

Other debtors (including accrued income) and other creditors are included within the accounts at amortised cost.

Issue costs

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

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2011

2. Income

	2011 £'000	2010 £'000
Income from investments		
Loan stock interest	193	247
Dividend income	305	165
Interest on listed fixed income securities	34	76
	532	488
Other income		
Deposit interest	43	5
	575	493

3. Investment management fees

	2011 £'000	2010 £'000
Basic fees	394	351
Performance incentive fees in respect of the year to 31/12/2009	-	23
Performance incentive fees in respect of the year to 31/12/2010	-	25
	394	399

Performance incentive fees, as shown above, are payable to the Investment Manager, with effect from 1 January 2009, when the Company has paid and/or proposed distributions totalling 3.5p per share, in respect of any one financial year and, the NAV, before the distribution is above 70.6p per share. If the test is met, the fee is calculated at a rate of 20% of the distribution per share in excess of 3.5p, and is based on the shares in issue at the year end. The performance incentive fee will also have a catch-up should any previous year's distribution not be met. As the test has not been met in the year, no performance fees are payable in respect of 2011.

4. Other expenses

		2011 £'000	2010 £'000
Administration services		60	59
Directors' remuneration		55	55
Social security costs		3	3
Auditor's remuneration for	- audit	21	24
	- taxation services	5	2
Trail commission		7	5
Costs of acquisition of investments		1	11
Other running costs		55	66
		207	225

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

5. Directors' remuneration

Details of remuneration of the Directors (excluding employers' NI) can be found in the Directors' Remuneration Report on page 20.

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

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2011

6. Taxation on ordinary activities

	2011 £'000	2010 £'000
(a) Tax charge for the year		
Current year		
UK corporation tax at 20.2% (2010: 21.0%)	-	6
Charged to capital expenses	-	(6)
	-	-
(b) Factors affecting tax charge for the year		
(Loss)/return on ordinary activities before tax	(2,026)	893
Tax charge calculated on return on ordinary activities before tax at the applicable rate of 20.2% (2010: 21.0%)	(409)	187
Gains/(losses) on investments	404	(215)
UK dividend income	(62)	(35)
Expenses disallowed for taxation purposes	2	4
Losses carried forward	65	59
Current tax charge	-	-

(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 £249,000 (2010: £190,000) and would only be recovered if the Company were to make sufficient taxable profits in the future.

7. Dividends

	Pence	Revenue £'000	Capital £'000	2011 Total £'000	Revenue £'000	Capital £'000	2010 Total £'000
Paid in year							
2011 Interim dividend	2.0	-	581	581	-	-	-
2010 Final dividend	2.0	147	439	586	-	-	-
2010 Interim dividend	2.0	-	-	-	-	497	497
2009 Final dividend	2.0	-	-	-	118	384	502
		147	1,020	1,167	118	881	999
Proposed							
Final dividend	2.0	287	287	574	122	368	490

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2011

8. Basic and diluted return per share

	2011 £'000	2010 £'000
Return per share based on:		
Net revenue return for the financial year (£'000)	271	185
Capital return per share based on:		
Net capital (loss)/gain for the financial year (£'000)	(2,297)	708
Weighted average number of shares in issue	27,950,201	24,429,890

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

9. Investments

"Fair value through profit or loss" assets

	Listed fixed income securities £'000	Quoted investments £'000	Unquoted investments £'000	Total £'000
Opening cost at 1 January 2011	1,389	5,149	8,049	14,587
Gains at 1 January 2011	18	740	2,489	3,247
Opening fair value at 1 January 2011	1,407	5,889	10,538	17,834
Movement in year				
Change in status	-	(7)	7	-
Purchased at cost	19	-	235	254
Sales - proceeds	-	-	(1,204)	(1,204)
- realised gains on sales	-	-	4	4
Unrealised gains/(losses) in the income statement	43	(2,151)	104	(2,004)
Closing fair value at 31 December 2011	1,469	3,731	9,684	14,884
Closing cost at 31 December 2011	1,408	5,021	7,363	13,792
Gains at 31 December 2011	61	(1,290)	2,321	1,092
	1,469	3,731	9,684	14,884

Costs of acquisition of investments acquired during the year amounted to £1,000 (2010: £11,000) and costs of investments disposed of during the year amounted to £nil (2010: £5,000). A schedule disclosing the additions and disposals during the year is shown on page 9.

During 2009, a loan note held in Baldwin & Francis Holdings Limited ("Baldwin") reached its maturity date. Due to financing issues, Baldwin was unable to repay the loan, therefore due to the restrictive covenant terms attached to the loan note the Company gained effective, temporary, control of Baldwin. Since the year end, Baldwin has resolved the situation and the Company's temporary control position has therefore been revoked. The Board therefore do not believe it appropriate for the results of the effective subsidiary company to be consolidated within these accounts. Full details of the investment in Baldwin, including their financial results, are shown on page 12.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2011

9. Investments

The Company has categorised its financial instruments using the fair value hierarchy as follows:

Level 1 Reflects financial instruments quoted in an active market (listed fixed interest investments, and investments in shares quoted on either the Main or AIM Markets);

Level 2 Reflects financial instruments that have prices that are observable either directly or indirectly; and

Level 3 Reflects financial instruments that are not based on observable market data (investments in unquoted shares, loan note investments and share options).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2011 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2010 £'000
Listed fixed interest securities	1,469	-	-	1,469	1,407	-	-	1,407
Shares quoted on the Main market	175	-	-	175	242	-	-	242
AIM quoted shares	3,006	-	-	3,006	4,864	-	233	5,097
Loan notes	-	-	3,451	3,451	-	-	3,564	3,564
Unquoted shares	-	-	6,783	6,783	-	-	7,524	7,524
	4,650	-	10,234	14,884	6,513	-	11,321	17,834

Reconciliation of fair value for Level 3 financial instruments held at the year end:

	Unquoted shares £'000	Loan notes £'000	Share options £'000	Total £'000
Balance at 31 December 2010	7,524	3,564	233	11,321
Investment previously recognised under Level 1	7	-	-	7
Movements in the income statement:				
Unrealised gains/(losses) in the income statement	52	52	(233)	(129)
Realised gains in the income statement	4	-	-	4
	56	52	(233)	(125)
Purchases at cost	135	100	-	235
Sales proceeds	(939)	(265)	-	(1,204)
Balance at 31 December 2011	6,783	3,451	-	10,234

City Visitor Group plc (formerly Infoserve plc) delisted from AIM (Level 1) during the year and is therefore now deemed to be an unquoted investment (Level 3). The investment is now valued in line with the Company's other unquoted investments, rather than as a quoted investment.

FRS 29 requires disclosure to be made of the possible effect of changing one or more of the inputs to reasonable possible alternative valuation assumptions where this would result in a significant change in the fair value of the Level 3 investments. There is an element of judgment in the choice of assumptions for unquoted investments and it is possible that, if different assumptions were used, different valuations could have been attributed to some of the Company's investments. The Board and the Investment Manager believe that the valuations as at 31 December 2011 reflect the most appropriate assumptions at that date, giving due regard to all information available from each investee company. Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown within note 17.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2011

10. Debtors

	2011 £'000	2010 £'000
Other debtors	-	6
Prepayments and accrued income	52	27
	52	33

11. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Other creditors	133	132
Other taxes and social security	6	6
Accruals and deferred income	47	71
	186	209

12. Share capital

	2011 £'000	2010 £'000
Authorised:		
50,036,500 (2010: 50,036,500) Ordinary Shares of 5p each	2,502	2,502
Issued, allotted, called up and fully paid:		
28,701,675 (2010: 24,516,202) Ordinary Shares of 5p each	1,435	1,226

The Company's capital is managed in accordance with its investment policy, as shown in the Directors' Report on pages 14 to 16, in pursuit of its principal investment objectives as stated on page 3. There has been no significant change in the objectives, policies or processes for managing capital from the previous year.

The Company has the authority to buy back shares as described in the Corporate Governance Statement on page 22.

Between 22 March 2011 and 5 May 2011, the Company allotted 4,778,800 Ordinary Shares of 5p each, under the terms of a prospectus dated 21 December 2010, at an average price of 80.0p per share. Gross proceeds received thereon were £3.8 million and issue costs in respect of the offer amounted to £210,000.

During the year, the Company purchased 593,327 Ordinary Shares of 5p each for cancellation for an aggregate consideration of £344,000, at an average price of 57.7p per share (approximately equal to a 15% discount to the most recently published NAV at the time of purchase) and representing 2.4% of the issued Ordinary Share capital held at 1 January 2011.

The Company does not have any externally imposed capital requirements.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2011

13. Reserves

	Capital redemption reserve £'000	Merger reserve £'000	Share premium £'000	Special reserve £'000	Revaluation reserve £'000	Capital reserve - realised £'000	Revenue reserve £'000
At 1 January 2011	199	2,082	5,625	1,728	3,875	3,775	275
Issue of new shares	-	-	3,584	-	-	-	-
Share issue costs	-	-	(210)	-	-	-	-
Purchase of own shares	30	-	-	(344)	-	-	-
Expenses charged to capital	-	-	-	-	-	(297)	-
(Losses)/gains on investments	-	-	-	-	(2,004)	4	-
Realisation of revaluations from previous years	-	-	-	-	(166)	166	-
Realisation of fair value assets previously acquired	-	(48)	-	-	-	48	-
Transfer between reserves	-	-	-	(168)	-	168	-
Retained net revenue	-	-	-	-	-	-	271
Dividends paid	-	-	-	-	-	(1,020)	(147)
At 31 December 2011	229	2,034	8,999	1,216	1,705	2,844	399

The special reserve is a distributable reserve which was created to enable the Company to purchase its own shares in the market without affecting its ability to pay dividends/capital distributions.

Distributable reserves comprise the special reserve and capital reserve – realised and revenue reserve, and are reduced by investment holding losses of £2,827,000 (2010: £510,000). The Merger reserve is also partly distributable as follows:

	Non-distributable £'000	Distributable £'000	Merger reserve £'000
At 1 January 2011	1,605	477	2,082
Realised investments, transferred to capital reserve - realised	(48)	-	(48)
At 31 December 2011	1,557	477	2,034

At the year end there were £2,109,000 (2010: £5,745,000) of reserves available for distribution.

14. Basic and diluted net asset value per share

	Shares in issue 2011	Shares in issue 2010	2011 Net asset value pence per share	2011 Net asset value £'000	2010 Net asset value pence per share	2010 Net asset value £'000
Ordinary Shares	28,701,675	24,516,202	65.7	18,861	76.6	18,785

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

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2011

15. Cash flow from operating activities and returns on investments

	2011 £'000	2010 £'000
(Loss)/return on ordinary activities before tax	(2,026)	893
Gains/(losses) on investments	2,000	(1,024)
(Increase)/decrease in debtors	(25)	64
(Decrease)/increase in creditors	(23)	25
Net cash outflow from operating activities and returns on investments	(74)	(42)

16. Analysis of changes in cash at bank during the year

	2011 £'000	2010 £'000
Beginning of year	1,127	899
Net cash inflow for the year	2,984	228
End of year	4,111	1,127

17. Financial instruments and derivatives

The Company's financial instruments comprise investments held at fair value through profit and loss, being equity and loan stock investments in quoted companies and unquoted companies; loans and receivables, being cash deposits and short term debtors; and financial liabilities, being creditors arising from its operations. The main purpose of these financial instruments is to generate cash flow, revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short-term creditors and does not use any derivatives.

The fair value of investments is determined using the detailed accounting policy as shown in note 1. The composition of the investments is set out in note 9. The fair value of cash deposits and short-term debtors and creditors equates to their carrying value in the balance sheet.

The Company's investment activities expose the Company to a number of risks associated with financial instruments and the sectors in which the Company invests. The principal financial risks arising from the Company's operations are:

- Market risks,
- Credit risk, and
- Liquidity risk

The Board regularly reviews these risks and the policies in place for managing them. There have been no significant changes to the nature of the risks that the Company is exposed to over the year and there have also been no significant changes to the policies for managing those risks during the year.

The risk management policies used by the Company in respect of the principal financial risks and a review of the financial instruments held at the year end are provided below.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2011

17. Financial instruments and derivatives (continued)

Market risks

As a VCT, the Company is exposed to market risks in the form of potential losses and gains that may arise on the investments it holds in accordance with its investment policy. The management of these market risks is a fundamental part of investment activities undertaken by the Investment Manager and overseen by the Board. The Manager monitors investments through regular contact with management of investee companies, regular review of management accounts and other financial information and attendance at investee company board meetings. This enables the Manager to manage the investment risk in respect of individual investments. Market risk is also mitigated by holding a diversified portfolio spread across various business sectors and asset classes.

The key market risks to which the Company is exposed are:

- Market price risk, and
- Interest rate 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.

Market price risk

Market price risk arises from uncertainty about the future prices and valuations of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through market price movements in respect of quoted investments and also changes in the fair value of unquoted investments that it holds.

Quoted investments

The Company's sensitivity to fluctuations in the share prices of its quoted investments (AIM quoted but excluding listed fixed interest investments) is summarised below. A 50% movement in the share price in each of the quoted investments held by the Company would have an effect as follows:

			2011			**2010**
Sensitivity			50% mvmt			50% mvmt
	Risk exposure £'000	**Impact on net assets £'000**	**Impact on NAV per share Pence**	**Risk exposure £'000**	**Impact on net assets £'000**	**Impact on NAV per share Pence**
Quoted stocks	3,181	1,591	5.5p	5,339	2,669	10.9p

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2011

17. Financial instruments and derivatives (continued)

Unquoted investments

As many of the Company's unquoted investments are valued using earnings multiples of comparable companies or sectors, a change in the relevant market sectors could impact on the valuation of the equity and preference shares held in the unquoted portfolio by up to 25%. Loan notes held in the Company would not be immediately impacted and would therefore retain their value. The impact on the unquoted shares held by the Company of a 25% movement in share price would therefore be as follows:

Sensitivity			**2011** 25% mvmt			**2010** 25% mvmt **(restated)**
	Risk exposure £'000	**Impact on net assets £'000**	**Impact on NAV per share Pence**	**Risk exposure £'000**	**Impact on net assets £'000**	**Impact on NAV per share Pence**
Unquoted shares	6,783	1,696	5.9p	7,524	1,881	7.7p

Listed fixed interest investments

The Company also has exposure to variations in the price of its non-qualifying investments. As the investments are government gilts, such securities are typically subject to lower price fluctuations. A 2.5% movement in the valuation of these assets held by the Company would have the following impact:

Sensitivity			**2011** 2.5% mvmt			**2010** 2.5% mvmt
	Risk exposure £'000	**Impact on net assets £'000**	**Impact on NAV per share Pence**	**Risk exposure £'000**	**Impact on net assets £'000**	**Impact on NAV per share Pence**
Gilts	1,469	37	0.1p	1,407	35	0.1p

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.

Interest rate risk

The Company accepts exposure to interest rate risk on floating-rate financial assets through the effect of changes in prevailing interest rates. The Company receives interest on its cash deposits at a rate agreed with its bankers and on liquidity funds at rates based on the underlying investments. Investments in loan stock and fixed interest investments attract interest predominately at fixed rates. A summary of the interest rate profile of the Company's investments is shown below.

Interest rate risk profile of financial assets and financial liabilities

There are three levels of interest which are attributable to the financial instruments as follows:

- "Fixed rate" assets represent investments with predetermined yield targets and comprise fixed interest and loan note investments.
- "Floating rate" assets predominantly bear interest at rates linked to Bank of England base rate and comprise cash at bank and Cash Trust investments.
- "No interest rate" assets do not attract interest and comprise equity investments, loans and receivables (excluding cash at bank) and other financial liabilities.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2011

17. Financial instruments and derivatives (continued)
Interest rate risk (continued)

	Weighted average interest rate	Weighted average period until maturity	2011 £'000	2010 £'000
Fixed rate	5.8%	781 days	3,970	4,140
Floating rate	0.9%		4,130	1,127
No interest rate		1,097 days*	10,761	13,518
			18,861	18,785

*In respect of non interest bearing stock only

The Company monitors the level of income received from fixed, floating and non interest rate assets and, if appropriate, may make adjustments to the allocation between the categories, in particular, should this be required to ensure compliance with the VCT regulations.

It is estimated that an increase of 1.25% in interest rates would increase net assets and total return before taxation for the year by £12,000. As the Bank of England base rate stood at 0.5% per annum throughout the year, it is not believed that a reduction from this level is likely.

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 is exposed to credit risk through its holdings of loan stock in investee companies, investments in liquidity funds, cash deposits and debtors.

The Company's financial assets that are exposed to credit risk are summarised as follows:

	2011 £'000	2010 £'000
Fair value through profit or loss assets		
Investments in listed fixed interest securities	1,469	1,407
Investments in loan stocks	3,451	3,564
Loans and receivables		
Cash and cash equivalents	4,111	1,127
Interest, dividends and other receivables	45	20
	9,076	6,118

The Manager manages credit risk in respect of loan stock with a similar approach as described under Market risks above. Similarly, the management of credit risk associated interest, dividends and other receivables is covered within the investment management procedures.

Cash is mainly held at Royal Bank of Scotland plc, with a balance also maintained at Bank of Scotland plc, both of which are A-rated financial institutions and ultimately part-owned by the UK Government. Consequently, the Directors consider that the risk profile associated with cash deposits is low.

There have been no changes in fair value during the year that can be directly attributable to changes in credit risk.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2011

17. Financial instruments and derivatives (continued)

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments when required at their fair values or from the inability to generate cash inflows as required. The Company only normally has a relatively low level of creditors (2011: £186,000, 2010: £209,000) and has no borrowings. The Company always holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as they arise. For these reasons, the Board believes that the Company's exposure to liquidity risk is minimal.

The Company's liquidity risk is managed by the Investment Manager in line with guidance agreed with the Board and is reviewed by the Board at regular intervals.

The carrying value of loan stock investments held at fair value through the profit and loss account at 31 December 2011, as analysed by expected maturity date, is as follows:

As at 31 December 2011	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Past maturity date £'000	Total £'000
Fully performing loan stock	100	580	958	1,031	-	2,669
Impaired loan stock	-	-	-	-	-	-
Past due loan stock	210	-	-	-	572	782
	310	580	958	1,031	572	3,451

Loan stock categorised as past due refers to two loan note investments. The loan note valued at £210,000 has not yet past its maturity date, however, the investee company is not fully servicing the interest obligations under the loan note, with total interest arrears thereon falling within a banding of three to six months. The loan note valued at £572,000 has past its maturity date falling within a banding of one to six months, with total interest arrears falling within a banding of two to three years. Notwithstanding the interest arrears and the passing of the maturity date, the Directors do not consider that the loan notes themselves have been impaired or the maturity of the principals has altered.

As at 31 December 2010	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Past maturity date £'000	Total £'000
Fully performing loan stock	-	210	845	1,989	-	3,044
Impaired loan stock	-	-	-	-	-	-
Past due loan stock	-	-	-	-	520	520
	-	210	845	1,989	520	3,564

Financial liabilities

The Company has no financial liabilities or guarantees, other than the creditors disclosed within the balance sheet (2010: none).

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2011

17. Financial instruments and derivatives (continued)

Currency exposure

As at 31 December 2011, the Company had no foreign investments (2010: none).

Borrowing facilities

The Company has no committed borrowing facilities as at 31 December 2011 (2010: none)

18. Contingencies, guarantees and financial commitments

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

19. Related party transactions

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

Michael Jackson is a director of Elderstreet Investments Limited which provides investment management services to the Company. During the year, £394,000 (2010: £351,000) was due in respect of these services. No performance incentive fees are due to Elderstreet Investments Limited in respect of the year under review (2010: £48,000). The Company also paid £66,000 to Elderstreet Investments Limited in respect of the fundraising undertaken during 2011 (2010: £27,000).

Nicholas Lewis is a director of Downing Management Services Limited which, until 31 May 2011, provided administration services to the Company. On 25 August 2011, and with effect from 1 June 2011, the administration contract was novated to Downing LLP, a company in which Nicholas Lewis is a partner. During the year, £60,000 (2010: £59,000) (including VAT) was due to Downing in respect of administration services.

20. Controlling party

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

21. Post balance sheet event

On 5 April 2012, the Company allotted 1,238,457 Ordinary Shares of 5p each under the terms of a prospectus dated 9 December 2011, at an average price of 70.7p per share, with gross proceeds received thereon of £875,000. Issue costs in respect of these allotments amounted to £48,000.

ELDERSTREET
VCT plc

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 14 June 2012 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 2011, together with the Report of the Auditor thereon.

2. To approve the Directors' Remuneration Report.

3. To approve the payment of a final dividend of 2.0p per Ordinary Share.

4. To re-appoint PKF (UK) LLP as Auditor 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, David Brock, who retires and, being eligible, offers himself for re-election.

7. To re-elect as Director, Barry Dean, who retires and, being eligible, offers himself for re-election.

8. To re-elect as Director, Michael Jackson, who retires and, being eligible, offers himself for re-election.

9. 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:

Ordinary Resolution

10. That, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £149,701 during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in a general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted to subscribe for or to convert any security into shares in the Company after such expiry and all previous authorities given by the Directors in accordance with Section 551 of the Act be and are hereby revoked, provided that such revocation shall not have retrospective effect.

Special Resolutions

11. That, conditional upon the passing of the other resolutions set out in this Notice, in substitution for any existing power under Section 570 of the Act, but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered, during the period commencing on the passing of this special resolution and expiring at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in general meeting), pursuant to Section 570 of the Act, to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act, pursuant to resolution 10 above, as if Section 561 of the Act did not apply to any such allotment but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.

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

12. That, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of Ordinary Shares of 5p each in the capital of the Company ("Ordinary Shares") provided that:

    (i) the maximum number of Ordinary Shares hereby authorised to be purchased is 4,276,550, representing approximately 14.9% of the present issued capital of the Company;

    (ii) the minimum price which may be paid for an Ordinary Share is 5p, exclusive of all expenses;

    (iii) the maximum price which may be paid for an Ordinary Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the Ordinary Shares as derived from the Daily Official List of the London Stock Exchange, for each of the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and

    (iv) the Company may validly make a contract to purchase 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.

13. To cancel the amount standing to the share premium account as at 31 May 2012.

14. To remove Article 174 relating to the duration of the Company.

By order of the Board

G Whitehouse

Grant Whitehouse
Secretary

Registered office:
10 Lower Grosvenor Place
London SW1W 0EN

27 April 2012

Note
Information regarding the Annual General Meeting, including the information required by section 311A of the Companies Act 2006 (the "Act"), is available from www.downing.co.uk.

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

Notes:

(a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointer. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:
- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

(b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 10 Lower Grosvenor Place, London SW1W 0EN or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.

(c) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing LLP, 10 Lower Grosvenor Place, London SW1W 0EN. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
- by sending an e-mail to proxy@downing.co.uk.

In either case, the revocation notice must be received by Downing LLP before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.

(d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.

NOTICE OF THE ANNUAL GENERAL MEETING

of Elderstreet VCT plc (continued)

(e) Copies of the Directors' Letters of Appointment 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 (excluding weekends and public holidays) 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.

(f) 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 12 June 2012 or, in the event that the Annual General 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 Annual 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 12 June 2012 or, in the event that the Annual General 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 Annual General Meeting.

(g) As at 9:00 a.m. on 27 April 2012, the Company's issued share capital comprised 29,940,132 Ordinary Shares and the total number of voting rights in the Company was 29,940,132. The website referred to above will include information on the number of shares and voting rights.

(h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights ("Nominated Person"):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
- If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights; and
- Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

(i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

(j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

(k) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out above.

(l) Members may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

ELDERSTREET
VCT plc

ELDERSTREET VCT PLC
FORM OF PROXY

For use at the Annual General Meeting of the above-named Company to be held on 14 June 2012 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 14 June 2012 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.

ORDINARY BUSINESS	**FOR**	**AGAINST**	**WITHHELD**
1. To receive and adopt the Directors' report and accounts			
2. To approve the Directors' Remuneration Report			
3. To approve the payment of a final dividend of 2p			
4. To re-appoint the Auditor and authorise the Directors to determine their remuneration			
5. To re-elect Hugh Aldous as a Director			
6. To re-elect David Brock as a Director			
7. To re-elect Barry Dean as a Director			
8. To re-elect Michael Jackson as a Director			
9. To re-elect Nicholas Lewis as a Director			
SPECIAL BUSINESS			
10. To authorise the Company to allot shares			
11. To authorise the Company to disapply pre-emption rights			
12. To authorise the Company to make market purchases of its shares			
13. To cancel the share premium account			
14. To remove Article 174 relating to the duration of the Company			

Dated this …………….. day of ……………………………………………………………………………………………………… 2012

Signature(s) ………………………………………………………………………/……………………………………………………………………

*Delete as appropriate

PLEASE RETURN TO DOWNING LLP IN THE PREPAID ENVELOPE PROVIDED

Notes:

1. Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointer. A member entitled to attend and vote at the meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
2. Delete "the Chairman of the meeting" if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.
3. Any alterations to the Form of Proxy should be initialled.
4. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 10 Lower Grosvenor Place, London SW1W 0EN or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
5. In the case of a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on that behalf.
6. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.
7. The completion and return of this Form of Proxy will not preclude you from attending and voting at the Annual General Meeting should you subsequently decide to do so. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.