

Venture Capital Reinvented.

Draper Esprit VCT plc

Offer Document



IMPORTANT NOTICE: This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 ("FSMA") before taking any action.

This document (the "**Offer Document**") is a financial promotion and is issued by Draper Esprit VCT plc (the "**Company**") and approved for the purposes of section 21 of FSMA by Elderstreet Investments Limited (FCA Number 148527) (the "**Manager**"). The Manager is authorised and regulated by the Financial Conduct Authority (the "**FCA**").

This Offer Document is not a prospectus and has not been approved by the FCA under Part VI of FSMA or by any other regulatory body. The offer for subscription contained herein (the "**Offer**") is exempt from the requirement to produce a prospectus under sections 85(6)(b) and 86(1)(e) of FSMA. The Directors, whose names are set out on page 43 of this document, together with the Company, accept responsibility for the information contained herein. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Your attention is drawn to the "Risk Factors" on pages 25 - 27 of this document.

DRAPER ESPRIT VCT PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 03424984)

OFFER FOR SUBSCRIPTION

for the tax years 2018/19 and 2019/20

Target Fundraise: £7 million

The Offer will be open from 9.00 a.m. on 11 January 2019 until the earlier of 4.00 p.m. on 31 May 2019 (or such later date as the Board may decide) and the date on which the relevant Maximum Subscription is reached. Applicants who wish to have some or all of their New Ordinary Shares allotted in the tax year 2018/19 must return their completed Application Form by 10.00 a.m. on 5 April 2019. The Offer is not underwritten nor subject to reaching a minimum subscription level.

Early Investors will receive a 1.5% rebate from the Promotion Fee, which will be applied for additional New Ordinary Shares, where their Application Form is received and accepted by the Company before 4.00 p.m. on 28 February 2019.

The minimum subscription per Investor under the Offer is £6,000. Completed Application Forms in respect of the Offer should be sent by post or delivered by hand to The City Partnership (UK) Ltd, 110 George Street, Edinburgh, EH2 4LH.

The Offer is not being made, directly or indirectly, in or into any jurisdiction other than the United Kingdom should not be distributed, forwarded or transmitted in or into any other territory.

If Investors have any questions regarding this investment, they should contact their own financial intermediaries. Intermediaries may wish to contact RAM Capital, who are acting as marketing advisers in respect of the Offer, on 0203 006 7530 or by sending an e-mail to taxsolutions@ramcapital.co.uk. Other applicants may telephone Elderstreet on 020 7831 5088. Prospective Investors should note that no investment, tax or legal advice can be given by RAM Capital or Elderstreet.

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OFFER STATISTICS

Key Statistics

Fundraising Target	£7,000,000
Offer Price	61.9p*
Number of Shares to be issued pursuant to the Offer	11,314,923 **
Net Proceeds of the Offer if fully subscribed	£6,615,000 **

Offer Costs

Promotion Fee (no adviser commission payable)	3.0%
Promotion Fee (direct or adviser commission payable)	5.5%
Adviser Charges (where no commission is payable)	As agreed

Early Investment Incentive

Applications received and accepted by the deadlines below will receive the following rebates from the applicable Promotion Fee as additional New Ordinary Shares:

4.00 p.m. on 28 February 2019	1.5%
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** per New Ordinary Share, estimated figure assuming a NAV of 58.6p per Ordinary Share (being the unaudited NAV as at 30 September 2018 of 60.1p adjusted for the 1.5p interim dividend paid in October 2018), and total costs of 5.5% rounded up to the nearest 0.1p.*

*** assuming Maximum Subscription under the Offer and the payment of a Promotion Fee and commission totalling 5.5% in relation to all applications.*

Note: The New Ordinary Shares will be issued based on the Application Amount and the Pricing Formula set out on page 29. Accordingly, if an updated NAV per Ordinary Share is announced after publication of this document, this updated NAV will be used to calculate the number of New Ordinary Shares issued.

OFFER TIMETABLE

Offer opens	11 January 2019
First closing date (2018/19 Offer)	5 April 2019
Final closing date (unless extended)	31 May 2019
Dealings commence	within 15 Business Days of allotment
Share certificates despatched and CREST accounts credited	within 15 Business Days of allotment

The Directors reserve the right to make an allotment of New Ordinary Shares on any day at the Directors' absolute discretion from the date on which the Offer opens until 31 May 2019 (or such later date as they may determine). The Offer will close earlier than the relevant date stated above if fully subscribed by an earlier date.

CHAIRMAN'S LETTER

Draper Esprit VCT plc

11 January 2019

Dear Shareholders/Investors

New £7 million public offer for Ordinary Shares

As stated in our Report & Accounts to 31st March 2018, our managers, Elderstreet, formed a close association with Draper Esprit, the award winning and successful technology investment manager, starting from 16 November 2016 thus transforming the prospects of this VCT. Draper Esprit, across its various funds, has over £330 million invested, largely in knowledge intensive, early and growth stage technology companies and its EIS funds have received the highest rating for the last five years running from Martin Churchill of Tax Efficient Review, a well-respected VCT analyst. The Board is pleased to have accepted assurances from Draper Esprit of their continuing intention to provide a flow of investment opportunities to the VCT and their intention to exercise their option to become the VCT's portfolio manager. The VCT has consequently been renamed Draper Esprit VCT plc.

I am therefore delighted to offer you the chance to invest in what is already an award winning VCT now increasingly associated with this leading, high-rated technology investor. Your Board believe that investing in knowledge intensive, high growth technology companies inside a VCT tax wrapper makes an attractive investment offering. These technology companies have the potential to grow into valuable companies as shown by the Draper Esprit track record on page 8. Draper Esprit target a portfolio return of 20% per annum, and the VCT targets a potential tax free yield of 6% to 7% per annum as shown on page 9.

A recent example of a Draper Esprit portfolio company is Graphcore, a Bristol based silicon chipmaker developing AI Processors. The Draper Esprit plc and EIS funds had invested into Graphcore earlier in 2016. In December 2018, Graphcore gained 'unicorn' status when it closed a \$200 million funding round with a valuation above \$1.5 billion. Investors into Graphcore alongside the Draper Esprit funds included well know names in the venture capital and corporate investment world such as Sequoia Capital, Atomico, Amadeus Capital, Robert Bosch Ventures, C4 Ventures, Dell Technologies Capital, Foundation Capital, and AI experts such as Demis Hassabis (co-founder of DeepMind) as an angel investor.

Since raising just over £20 million in the last two tax years, and since building its association with Draper Esprit, your Company has committed to fourteen new technology investments totalling £11.25 million since April 2017. At the time of writing, twelve of these deals have completed and two are subject to HMRC giving VCT advanced assurance in writing to the company. Given this strong rate of investment, your Board consider this is a good time to raise a limited amount of further capital.

The recent changes to the VCT legislation designed to encourage more investment into fast growing companies has had a significant impact on the VCT industry. The Board believes that many established VCT managers can no longer access the type of deal flow which they have nurtured over many years. This has led to a significant reduction in their ability to invest money. A typical Draper Esprit investment, by contrast, would be largely unaffected by these changes, allowing them to continue to invest in the sectors from which they have nurtured a strong deal flow. This is illustrated by the notable increase in the number of deals the VCT has invested in since the Manager's co-investment agreement with Draper Esprit was enacted.

Draper Esprit plc has access to quality growth opportunities often in much larger and more mature companies compared to other VCT managers. By co-investing alongside the Draper Esprit plc and the EIS, the VCT gains access to some companies requiring funds in excess of \$10m. There are many other VCTs without access to such deal flow. These deals typically have relatively shorter investment holding periods and are not as prone to fail completely. For example, Draper Esprit plc has only had one complete write off since its IPO in 2016.

Portfolio

Today, by percentage of net asset value, new subscribers would be buying into a portfolio made up of 31% Draper Esprit technology investments (including committed but not completed investments),

cash of 30% to be invested in further technology investments and a legacy portfolio representing 39% of the total.

Consequently, if this offer is taken up in full, once invested, the Company will have over £30 million allocated predominantly to technology investments which will be driven by one of the UK's leading technology investment managers.

As for the legacy portfolio, 91% is made up of four companies. Two are AIM quoted and the other two are private companies which are profitable engineering and manufacturing businesses and which the Board are confident can be realised at considerable gain in the future.

A VCT for income

In 2018 the Company has paid dividends of 3p per share. The Board believes that in a generally low global interest rate environment the possibility of a tax free yield of 3p (equivalent to a 6.9% tax free return based on the Estimated Offer Price after factoring in initial tax reliefs), represents a good yield and will help to deliver consistent returns in the future. Further details on the potential yields can be found on page 10. Investors should note that the level of dividend is not guaranteed, and no profit forecast is to be inferred or implied from these statements.

Early Investment Incentives

An Early Investment Incentive is being offered for Applications for New Ordinary Shares which are received and accepted in good time. The Manager will rebate to early investors 1.5% of the Promotion Fee, in respect of which the Investor will receive additional New Ordinary Shares and will also rebate the cost of initial commission payable to authorised intermediaries where this saving is passed on by the intermediary to the Investor, subject to a cumulative maximum rebate of 4.0%, for applications received before the deadline of 28 February 2018.

Key tax benefits

- 30% income tax relief is available on the amount subscribed up to £200,000, provided the New Ordinary Shares are held for at least five years. Further information on the initial tax benefits can be found on page 33.
- Tax free dividends, distributions and capital gains.

Furthermore, the Company's focus on Knowledge Intensive technology companies is in line with recent changes to VCT investment rules and the Government's drive to refocus VCT investment on higher growth companies.

Next steps

In order to invest please read this document and then complete the Application Form which is set out at the end of this document. If Investors have any questions regarding this investment, they should contact their own financial intermediaries. For questions relating to an application, please telephone Elderstreet on 020 7831 5088. Prospective Investors should note that no investment advice can be given by Elderstreet and their attention is drawn to the risk factors set out on pages 25 - 27 of this document.

Yours sincerely

David Brock

Chairman

PART 1

INFORMATION ABOUT DRAPER ESPRIT VCT PLC

INTRODUCTION

Draper Esprit VCT plc is an established technology focused VCT managed by Elderstreet in close association with Draper Esprit plc, who have an option to take over the management contract. The objective of the Company is to provide good long-term, tax-free returns to Shareholders through a combination of dividends and capital growth. The Company has a track record of providing good returns for its Shareholders. Income from investments and proceeds of profitable realisations have enabled the Board to pay cash dividends of £25.8 million, a total of 99.0p per Ordinary Share to original investors who subscribed at £1.00 (80p after the initial tax relief) at the Company's launch in 1998. The Company has raised approximately £53.8 million (after expenses) since 1998, has an unaudited net asset value of £41.6 million and is now invested in 24 trading companies (source: unaudited interim accounts as at 30 September 2018). The Board and Investment Management Team and their families have invested in excess of £830,000 in the Company to date.

The Company now invests in unquoted investments in the technology sector. The Company has particular expertise in growing businesses through a 'hands-on' investment style and, in aggregate with the Draper Esprit funds, prefers to be part of a syndicate which holds a significant stake and a board position in its portfolio companies. Draper Esprit receive circa 2,500 business plans per annum, meet about 1,000 companies, and make approximately 20 new investments a year.

Background to Draper Esprit

In 2016 the Board and the Manager reached a significant co-investment agreement with Draper Esprit to share deal flow, management experience, and investment opportunities, as the Company transitioned from a Generalist VCT to a Technology focused fund. In 2018 Draper Esprit agreed terms to purchase the Manager, subject to conditions. Draper Esprit is a highly regarded venture capital investor in the UK and European technology sector, floated on the AIM market in June 2016 and at the time of writing has a market capitalisation of over £500 million. The Draper Esprit team has a wealth of experience. The team has now operated for eleven years and, prior to that, its members worked in leading firms within the venture capital industry. Draper Esprit is also a part of the Draper venture network details of which can be found on page 23. This global network is a valuable resource for deal flow, market intelligence and further funding.

Simon Cook, the CEO of Draper Esprit commented in the recent Draper Esprit plc interims:

In the six-month period ended 30 September 2018, the Company continued to successfully execute the strategy of providing early and growth-stage technology companies with the capital, network, and support they need to pursue their global growth plans. We remain on course to exceed our stated objective of a portfolio return of 20% per annum for the full year, with a 20% fair value increase delivered in the six months period ended 30 September 2018.

The ongoing and rapid advances in key technology subsectors such as artificial intelligence, blockchain, digital healthcare and fintech continue to shape our investment strategy and, having invested as a group £75.6 million, including £10.6 million from co-investment funds, during the six-month period, with over £45.0 million to close in the near-term by the Company (and a further £9.5 million from co-investment vehicles), Draper Esprit remains one of the most active VCs in Europe.

Awards

Draper Esprit and the Manager have between them won many awards including:

- Nominated for Investor Allstars VC fund of the Year 2018 - Draper Esprit
- Nominated for Investor Allstars Investor of the Year - Simon Cook CEO Draper Esprit
- Top rated EIS Funds 2016 by Tax Efficient Review (88/100) - Draper Esprit
- Runner up in the Growth Investor Awards Exit of the Year 2015 - the Manager
- Winner of Investment Week's VCT Investment Company of the Year Awards 2014 - the Manager
- Investor Allstars VC Fund of the year 2013 - Draper Esprit

- Investor Allstars VC Fund of the year 2011 - Draper Esprit
- VCT Fund Manager of the Year in 2010 - the Manager
- VC of the year, Private Equity Awards, 2009 - Draper Esprit
- VCT Fund Manager of the Year in 2009 - the Manager
- VC of the year, EVCJ awards, 2008 - Draper Esprit

TRACK RECORD OF DRAPER ESPRIT

Draper Esprit has a historical track record of delivering returns in excess of 20% over 9 years (across its aggregate portfolio return since 2008), has completed over 125 deals since 2006, had over \$5 billion value of exits since 2010, and core strategic aim of targeting a portfolio return of 20% per annum.

The track record of Draper Esprit exits since its IPO in 2016 is as follows

Realisations post Draper Esprit IPO	Investment year	Divestment year	Amounts invested	Cash Return	Exit multiples
Return above 2x:					
Grapeshot	2015	2018	£1.4m	£11.5m	8.3x
Movidius	2013	2016	£3.6m	£27.4m	7.6x
Tails	2013	2018	£0.4m	£3.0m	7.1x
Horizon	2010	2017	£1.1m	£2.9m	2.6x
Return 0.1-2x:					
Clavis	2016	2017	£8.1m	£15.3m	1.9x
Qosmos	2011	2016	£4.1m	£8.0m	1.9x
DataHug	2012	2016	£2.2m	£3.6m	1.6x
MoviePilot	2012	2017	£1.2m	£0.5m	0.4x
Aveillant	2011	2017	£1.9m	£0.2m	0.1x
No Return					
Worldstore	2012	2016	£4.3m	£0.0m	0.0x

(source: Draper Esprit September interim results presentation)

TRACK RECORD OF THE COMPANY

Since its launch in 1998, the Company has paid cash dividends amounting to 99.0p per Ordinary Share. With an unaudited Net Asset Value of 60.1p per Ordinary Share at 30 September 2018, the Company has produced a total return since launch (cumulative dividends paid up to 30 September 2018 plus NAV) of 159.1p per Ordinary Share, a 98.9% tax-free uplift on the net investment (of 80p per share) of Shareholders who invested at inception.

The returns to 30 September 2018 for a Shareholder with Ordinary Shares that invested in the Company at launch are shown below:

Initial net investment per Ordinary Share ¹	Cumulative cash dividends per Ordinary Share	NAV per Ordinary Share (unaudited)	Total return per Ordinary Share (unaudited)	Tax-free uplift on net investment ²
80p	99.0p	60.1p	159.1p	98.9%

¹ Assumes an investment of 100p per Ordinary Share by a Qualifying Investor, less income tax relief at 20%, resulting in a net investment of 80p per Ordinary Share.

² The percentage tax-free uplift is the excess of the total return over the initial investment net of tax relief received by Qualifying Investors divided by the initial investment net of income tax relief receivable by Qualifying Investors. **The tax-free uplift has been set out for illustrative purposes only, is not guaranteed, is not necessarily a guide to future performance and no forecast or projection should be inferred.**

Since 2005 the Company has raised further capital predominantly in the same share class, with the exception of a 2005 offer of C ordinary shares which were subsequently converted into Ordinary Shares. The performance of each of these fundraisings that have satisfied the five year HMRC tax free holding period qualification test are shown below, including initial tax reliefs.

Tax year of Investment ending 5th April	Rate of Initial Tax relief	Initial investment per Ordinary Share after tax relief	Cumulative cash dividend per Ordinary Share	NAV per Ordinary Share (30-9-18 unaudited)	Total return per Ordinary Share (30-9-18 unaudited)	Increase on investment without initial tax reliefs	Tax-free % increase on net investment
1998	20%	80.0	99.0	60.1	159.1	59%	99%
2005 *	40%	60.0	68.0	40.2	108.2	8%	80%
2006	40%	41.3	69.5	60.1	129.6	88%	214%
2008	30%	64.4	62.5	60.1	122.6	33%	90%
2009	30%	52.3	56.0	60.1	116.1	55%	122%
2010	30%	56.3	53.0	60.1	113.1	41%	101%
2011	30%	54.6	47.5	60.1	107.6	38%	97%
2012	30%	49.5	45.0	60.1	105.1	49%	112%
2013	30%	47.3	41.0	60.1	101.1	50%	114%

¹ The percentage tax-free increase is the excess of the total return per Ordinary Share over the initial investment net of tax relief received by Qualifying Investors divided by the initial investment net of income tax relief receivable by Qualifying Investors. The tax-free increase figures have been set out for illustrative purposes only, are not guaranteed, are not a guide to future performance and no forecast or projection should be inferred.

² The 2005 numbers and NAV have been adjusted to reflect the merger of the C ordinary share class with the Ordinary Share class at a rate of 0.6691 Ordinary Shares for each C ordinary share.

³ The initial investment per Ordinary Share for the years 2006 to 2013 reflects the actual offer price at the time of subscription adjusted by the rate of initial tax relief applicable at the time.

DIVIDENDS

It is the Board's objective to maximise dividends to Shareholders, subject to liquidity, the availability of sufficient distributable profits, capital resources and VCT regulations, and to target a dividend return of 3p per annum (equivalent to a 6.9% tax free return based on the Estimated Offer Price after factoring in initial tax reliefs). Further details on the potential yields can be found on page 10.

As at 30 September 2018, the Company had distributable reserves of £3.8 million. Since September 2014, following successful portfolio company exits, special dividends of 20p have been paid per Ordinary Share. In 2018 a dividend of 3p per Share was paid. Future dividends are expected to be funded from portfolio exits rather than loan interest income.

Investors should note that the level of dividend is not guaranteed and no profit forecast should be inferred from these statements.

Regular interim and final dividends were usually paid in June and December every year. Following the change to the Company's year end in March 2018, dividends will now be paid in October and March every year. An interim dividend of 1.5p per Ordinary Share has been declared and will be paid on the 29 March 2019 to Shareholders on the register on 8 March 2019. In addition, special one off dividends, normally as a result of successful portfolio company exits, have been declared in the past by the Board on an ad-hoc basis.

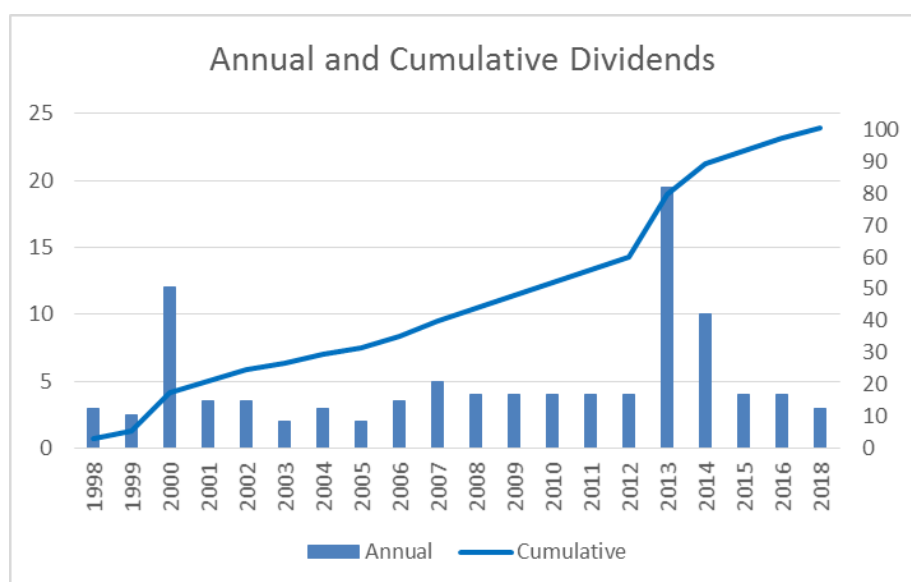
The following table shows the dividends declared per Ordinary Share each year since inception:

1998	1999	2000	2001	2002	2003	2004
3.0	2.5	12.0	3.5	3.5	2.0	3.0
2005	2006	2007	2008	2009	2010	2011
2.0	3.5	5.0	4.0	4.0	4.0	4.0
2012	2013	2014	2015	2016	2018 *	2019 **
4.0	19.5	10.0	4.0	4.0	3.0	1.5

**Total Paid March 18
99.0**

**Total Declared
100.5**

** includes a 1.5p interim dividend to be paid on 29 March 2019



Income Yield on Ordinary Shares

The following table gives an illustration of potential returns to Ordinary Shareholders, assuming a dividend of either 2p, 3p or 4p per annum is paid, and the equivalent taxable yield based on the Estimated Offer Price net of 30% income tax relief grossed up for a taxpayer paying 40% or 45% tax on his income. Dividends of 3p per Share were paid in the year ending March 2018.

Illustration of income yield per Ordinary Share after 30% tax relief

Offer Price * (net of tax relief)	Target annual dividend	Tax free yield per annum	Grossed up yield to a	
			40% taxpayer	45% taxpayer
43.3p	2.0p	4.6%	7.7%	8.4%
43.3p	3.0p	6.9%	11.5%	12.6%
43.3p	4.0p	9.2%	15.4%	16.8%

* Using an Estimated Offer Price of 61.9p multiplied by 70% to reflect the initial 30% up front income tax relief. The September 2018 NAV of 60.1p has been adjusted down by the 1.5p dividend payable in March 2019 and for the issue costs of 5.5%. No forecast or projection should be implied or inferred.

Illustration of the income yield per share excluding the initial tax relief

Potential Offer Price * (gross of tax relief)	Target annual dividend	Tax free yield per annum	Grossed up yield to a	
			40% taxpayer	45% taxpayer
61.9p	2.0p	3.2%	5.4%	5.9%
61.9p	3.0p	4.8%	8.1%	8.8%
61.9p	4.0p	6.5%	10.8%	11.8%

* Using an Estimated Offer Price of 61.9p. The September 2018 NAV of 60.1p has been adjusted down by the 1.5p dividend payable in March 2019 and for the issue costs of 5.5%. No forecast or projection should be implied or inferred.

HISTORICAL EXITS

A table of meaningful successful exits since inception is produced at the end of this section. The average realised return from these exits has been a multiple of 3.3 times cost. It should be noted that a number of these successful exits have been in technology and engineering companies that utilise technology/ have developed valuable IP.

Since inception the total profits of the Company from all realised investments in portfolio companies has been £24.8 million and the realised losses £15.5 million as at 30 September 2018.

In July 2018 the Company made a partial realisation of Fulcrum Utilities Group Plc, a gas utilities company quoted on AIM, realising a profit of £0.5 million and an IRR of 24%. The Company retains further shares with a value of £1.9 million at 30 September 2018 on a cost of £0.38 million.

The Company sold Concorde Solutions Limited ('Concorde') in April 2017 realising a small profit over cost. A further escrow payment was received in October 2018 giving a fully realised IRR of 6%. Concorde had made good progress in building its software product but had failed to make any meaningful sales headway. The Board decided it was therefore better for the Company to sell its holding and to recycle the funds into new investments or dividends.

The Company sold its stake in SMART Education Limited ('SMART') in December 2015, realising a profit of £3.6 million. SMART is a fast growing teacher supply agency which the Company first invested in in October 2005. This investment backed an existing successful management team that were previously known to the Manager. A further contractual escrow of £1.5 million was paid in December 2016. Taking this into account the investment will return an IRR of 19.5%.

In June 2014, the Company sold its stake in Wessex Advanced Switching Products ('WASP'), realising an initial profit of £8.8 million, and further escrow amounts of £0.9 million. WASP is a manufacturer of military and aerospace switches and lighting products. The investment was made in 1999 and has returned an IRR of over 30%. As a result of this very profitable exit the Board declared a special dividend of 15p per Ordinary Share (amounting in total to £4.5 million) paid in September 2014, representing a significant 15% of the Net Asset Value of the Company at the time.

The prior two exits before WASP were the trade sales of Wecomm Limited in March 2011 to OpenText Corporation and Melorio plc in June 2010 to Pearson plc. The Melorio realisation achieved a multiple return of 2.2 times cost. The Wecomm realisation achieved a 1.1 times multiple of cost.

£'000	Sector	Date of Exit	Profit	Uplift %	Multiple of Cost
Fulcrum Utilities	Utilities	Aug-18	518	454%	5.5
Concorde Solutions	Technology	Apr-17	258	16%	1.2
SMART Education	Recruitment	Dec-15	3,653	202%	3.0
WASP	Engineering	Apr-14	9,747	16963%	170.6
Wecomm	Software	Mar-11	89	10%	1.1
Melorio	Services	Jun-10	240	120%	2.2
Fords	Engineering	Feb-09	1,150	144%	2.4
Mediasurface	Software	Jul-08	153	23%	1.2
U-Mole	Engineering	Mar-08	1,507	350%	4.5
CSG	Software	Apr-07	2,497	167%	2.7
Ovum	Services	Dec-06	87	58%	1.6
ET&T	Software	Oct-06	210	47%	1.5
Milkround	Recruitment	Mar-06	147	59%	1.6
HJ Bean	Leisure	Sep-05	343	58%	1.6
Interlink Foods	Food	Jan-00	682	159%	2.6
Systems Union	Software	Jan-00	1,368	574%	6.7
Total			22,649	227%	3.3

INVESTMENT POLICY

The policy below has been approved by the UKLA and is subject to approval by Shareholders at a forthcoming general meeting.

VCT Qualifying Investments

The Company currently holds a portfolio which is mixed by sector, with new investment activity focused on the technology sector.

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

1. Companies which meet the VCT criteria with the ability to grow, which are seeking growth capital;
2. A strong, balanced and well-motivated management team.

3. Investments where the Manager can typically be an active investor and have a board or observer position;

4. Companies with products or services which have the potential to sustain a competitive advantage; and

5. Companies with reasonable prospects of achieving a trade sale or stock market flotation.

Future VCT Qualifying Investments will usually be syndicated alongside other Draper Esprit funds and are expected to have a deal size of up to the greater of £1.5 million or 10% of the Net Asset Value of the Company with a focus on the following technology sectors:

1. Consumer Technology - companies with exceptional growth opportunities in international markets that are

underpinned by new consumer facing products, innovative business models and proven execution capabilities.

2. Enterprise Technology - companies developing the software infrastructure, applications and services that

drive productivity improvements, convenience and cost reduction for enterprises.

3. Hardware and Deep Tech - companies developing different technologies that underpin advances in computing, consumer electronics and other industries.

4. Healthcare and Wellness - companies leveraging digital and other technologies to create new products and services for the health and wellness market.

Non-Qualifying Investments

The Company will invest such funds not utilised in VCT Qualifying Investments in cash and other near cash assets, as permitted under VCT regulations.

Risk Diversification

The Company's portfolio will be diversified by investing in a portfolio of VCT qualifying investments covering a number of technology sectors. The maximum that the Company will hold in a single investment (by value at the time of investment) is 15% of funds invested.

Venture Capital Trust regulations

The Company will be managed with the intention of maintaining its VCT status by satisfying a number of tests set out in Part 6 of the Income Tax Act 2007.

Borrowings

It is not the Company's intention to have any borrowings; however, the Company does have the ability to borrow not more than 10% of the aggregate of the nominal capital of the Company (being issued and paid up) plus the amounts standing to the credit of the consolidated reserves of the Company.

Draper Esprit Co-Investment Policy

Draper Esprit VCT has signed a co-investment right alongside the Draper Esprit institutional and EIS funds. This will be broadly based on the liquid funds available, the EIS/VCT qualifying status of each investment, the existing asset allocation within each pool of funds (i.e. conflict issues around investing in a potential competitor to an existing portfolio company), and for the Company, the current percentage of VCT qualification in each of its pool of VCT funds. This co-investment right and allocation will be reviewed on a periodic basis.

The Directors believe that this co-investment arrangement will provide Shareholders with a number of advantages, particularly in relation to deal flow and the opportunity for the Company to participate in larger deals, and, therefore, later stage companies.

In the event of a conflict of interest between the funds (which shall include where an investment is proposed in a company in which another fund already has an interest), or where co-investments are proposed to be made other than on the above basis, such an investment by the Company will require the approval of those members of the Company's board who are independent of the Manager.

The Board is independent of the Manager and Draper Esprit and while the Manager or Draper Esprit may recommend investments on the above basis the Board has the right to decline to invest in any such investment opportunity.

Since April 2017 the average investment size committed by the VCT into each new technology investment has been £0.8 million which has been circa 10% of the funds invested by the combined Draper Esprit investment vehicles.

Share Buybacks

The Company has from time to time bought back its Ordinary Shares for cancellation. The Company intends to continue to buy back its Ordinary Shares at a discount of approximately 7.5% to the last published NAV, subject to liquidity, VCT regulations and the Listing Rules. The Company intends to acquire its own Ordinary Shares in the market four times each year. The Board will agree the price at which such buybacks are undertaken which will not be more than 92.5% of the last published NAV for the Ordinary Shares although the Board may decide to buy back shares at their discretion at a larger discount subject to VCT regulations, liquidity and the Listing Rules.

The Board reserves the right to allocate Company funds reserved for buybacks across Shareholders wishing to sell on a pro rata basis rather than a first come first served basis. This may result in Shareholders only being able to sell a proportion of their holding. The Board believes this to be an equitable policy to apply to those Shareholders who wish to exit.

The implementation of the buyback policy in relation to Ordinary Shares will be at the Board's discretion and subject to the Company's liquidity, and stock market and other applicable regulations.

Distribution of Capital Profits and Dividends

Legislative changes have meant that VCTs can no longer return capital to investors (e.g. by way of dividends paid from cancelled share premium account) within three years of the end of the accounting period in which the relevant shares were issued, where the shares in question were issued post 5 April 2014. New Ordinary Shares issued pursuant to the Offer will be subject to this restriction.

It is the Board's target to pay a dividend of 3p per annum per Ordinary Share going forward (representing a 6.9% tax free return based on the Estimated Offer Price after factoring in initial tax reliefs). Dividends of 3p were paid in the year ending March 2018. Further details on the potential yields can be found on page 10. Investors should note that the level of dividend is not guaranteed, and no profit forecast is to be inferred or implied from these statements.

The Directors aim to maximise Shareholder returns and, subject to liquidity, VCT regulations and Listing Rules, aim to distribute substantially all available investment income after fees and VCT running costs. Following the change in the year end Interim dividends on Ordinary Shares are expected to be paid in October. Final dividends are expected to be paid in March each year.

The Manager

The Manager has acted as investment manager for the Company since its inception in 1998 (initially, through its wholly owned subsidiary, Elderstreet Private Equity Limited, and since 2009 directly after the Investment Management Agreement in relation to the Company was novated from that subsidiary to itself). The Manager was founded in 1990 and currently has more than £41 million (unaudited) of assets under management. The Manager has expertise in tax efficient investing, including VCTs and EISs, and is a specialist in the smaller company market, the unlisted sector and AIM. The Manager has strong proprietary deal flow and a "hands on" portfolio management style.

The Manager was voted VCT Fund Manager of the Year 2009 and 2010 by the Growth Company Awards. The Company was the winner of Investment Week's 2014 VCT Investment Company of the Year Awards organised by Incisive Media. These awards highlight investment companies that produce consistent performance and where there is, in the judges' opinion, a high likelihood that the investors will not be disappointed in the future.

The Company was runner up in the Growth Investor Awards Exit of the Year 2015. The Exit of the Year award recognizes investment performance against initial targets and value added to the investee business by the fund manager. Assessed in the context of type of exit, a panel of judges based their scoring on entry questions relating to investment performance, value added to the investee business, obstacles to exit and management of risk.

The Administration Manager and the Fixed Income Securities Manager

Downing LLP (and previously its predecessor, Downing Management Services Limited) has been the Company's Administration Manager since the Company's inception in 1998 and performs similar services for a number of other VCTs.

In addition to the investment management services provided by the Manager, the Company has appointed Smith & Williamson Investment Services Limited to provide discretionary investment management services in respect of funds not invested in Qualifying Investments that were historically invested in fixed income securities. The percentage of the Company's portfolio presently managed under these arrangements has been 0% since 30 June 2017. Other managers of non-Qualifying Investments may be appointed by the Company from time to time.

VCT Status Monitoring

The Directors have appointed Philip Hare & Associates LLP to advise the Company on compliance with the taxation legislative requirements relating to VCTs.

Management Fees and Charges

The Manager receives an annual fee (the "**Annual Fee**") equal to 2.0% of the Net Assets of the Company subject to the expenses cap (see below). The Annual Fee is calculated twice a year on 30 June and 31 December and payable quarterly in advance.

Downing LLP receives an annual fee of £50,000 (excluding VAT) for its role as the Administration Manager.

Taking into account the expected long term returns in the form of income and capital gains, it is intended that the Annual Fees will be allocated 25% to revenue and 75% to capital.

Expenses Cap

The annual running costs (including VAT) of the Company are capped at 3.5% of its Net Assets with any excess being refunded by way of a reduction in the fees payable to the Manager and the Administration Manager pro rata to their fees during the financial year.

The running costs include, inter alia, fees payable to the Manager and the Administration Manager, Directors' fees, audit and taxation fees, registrar fees and costs of communicating with Shareholders. The expenses cap excludes the performance incentive fee. For the year ending March 2018 (15 months period) the Total Expenses Ratio (TER) was 3.4%, equivalent to 2.73% on a weighted 12-month basis. In 2016 the TER was 3.3%, 2015 3.2%, and 2014 3.3%.

Performance Incentive Fees

Performance incentive fees are payable to the Manager when dividends paid and/or proposed exceed 3.5p per Ordinary Share in any one financial year, subject to the NAV, before the distribution, being higher than 70.6p per Ordinary Share. If this hurdle is met, the Manager will receive 20% of the distribution amount over 3.5p per Ordinary Share. The performance incentive fee will also have a catch-up should any previous year's distribution not be met. This catch-up will be cumulative so that in any years where the distribution is less than 3.5p the shortfall must be made up prior to awarding any further performance incentive fees. Any performance incentive fee payable in any period of 12 months has been capped so that the fee payable (together with any other fees payable to the Manager by the Company which have not been specifically approved by Shareholders) is capped at 24.9% of the lesser of the Company's current Net Assets, market capitalisation or gross assets. Any such fees which result in this cap being exceeded will be waived, will not be carried over to another period and will cease to be payable to the Manager.

Currently, the hurdles for these performance fees have not been met for this current or past financial year.

Arrangement and Monitoring Fees

The Manager may charge an arrangement fee to each portfolio company in which the Company invests. This fee is restricted to 3% of the gross amount invested by the Company. No arrangement fees have been charged by the Manager for any of the Draper Esprit deals completed to date. The Manager may also charge portfolio companies for its monitoring services and non-executive director fees but has not done so in recent years.

Elderstreet Co-Investment Policy

Should a conflict arise in respect of the allocation of an investment opportunity between the Elderstreet Funds, allocations will normally be made on a pro rata basis (allowing for appropriate rounding of investment amounts) between the Company and the other Elderstreet Funds based on the amounts available for investment in each fund at the time the investment opportunity arises. However, the Manager will be entitled to recommend to the Board (and to the directors or trustees of relevant other Elderstreet Funds) the allocation of investment opportunities on a basis otherwise than as set out above if required in order to:

- ensure that the Company establishes and/or maintains its status as a Venture Capital Trust;
- balance the portfolios of the Company in such manner as the Manager shall consider appropriate, taking account of the liquidity of the respective funds, sector balance, relative risk profile and maturity of investments (including exit considerations); or
- take account of the status of investments as Qualifying Investments under the VCT Rules from time to time.

In the event of a conflict of interest between the Company and any other Elderstreet Funds, the matter shall be referred to such Directors who are independent of the Manager (the “**Independent Directors**”), whose determination shall be final and binding on the Manager.

In particular, where the Company intends to invest in a company in which another Elderstreet Fund has invested or intends to invest, the investment shall require approval by the Independent Directors unless the investment is made either at the same time, and on the same terms or in accordance with a pre-existing agreement between the Company and the Manager. The Directors and members of the Investment Management Team do, from time to time, co-invest in the Company’s portfolio companies.

Where a Director has an interest of more than 1% in a portfolio company then he is disqualified from voting on decisions concerning that company.

For information on possible conflicts with other Draper Esprit funds, please see the section headed *Draper Esprit Co-Investment Policy* on page 12.

Net Asset Value Calculation

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 investment policy.

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 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.

The Company’s net asset value is formally calculated every six months by the Manager, approved by the Board and published on an appropriate regulatory information service.

PART 2

INVESTMENT PORTFOLIO

The investment portfolio of the Company as at the date of this document is set out below (the valuations being the unaudited valuations and cash balances as at 30 September 2018). The table also includes new 'Committed' investments where the Company has signed up to a binding investment document but is awaiting HMRC approval prior to formally completing its investment in the relevant company. These 'Committed' investments have been deducted from the actual cash balance in the Company.

Investments	Sector	Actual Cost	30 Sep 2018 Valuation	Unrealised Gain/Loss	Portfolio by % Value
Draper Esprit Completed Investments		Cost £	Valuation £	Gain/Loss £	%
IESO Digital Health	Technology	1,500,027	1,500,027	-	4%
StreetTeam Software Limited	Technology	1,285,712	2,735,558	1,449,846	7%
Endomagnetics Limited	Technology	912,143	912,143	-	2%
Pod Point Holdings Limited	Technology	860,000	860,000	-	2%
Evonetix Limited	Technology	792,657	792,657	-	2%
IXL PremFina Limited	Technology	755,608	755,608	-	2%
Push Dr Limited	Technology	724,379	724,379	-	2%
Appux Limited	Technology	325,500	325,500	-	1%
Light Blue Optics Limited	Technology	311,111	311,111	-	1%
		7,467,139	8,916,985	1,449,846	21%
Draper Esprit Committed Investments **		Committed £			
Resolving Limited	Technology	-	799,468	-	1.9%
Push Doctor Limited (tranche 2)	Technology	-	775,618	-	1.9%
Apperio Limited	Technology	-	500,000	-	1.2%
Roomex Limited	Technology	-	612,561	-	1.5%
Back Office Technology Limited	Technology	-	700,000	-	1.7%
Crowdcube Limited	Technology	-	400,000	-	1.0%
			3,787,647		9%
Draper Esprit - total invested and committed investments			12,704,632		31%
Net cash at bank minus committed investments			12,470,570		30%
Elderstreet Investments		Cost £	Valuation £	Gain/Loss £	%
Fords Packaging Top Co Ltd	Engineering	2,432,856	5,765,532	3,332,676	14%
Access Intelligence PLC *	Technology	2,544,316	4,448,423	1,904,107	11%
Lyalvale Express	Engineering	1,915,204	2,856,300	941,096	7%
Fulcrum Utilities Limited *	Gas utilities	385,948	1,993,889	1,607,941	5%
		7,278,324	15,064,144	7,785,820	36%
Legacy Other Investments		11,240,839	1,408,334	(9,832,505)	3%
Net Assets			41,647,680		100%

* AIM companies

** Committed investments where the Company has signed a binding Subscription Agreement. At the time of writing all the deals bar Push Dr (second tranche), Back Office Technology and Crowdcube have been completed.

Quoted investments are valued at bid prices with a liquidity discount, where appropriate, and unquoted investments are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines. All figures are unaudited, and all investments are priced in GB Sterling. The last revaluation date was 30 September 2018, the last practicable valuation date prior to publication of this document.

Draper Esprit Portfolio Holdings

Further information on each Draper Esprit Technology portfolio company follows:

Company Name	Sector	Description	Equity %
IESO	Digital Health & Wellness	One-to-one clinically led online therapy	<5%

Ieso Digital Health delivers one-to-one, clinically led online cognitive behavioural therapy (CBT) for people dealing with common mental health conditions such as depression and anxiety. Therapy is delivered through written (typed) conversation. Patients meet with a BABCP accredited therapist in a secure online therapy room at a time and location convenient to the patient. IESO algorithms support an intelligent, outcomes-driven therapist allocation and scheduling system, whereby we can assign patients to the therapists most likely to deliver a meaningful clinical outcome at lowest cost.

IESO natural language processing analytics enable real-time monitoring of therapist protocol adherence and risk detection, while providing guidance to the therapist in relation to clinical decision support to systemise practice and reduce variation in treatment.

StreetTeam Software (Verve)	Consumer Technology	Peer-to-peer sales and marketing software	<5%
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Founded in 2012, StreetTeam's platform enables customers to turn their most influential fans into ambassadors who promote their events and sell tickets to their friends in return for rewards. Its platform allows customers to recruit ambassadors, manage their community and share content within it, and also enables digital payment processing and sales reporting. The company generates revenue through licensing its peer-to-peer ticketing software, levying commission on ticket sales and also through consultancy services.

Within the music festival market, it is estimated that millennials (aged 15 to 30 years old) make up half of the festival audience: Nielsen says half the 32 million people who attend at least one music festival each year in the US are millennials. The McCarthy Group says 84% of millennials don't trust traditional advertising and rank friends as the most trusted source of information, preferring word-of-mouth to traditional advertising.

Endomagetics	Digital Health & Wellness	Cancer trace and guidance systems	<5%
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Endomag has developed a minimally-invasive surgical guidance system, which can locate early-stage and impalpable tumours, and help determine whether the cancer has spread. The system has been used in over 30,000 procedures across 300 hospitals in 30 countries and is the subject of 12 clinical publications, all confirming its efficacy compared with current standards. Endomag's mission is to improve the standard of cancer care for everyone, everywhere, by providing more accurate, convenient and less-invasive solutions for diagnosis and treatment.

Podpoint	Podpoint	Electric vehicle charging points	<5%
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Pod Point, the electric charge point supplier, is a well established, leading player in the UK's electric vehicle sector, having manufactured and sold over 50,000 charging points since it was founded in 2009. The market for electric vehicles is going from strength to strength, driven by advances in technology, infrastructure developments and cost efficiencies. In the UK, Pod Point has in excess of a 40% market share of the home charge market, having sold over 50,000 charging points. The team is also expanding rapidly and now comprises over 140 employees. Following recent partnerships with Barratt Homes, Holiday Extra and Hyundai, Pod Point intends to have one of its stations installed everywhere that people park for an hour or more by 2020. Alongside the Draper Esprit group funds, investors include Barclay's Capital and QVentures.

Evonetix Ltd	Digital Health & Wellness	Gene synthesis technology	<5%
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Draper Esprit group funds co-led a £9.0 million funding round in Evonetix, helping it to scale technology that opens up new possibilities for synthetic biology. The company is pioneering a new approach to scalable and high-fidelity gene synthesis and received £1.8 million funding from the plc and a further £1.8 million from the Group in January 2018. The ability to synthesise fragments of DNA without the limitation of sequences and with no fundamental errors is a challenge. All existing DNA manufacturing methods can only produce short sequences because longer sequences have a higher rate of error. Evonetix was founded in 2016 to address this very problem. Their platform uses an addressable silicon array to direct the synthesis of DNA at many sites in parallel, followed by an error-detection process to enable DNA production at scale.

The US\$12.3 million financing was co-led by DCVC (Data Collective) of Palo Alto, CA and Draper Esprit, and included the Morningside group, alongside existing investors Providence Investment Company (Jersey), Cambridge Consultants Ltd (Cambridge, UK), Rising Tide Fund (San Francisco, CA) and Civilization Ventures (San Francisco, CA).

IXL Premfina	Enterprise Technology	Insurance broking credit software	<5%
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PremFina is the first premium finance company in the UK to receive venture funding, with the equity portion of round more than three times oversubscribed. The investment will be used to accelerate PremFina's UK operations to meet a high demand for its white-label premium financing solution among insurance brokers and support international expansion. Its white label offering improves brokers' efficiency, profitability and customer relationships. PremFina makes the purchase of insurance more affordable by eliminating the financial strain of lump-sum upfront payments, thereby promoting financial inclusion within the insurance industry. Its solution is simple and user-friendly: PremFina funds the upfront payment of an insurance premium to an insurer, on behalf of an insured party. PremFina then collects the same amount via monthly instalments, along with a finance fee, from the insured party. To better enable insurance brokers to offer this option, PremFina also provides a standalone, white-labelled software-as-a-service (SaaS).

Push Doctor	Digital health	On-demand online GP surgeries	<5%
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PushDoctor.co.uk is changing the way everyone can access healthcare using its' on-demand online GP surgery, making healthcare accessible for the tens of millions of people in the UK who find seeing a doctor difficult. The Care Quality Commission-regulated and NHS-commissioned service allows patients to book and attend secure video GP appointments seven days per week, 365 days of the year, via a website and iOS app.

The company is becoming one of the fastest-growing clinical networks in Europe with a unique dataset that provides a unique view of the medical issues facing the nation. They are creating a data-driven digital health platform that will treat the whole person.

AppUx Limited (Droplet)	Enterprise Technology	iOS agnostic application platform	5-10%
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Apps are the future of computing - but the way they work now is driven by which device or OS you use. So you have one world of iOS apps, and another for Android, and so on. For Droplet, that seems like a waste of time, which is why they've patented a new way to deliver any app to any device - regardless of how it's been built. It even works offline. The implications are huge: with cost savings for businesses, an increase in user productivity, and more.

Light Blue Optics (Kaptivo)	Hardware & Deep Tech	Cloud connected online collaboration tool for whiteboards	<5%
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Kaptivo is a cloud-connected camera that transforms any standard dry-erase whiteboard into an online collaboration tool for sharing and video conferencing. Kaptivo has a hardware product that is complementary to every user of static whiteboards (50 million deployed worldwide). The product has been validated by HP and Crestron who have both signed OEM agreements. Kaptivo works with any web browser and all video conference platforms supporting screen sharing.

Resolving Limited (Resolver)	Consumer Technology	Online consumer complaint tool	<5%
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Resolver is working with MoneySavingExpert.com, the UK's biggest consumer advice website, bringing together their awesome campaigning power with Resolver's focus on helping consumers raise and resolve issues. Unlike traditional complaints procedures, Resolver guides and supports you throughout the complaints process. Their system makes recommendations on next steps and when to take them, connecting consumers complaint with key industry regulators and ombudsmen. Resolver helps consumers keep track of their complaints and stores all relevant information securely in one place.

Apperio	Enterprise Technology	Legal fees spend software	<5%
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Founder and CEO, Nicholas d'Adhemar, spent six years working as a lawyer and three years client-side in private equity and experienced first-hand the unnecessary conflict, confusion and cost that often accompanied deals and that's why he started Apperio. Our mission is to become an essential part of every lawyer's everyday work and set new standards of accessibility, accountability and accuracy around legal spend information, freeing up both General Counsels and their law firms so they can focus on their goals: deepening relationships, developing trust and driving returns.

Roomex	Enterprise Technology	Global business hotel booking platform	<5%
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Roomex is a global hotel booking platform where businesses see, control and save on all work related hotel spend. If you're an office manager, you don't need the stress and hassle of searching for hotels, comparing rates, contacting hotels, negotiating deals and making sure that all your staff are booking within policy and not wasting their time. Roomex provides this solution for them. Roomex was ranked number 20 in the 2017 Deloitte Technology Fast 50, a ranking of the 50 fastest growing technology companies in Ireland.

Back Office Technologies (Form3)	Enterprise Technology	Payment processing technology	<5%
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Form3 delivers cloud-based connectivity, payment processing, clearing and settlement services. Their clients include a wide range of regulated financial institutions, including leading banks, non-bank financial institutions and fin-techs. Form3 couples their technology with banking partnerships to facilitate agency payment services, accessed through a simple API on a per transaction commercial model, with no big upfront costs. Form3 won the UK Business Angels Association 2018 Best Investment in Fintech Award for demonstrating innovation, and the capability to disrupt the market and the capacity to achieve high growth.

Crowdcube	Consumer Technology	Crowd funding platform	<5%
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Named by Debrett's as one of Britain's Most Influential 500 People, Darren Westlake is co-founder and CEO of Crowdcube - the world's first, largest and most active investment crowdfunding platform. A serial entrepreneur with more than 20 years' experience in the internet and telecoms industries, Darren launched and exited two companies before starting Crowdcube with Luke Lang in February 2011. Beauhurst data report for 2017 reports Crowdcube was the top-ranked platform by amount of investment facilitated, raising £87.3 million in 133 deals.

Legacy Portfolio Holdings

Unless stated to the contrary the figures for each of the portfolio companies below have been extracted from their annual accounts filed at Companies House. Where information has been sourced from the management accounts of the portfolio companies, the Company confirms that this information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published, no facts have been omitted which would render the reproduced information inaccurate or misleading. These Legacy Portfolio companies make up 39% of the portfolio.

Legacy Investments		Cost £	Valuation £	Gain/Loss £	Equity %
Fords Packaging Top Co Ltd	Engineering	2,432,856	5,765,532	3,332,676	49%
Access Intelligence PLC	Technology	2,544,316	4,448,423	1,904,107	14%
Lyalvale Express	Engineering	1,915,204	2,856,300	941,096	44%
Fulcrum Utilities Limited	Gas utilities	385,948	1,993,889	1,607,941	1%
		7,278,324	15,064,144	7,785,820	

Information on the top four legacy portfolio companies follows:

Lyalvale Express Limited					
First Investment	May-98	Year ended	31-Mar-15	02-Apr-16	02-Apr-17
Cost	£1,915,204	Turnover (£m)	8.2	7.3	7.7
Value	£2,856,300	EBITDA (£m)	1.3	1.1	0.8
% held	44.2%	Net assets (£m)	8.7	8.7	8.9
<p>Lyalvale Express is a leading producer of shotgun ammunition in the UK. It has developed a range of more than 30 different models of cartridge suitable for both game and clay shooting. Its products range from premium products such as that used by Richard Faulds to win an Olympic Gold Medal in Sydney, to popular everyday products. It occupies a freehold site in Staffordshire and is dividend paying. The Manager has a seat on the board of directors.</p>					

Fords Packaging Topco Limited					
First Investment	Dec-13	Year ended	30-Jun-15	30-Jun-16	30-Jun-17
Cost	£2,432,856	Turnover (£m)	6.1	5.5	7.6
Value	£5,765,532	Profit before tax (£m)	0.7	0.4	1.0
% held	48.7%	Net assets (£m)	2.5	2.4	3.1
<p>Based in Bedford, Fords Packaging is a leading supplier of capping presses and also manufactures rotary sealers. It is widely known for its expertise in sealing and closure technology for food and drink applications where high standards of hygiene are required. Fords products are mainly for use in the food and dairy industries and the company has global clients. In 2018 Fords won the award for Best Closure for their Fords foil caps at the World Beverage Innovation Awards, held in Germany. Winning this award is a recognition of the innovative solutions Fords are developing to bring a unique range of benefits to brand owners and consumers, in sustainability, consumption experience and packaging innovation. With the single serve water bottle their innovative foil seal delivers bottle weight reduction by removing threads from the neck finish. Combined with elimination of the need for a plastic screw cap and tamper evident band, it delivers the lowest package weight in the market. The Manager has a seat on the board of directors.</p>					

Access Intelligence plc					
First Investment	Oct-08	Year ended *	30-Nov-15	30-Nov-16	30-Nov-17
Cost	£2,544,316	Turnover (£m)	6.7	9.1	8.0
Value	£4,448,423	Adjusted EBITDA	-1.0	-2.0	-2.4
% held	14.0%	Net assets (£m)	3.8	2.0	0.3
<p>Access Intelligence is a leading supplier of Software-as-a-Service (SaaS) communications software and services for the UK Integrated Management Solutions market. In 2015 the company acquired certain UK assets from Cision and Vocus. The company had £8.0m of recurring revenue at end November 2017. The Manager has a seat on Access Intelligence's board of directors.</p> <p>* 2015 and 2016 restated Continuing Operations</p>					

Fulcrum Utilities Services Limited					
First Investment	Jul-03	Year ended	31-Mar-16	31-Mar-17	31-Mar-18
Cost	£385,948	Turnover (£m)	36.1	37.7	44.8
Value	£1,993,889	Adjusted EBITDA	5.3	7.3	8.6
% held	1.5%	Net assets (£m)	5.8	10.4	36.3
<p>Fulcrum is a leading independent utilities organisation that provides gas and multi-utility infrastructure design, technical engineering, project management, consultancy and audit services across all sectors nationally. Fulcrum's combination of expertise, accreditation, nationwide coverage and heritage as part of the Gas Board, Transco and National Grid, ensures a streamlined and compliant utilities infrastructure solution is delivered for its customers.</p>					

PART 3

MANAGEMENT TEAM

Draper Esprit Investment Management Team

Draper Esprit is one of the leading venture capital investors involved in the creation, funding and development of high-growth technology businesses with an emphasis on digital technologies in the UK, the Republic of Ireland and Europe. Draper Esprit IPO'd on the AIM market in 2016. Draper Esprit is actively involved with its investments, taking non-executive positions where appropriate, and has the ability and experience to add value to the investments

A selection of the key investment executives at Draper Esprit follow.

Simon Cook is the CEO of Draper Esprit plc, which IPO'd on the London and Irish stock exchanges in 2016. Simon has been involved with the European VC industry since 1995 and co-founded Draper Esprit in 2005. He has been involved with a number of Europe's most successful startups including Lovefilm (Amazon), Cambridge Silicon Radio (IPO), Virata (IPO), nCipher (IPO) and KVS (Symantec). He currently works with Trustpilot, Graze, Crowdcube, Perkbox and Podpoint. Previously Simon was a partner with Cazenove Private Equity, which Draper Esprit acquired in 2006; a partner at Elderstreet Investments; and an Investment Director of 3i Technology Europe, which Draper Esprit acquired in 2009. He was a computer games developer early in his career and is a Computer Science graduate of the University of Manchester Institute of Science and Technology (UMIST).

Stuart Chapman is the COO of Draper Esprit. Prior to establishing the Draper Esprit group, with Simon in 2006, Stuart was a Director of 3i Ventures in London. Having joined 3i in 1992, he has 25 years of venture capital experience in Europe and the US. He was a founding partner of 3i US, based in Menlo Park, CA from 1999 until 2003. Stuart was responsible for Esprit's investments in Lagan Technology (sold to Verint), Redkite (sold to Nice) and Kiadis (IPO). Stuart currently serves as a director with Resolver, Realeyes and Conversocial and observer with Metalysis and Crate. Prior to 3i, Stuart was involved in software and systems implementations for Midland Bank. He is a graduate of Loughborough University and currently serves on the Strategic Advisory Board for the Loughborough School of Business and has served as a member of the British Venture Capital Association Venture Committee.

Ben Tompkins is Managing Partner of Draper Esprit and has been working with technology entrepreneurs and their investors in Europe and the US all his career. Prior to joining Draper Esprit, Ben was Managing Partner at Eden Ventures, a European early stage VC investor in UK software companies with international ambitions. Prior to Eden, Ben was a Managing Director at tech investment bank Broadview/Jefferies and co-headed the Global Software Services & Media practice, advising on deals including Blizzard Studios/World of Warcraft, Iris Software (LSE), Kelkoo, Seloger, Musiwave, Loot, Promethean, ICV and uDate. Ben also sat on the Board of Seedcamp, the UK's premier early stage fund. He is a Business Law graduate and a Barrister from Lincolns Inn.

Michael Jackson MA FCA (VCT Partner and Chairman of the Manager) founded Elderstreet Investments Limited in 1990 and is its executive chairman. For the past 25 years, he has specialised in raising finance and investing in the smaller companies quoted and unquoted sector. From 1983 until 1987 he was a director and from 1987 until 2006 was chairman of FTSE 100 company The Sage Group plc. He was also chairman of PartyGaming plc, another FTSE 100 company. He is a director of Elderstreet portfolio companies Fords Packaging Systems Limited, Baldwin & Francis Holdings Limited, Macranet Limited and Access Intelligence plc. Michael studied law at Cambridge University, and qualified as a chartered accountant with Coopers & Lybrand before spending five years in marketing for various US multinational technology companies.

William Horlick (VCT Partner) has worked at Elderstreet Investments Limited since 1998. He has worked on over 70 venture capital investments. William has held several board seats in the past on Elderstreet portfolio companies. He is also the investment manager of the Elderstreet EIS portfolio. William graduated from RMA Sandhurst in 1980. Prior to joining Elderstreet Investments, he was managing director of a mail order company and spent seven years in investment banking and stockbroking.

Richard Marsh (EIS Partner - Encore Ventures) has worked in start-ups and venture capital since 1997 and is an experienced entrepreneur as well as a venture capitalist. He founded and built Datanomic, a Cambridge-based software company which was a pioneer of Data Quality software and was acquired by Oracle. As an investor, Richard has worked across software, hardware, mobile and cleantech sectors. He is responsible for the Draper Esprit group's investments in Garlik (acquired by Experian), Green Park Content, GreenPeak Technologies (acquired by Qorvo), Polatis (acquired by Huber and Suhner), Psytechnics (acquired by NetScout), and SportPursuit. Richard is an Engineering graduate of Cambridge University where he also received his PhD. Richard holds an MBA from IMD Business School, Lausanne, where he was a Sainsbury Management Fellow.

David Cummings (EIS Partner - Encore Ventures) has worked for IMI Plc, Lazard and KPMG. His early career at IMI Titanium was as a research and development metallurgist developing superconductors and titanium alloys. From 1986-2002, David worked at Lazard, where he became a partner and the managing director running the TMT group in London. While there he gained a wide variety of experience in corporate finance, M&A, debt restructuring and equity capital markets based on over a decade of transactions in the TMT sector. From 2004-2011, David was a senior director of KPMG Corporate Finance focusing on Business development and relationship building with medium to large corporations in the telecom and technology sectors. David is an active investor in early stage private technology companies and is a member of Cambridge Angels. David is a graduate of Trinity Hall, Cambridge University (Natural Sciences) and London Business School (Msc21).

The Manager has developed effective procedures for the post investment monitoring and support of portfolio companies by way of board representation, monitoring of management accounts and internal reporting practices. The Directors believe that such procedures are an essential element in successful venture capital management

Draper Venture Network

Draper Esprit are also a part of the Draper Venture Network. Headquartered in Silicon Valley, the Draper Venture Network is a self-governed collective of ten independent growth and venture funds managing hundreds of portfolio companies in multiple countries. These independent venture capital funds are based in technology hubs across the world and collaborate on deals, diligence and the provision of value-added services. Esprit Capital is the Western European member of the Draper Venture Network. The Draper Venture Network has offices in Silicon Valley and a team of business development executives available to assist any network portfolio company. An annual CEO conference is arranged by the Draper Venture Network with attendance by hundreds of CEOs and dozens of business development executives of significant technology companies.

Draper Esprit believe the group's membership of the Draper Venture Network provides it with a significant advantage in the origination and diligence of potential investments, the generation of market intelligence and the development of valuable corporate relationships. It also enables the Draper Esprit group to provide portfolio companies with assistance in approaching sources of funding in the United States for future fundraising rounds and provides them with an opportunity to expand into new and lucrative markets or to position them in global markets with the intention of attracting higher valuations at exit. Simon Cook, Draper Esprit's chief executive officer, is one of five global board directors of the Draper Venture Network.

The Board

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

David Brock BSc (Chairman) is an experienced company Chairman in both private and public companies and a former main board director of MFI Furniture Group Plc. He is currently Chairman of Episys Group Plc and Primrose Group Ltd and non-executive director of Hargreave Hale AIM VCT plc and Puma 12 VCT Plc.

Hugh Aldous is chairman of Downing Strategic Micro-cap Investment Trust plc and of SPL Guernsey ICC Ltd. He is a director of Innospec Inc. (NASDAQ). He has chaired venture capital backed companies since 2000 including two of this Company's more successful investments. He was a partner in Grant Thornton UK LLP, a DTI Company Inspector, a director of Polar Capital Holdings plc and a Member of the Competition Commission.

Barry Dean FCA is a chartered accountant and has over 30 years' experience in the private equity industry including 14 years as managing director of Dresdner Kleinwort Benson Private Equity Limited. He is currently a non-executive director of Downing ONE VCT plc and ProVen VCT plc.

Michael Jackson MA FCA (see biography above)

Nicholas Lewis MA is a partner of Downing LLP - a business he founded as Downing Corporate Finance Limited in 1986. Downing LLP specialises in managing, promoting and administering tax-based investments and has approximately £1 billion of funds under management. Prior to founding Downing, he was with NatWest Ventures Limited and, before that, with Apax Partners & Co Limited.

The Board is responsible for leading the Company, approving the Net Asset Value and for the determination of the Company's investment policy.

PART 4

RISK FACTORS

Investors should consider carefully the following risk factors in addition to the other information presented in this document. If any of the risks described below were to occur, it could have a material effect on the Company's businesses, financial condition or results of operations. The risks and uncertainties described below are not the only ones the Company, the Board or current and prospective Shareholders will face. Additional risks not currently known to the Company or the Board, or that the Company or the Board currently believe are not material, may also adversely affect the Company's businesses, financial condition and results of operations. The value of Shares could decline due to any of these risk factors, and Investors could lose part or all of their investment. Investors who are in any doubt about what to do should consult their independent financial adviser. The attention of prospective Investors is drawn to the following risks:

Valuation and sale of Shares

The value of the Shares and the income from them can fluctuate and Investors may not get back the amount invested. In addition, there is no certainty that the market price of the Shares will fully reflect the underlying Net Asset Value or that Shareholders will be able to realise their shareholding or that dividends will be paid. Existing and prospective Shareholders should be aware that the sale of Shares within five years of their subscription will require the repayment of some or all of the 30% VCT income tax relief obtained upon investment. Accordingly, an investment in the Company is not suitable as a short or medium term investment. The past performance of the Company or of other funds managed or advised by the Manager or Draper Esprit, is not necessarily an indication of the future performance of the Company.

Six month rule

Shareholders should note that if they have sold, or if they sell, any Shares in the Company within six months either side of the subscription for the New Ordinary Shares, then for the purposes of calculating the tax relief on the New Ordinary Shares the subscribed amount must be reduced by the amount received from the sale.

Value of underlying assets

The Net Asset Value of the Shares will reflect the values and performance of the underlying assets in the respective portfolios. The value of the investments and income derived from them can rise and fall. Realisation of investments in small unquoted companies can be difficult and may take considerable time. The Company notes the recent downturn in the USA quoted technology markets which may have an effect on valuations in the UK.

VCT Rules and the impact on the portfolio

There may also be constraints imposed on the realisation of investments in order to maintain the VCT status of Investee Companies which may restrict the Company's ability to obtain maximum value from its investments or to achieve the intended timing of distributions. For example, the Company must maintain at least 70% of its portfolio in VCT Qualifying Investments, rising to 80% from 1 April 2020.

Investment opportunities

There can be no guarantee that suitable investment opportunities will be identified in order to meet the Company's objectives.

Minority interest

Although the Company may receive conventional venture capital rights in connection with its investments, as a minority investor it will not be in a position fully to protect its interests.

Nature of smaller companies

Investment in smaller and unquoted companies involves a higher degree of risk than investment in larger companies and those traded on the main market of the London Stock Exchange. To be qualifying holdings, VCT funds must be invested in smaller companies with gross assets of not more

than £15 million prior to the investment and £16 million post investment. In addition, to be qualifying holdings, VCT funds must be invested in companies which have no more than 250 full time (equivalent) employees and do not receive more than £5 million of investment from state aided risk capital sources in the 12 months ending on the date of the VCT's investment (Knowledge Intensive companies must have fewer than 500 employees and may receive up to £10 million of state aid risk finance investment in any 12 months). Smaller companies who meet these criteria generally have limited product lines, markets or financial resources and may be more dependent on their management or key individuals than larger companies. Markets for smaller companies' securities may be less regulated and are often less liquid, and this may cause difficulties in valuing and disposing of equity investments in such companies.

Liquidity

Although the Company's Ordinary Shares will be listed on the London Stock Exchange, it is highly unlikely that a liquid market in these Shares will develop as the initial VCT income tax relief is only available to those subscribing for new shares and there may never be two competitive market makers. It may, therefore, prove difficult for Shareholders to sell their Shares. In addition, there is no guarantee that the market price of the Shares will fully reflect their underlying NAV or the ability to buy and sell at that price. It should be noted that shares held in VCTs usually trade at a discount to their net asset value. If the Company lacks sufficient cash reserves to purchase its own Shares and during prohibited periods when the Company is unable to purchase its own Shares. The Board intends to buyback Ordinary Shares in accordance with the buyback policy stated in this Offer Document, subject to liquidity and cash resources, which should help to reduce the share discount price.

VCT legislation

The information, including tax rules, contained in this document is based on existing legislation. The tax rules or their interpretation in relation to an investment in the Company and/or the rates of tax, or other statutory provisions to which the Company is subject, may change during the life of the Company and such changes could be retrospective.

Whilst it is the intention of the Directors that the Company will be managed so as to continue to qualify as a VCT, there can be no guarantee that this status will be maintained. A failure to meet the qualifying requirements could result in the loss of tax reliefs previously obtained, resulting in adverse tax consequences for Investors, including a requirement to repay the income tax relief obtained, and could also cause the Company to lose its exemption from corporation tax on capital gains.

Draper Esprit Syndication

Draper Esprit plc own 30% of the Manager and have entered into an option agreement to purchase the Manager in the future. This option is subject to conditions and so there can be no guarantee that Draper Esprit will purchase the Manager in the future or that the syndication agreement will not change.

Recent changes to VCT legislation

Changes to the VCT Rules in respect of investments made on or after 15 March 2018 have meant that VCTs may only invest in companies which pass a "risk to capital" gateway test requiring the investee company to have long term growth and development objectives and for the investment to carry a significant risk that invested capital will be lost over and above the net return to the Company irrespective of whether the return takes the form of income, capital growth, fees, other payments or anything else. This new test inherently increases the risk profile of companies in which the Company can invest going forward and stands in contrast to those in which the Company has historically invested, many of which may not have passed this gateway test due to their ownership of significant assets or their enjoyment of secured income streams.

Further recent changes to the VCT Rules have prohibited the making of secured loans by VCTs. Future loan capital held by the Company will therefore be unsecured and will rank behind secured creditors of the investee company in question. As loan capital investments by a VCT are separately restricted to a maximum of 30% of any new investment, and Investee Companies which meet the above noted "risk to capital" test tend not to be able to provide significant assets against which to secure loans in any case, the Board do not consider that this restriction further materially increases the risk profile of new investments made by the Company.

The Finance (No.2) Act 2015 introduced changes to the VCT Rules which have placed greater restrictions on the range of investments into which the Company can deploy funds. As a result, the Company is required to invest in businesses which are less than seven years old (less than 10 years for 'knowledge intensive' companies) and VCT funds cannot be used to finance acquisitions by investee companies. The penalty for breaching these new rules is the loss of VCT status, so the Company and its investors may face a higher risk of the loss of tax benefits than under the previous rules. Qualifying investee companies are also now subject to a lifetime risk finance investment limit of £12 million (£20 million for 'knowledge intensive' companies), which may restrict the Company's ability to make follow on investments.

The Finance Act 2014 amended the VCT Rules, such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks.

Forward-Looking Statements

You should not place undue reliance on forward-looking statements. This document includes statements that are (or may be deemed to be) "forward-looking statements", which can be identified by the use of forward-looking terminology including the terms "believes", "continues", "expects", "intends", "may", "will", "would", "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements contained in this document or based on past trends or activities, should not be taken as a representation that such trends or activities will continue in the future. Any such statements do not, nor are intended to qualify the Company's working capital statement.

PART 5

INFORMATION RELATING TO THE OFFER

The Offer

The Offer is for New Ordinary Shares. The maximum number of New Ordinary Shares expected to be issued pursuant to the Offer is 11,314,923 Ordinary Shares, representing approximately 14.0% of the enlarged issued Ordinary Shares of the Company (assuming the Maximum Subscription is raised and the Offer size is not increased at the Directors' discretion). A raise of £7 million equates to a maximum approximate net amount to be raised of £6,615,000 based on Offer costs of 5.5%. The Offer is cost-neutral as regards the NAV of the Company as the costs are borne entirely by subscribers through the application of the Pricing Formula. There is no minimum subscription required for the Offer to proceed.

The unaudited net asset value per Ordinary Share as at 30 September 2018 was 60.1p (this being the most recent NAV per Ordinary Share published by the Company prior to the publication of this document). The Net Asset Value on which the initial price for the New Ordinary Shares is based is 58.6p per Ordinary Share, being the NAV of 60.1p as adjusted to reflect the payment of the 1.5p interim dividend payable in March 2019. The Estimated Offer Price of 61.9p is the adjusted NAV of 58.6p grossed up for estimated Offer costs of 5.5%. Should there be a material movement in the NAV between the normal reporting dates, the Company may announce an updated unaudited NAV, which will be used to calculate the number of New Ordinary Shares to be allotted. The Pricing Formula will be adjusted for any declared dividends where the shares are to be allotted after the record date but before the dividend payment date.

Reasons for the Offer

The Company is raising funds by way of the Offer for the tax years 2018/19 and 2019/20 to fund another phase of investment. The Company considers that its co-investment agreement with Draper Esprit will continue to provide a flow of attractive investment opportunities for which new capital will be required.

The Directors believe that the proposed fundraising under the new Offer will benefit Existing Shareholders in the following ways:

- Shareholders will suffer no NAV dilution as a result of the Offer as New Ordinary Shares will be issued at a price equal to NAV plus offer costs.
- The New Ordinary Shares issued will increase the capital available to the Company which may be invested alongside existing capital. This affords existing Shareholders investment opportunities they might not otherwise have.
- The fixed running costs of the Company will be spread over a larger combined asset base as a result of the issue of New Ordinary Shares, thereby reducing the level of the running costs attributable to each existing holder of Ordinary Shares and, therefore, providing the potential for enhanced returns to Existing Shareholders.
- The Board believe the co-investment agreement with Draper Esprit will bring new investment opportunities to the Company and benefit both existing and prospective new investors. Whilst there will be no change to the generalist investment policy of the Company, the ability to join a funding syndicate of Draper Esprit funds will bring access to larger deals in companies that enjoy higher revenues and which operate in high growth sectors. These more developed companies can scale more quickly and have the potential to IPO, exit, or attract further funding rounds more quickly than lower revenue companies.

Benefits for new Shareholders

The Directors believe that the proposed fundraising through the Offer may benefit new Shareholders in the following ways:

- The issue of the New Ordinary Shares provides new Shareholders with immediate exposure to the Company's existing portfolio, including a number of mature companies.

- The issue of the New Ordinary Shares also gives new Shareholders exposure to companies within the Company's existing portfolio which may no longer be able to receive VCT investment as they may not be Qualifying Investments under the amended legislation.

Use of proceeds

The Board intends to invest the net proceeds from the Offer in accordance with the Company's existing investment policy as set out on pages 11 - 12.

The Company intends to invest at least 70% of funds raised for the tax year ending 5 April 2019 in Qualifying Investments by 30 April 2022, and 80% thereafter. The net proceeds of the Offer will be approximately £6.6 million with expenses of approximately £0.4 million (in each case assuming Maximum Subscription and total costs of 5.5% on all Applications).

Key Terms of the Offer - Promotion Fee, Commission and Early Investment Incentives

*Applications made by Execution-Only Investors (non-advised)**

Promotion Fee	3.0% of the Application Amount
Initial commission to intermediaries	2.5% of the Application Amount
Trail commission	0.25% of the gross subscription per annum for five years (subject to a cumulative maximum trail commission of 1.25%)

* Commission will only be payable where the intermediary confirms that this is justified by benefits to their client in accordance with COBS 2.3A.6 and does not impair the intermediary's duty to act in the best interests of their client. Initial and trail commission may also be payable to providers of restricted advice to professional clients.

Applications from advised Investors

Promotion Fee	3.0% of the Application Amount
Adviser Charge - Such initial charges that are agreed between each Investor and their financial intermediary	Variable

Direct Investors

Promotion Fee	5.5% of the Application Amount
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Early Investment Incentive

Where an Investor's Application Form is received and accepted on or before 4.00 p.m. on 28 February 2019, Investors will receive a 1.5% rebate from the Promotion Fee, as additional New Ordinary Shares

Pricing of the Offer

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

The price per New Ordinary Shares to be issued to each Applicant in the Company will be calculated based on the following Pricing Formula:

$$\text{PRICE PER NEW ORDINARY SHARE (IN PENCE)} = \text{NET ASSET VALUE} / X$$

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

¹ Net Total Fees are the Promotion Fee and Commission/Adviser Charge, each expressed as a percentage of the amount subscribed, adjusted for any applicable Early Investment Incentive. The Net Total Fees figure will in each case be calculated as a percentage of 1 (e.g. 0.055 would equate to 5.5%).

The resulting price per New Ordinary Share will be rounded down to 1 decimal place. The number of New Ordinary Shares to be issued will be calculated by dividing the amount subscribed by the offer price and rounding down to the nearest whole Share.

If an updated NAV per Ordinary Share is announced after publication of this document, this updated NAV will be used to calculate the price and the number of New Ordinary Shares to be issued. Should there be a material movement in the NAV between the normal reporting dates, the Company may announce an updated unaudited NAV by announcement on a Regulation Information Service. The NAV used in the Pricing Formula will be adjusted, as required, to account for dividends payable to existing Shareholders where these are not yet reflected in the NAV.

Example 1

If an Investor (paying a combined Promotion Fee and Adviser Charge to their intermediary of 5.5% and assuming he was not entitled to the Early Investment Incentive) were to subscribe £10,000, with the Company's adjusted Net Asset Value standing at **58.6p**, they would pay **62.0p** per Share and receive a total of **16,115** New Ordinary Shares.

Example 2

An Investor in the same circumstances as above but who had agreed a smaller Adviser Charge (assuming a standard Adviser Charge of 2.5%) of 1.0% with their financial intermediary would pay a combined fee of 4.0%. This would mean the Investor pays **61.0p** per Share and would receive **16,371** New Ordinary Shares for their £10,000 subscription.

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

Example 3 (Early Investment Incentive)

If an Investor submits their Application Form before 28 February 2019, they will have 1.5% from the usual Promotion Fee rebated in the form of additional New Ordinary Shares under the Early Investment Incentive.

If the Intermediary is eligible for commission but chooses to waive this entirely in lieu of additional shares, the Investor will be entitled to receive the maximum rebate available under the terms of the Offer of 4.0%. In this case, their total offer costs would be only 1.5%, and, for a £10,000 subscription the investor pays **59.5p** per Share and would receive, **16,797** New Ordinary Shares for their £10,000 subscription.

Where a different early Investor has instead agreed an Adviser Charge with their intermediary of 2%, they will still enjoy a 1.5% rebate from the Promotion Fee and their total offer costs will be 3.5%. For a £10,000 subscription, where the latest adjusted NAV of the Offer Shares is **58.6p**, they would receive **16,456** New Ordinary Shares at an effective subscription price of **60.7p** per share.

In each case, Investors can then claim VCT income tax relief of 30% on their gross subscription (the Application Amount) rather than the net amount after the payment of fees, subject to their personal circumstances. This would equate to £3,000 of relief in respect of the £10,000 subscription noted in each of the above examples.

Some further information about when Adviser Charges are applicable and when Commission is applicable is set out below. The Manager may also agree (at its discretion) to reduce fees further (in whole or part) in respect of any specific investor or group of investors for the benefit of such investors.

Adviser Charges and Commission

In accordance with the regulatory changes introduced pursuant to MiFID II, and following amendments proposed by the FCA to their Conduct of Business Sourcebook, commission (including on-going trail commission) is generally not permitted to be paid to Intermediaries who provide independent advice or personal recommendations to UK clients in respect of their investments in VCTs.

Instead of commission being paid by the VCT, an Adviser Charge will usually be agreed between the Intermediary and Investor for the advice and related services. This fee can either be paid directly by the Investor to the Intermediary or, if it is an initial one-off fee, the payment of such fee may be facilitated by the Company out of the Investor's funds received by the Company. Ongoing fees to Intermediaries will not be facilitated by the Company. If the payment of the Adviser Charge is to

be facilitated by the Company, then the Investor is required to specify the amount of the charge in Box 3 of the relevant Application Form. The Investor will be issued fewer New Ordinary Shares (to the equivalent value of the Adviser Charge) through the Pricing Formula set out above. The Adviser Charge is deemed to be inclusive of VAT, where applicable.

Commission may be payable in respect of applications by an Execution Only Investor who has received no advice in respect of the investment and, as such, the Company will only pay commission to firms:

- (a) which do not provide personal recommendations or investment advice (save where this is restricted advice given to professional clients of the advisor);
- (b) where the payment of such commission is designed to enhance the quality of the relevant (non-advisory) service to the investor
- (c) where the intermediary has confirmed that they will clearly disclose to the investor the existence, nature and amount of such commission prior to the provision of the service; and
- (d) in the case of on-going payments (trail commission) where such criteria are fulfilled on an on-going basis.

Those Intermediaries who are permitted to receive commission will usually receive an initial commission of 2.5% of the amount invested by their clients under the Offer unless waived by the Intermediary. Additionally, provided that the Intermediary continues to act for the Investor and meet the criteria above and the Investor continues to be the beneficial owner of the New Ordinary Shares, and subject to applicable laws and regulations, the Intermediary will usually be paid an annual trail commission of 0.25% of their client Investors' gross subscriptions for a maximum of five years. Trail commission will be paid annually in October (commencing in October 2019) by the Company.

Minimum Subscription

The minimum subscription amount for an Applicant in relation to the New Ordinary Share is £6,000 and, provided this condition is met, Applications under the Offer may be for any amount thereafter in multiples of £1,000. There is no maximum individual subscription level under the Offer but the maximum investment on which tax reliefs on investments in VCTs are currently available is £200,000 in the 2018/19 tax year (£200,000 per spouse).

The Offer will not be revoked in respect of New Ordinary Shares that have been admitted to the Official List and to trading on the London Stock Exchange.

Capital Raising Fees

The Company shall meet certain costs of the Offer including printing and distributing this Offer Document, Registrar's costs in issuing the applicable share certificates, initial and trail commission (where applicable) and Promotion Fees. Promotion Fees and Adviser Charges payable in relation to Applications are facilitated through the Pricing Formula.

Timetable

The Offer will remain open until the earlier of 4.00 p.m. on 31 May 2019 (unless previously extended by the Directors) and the date on which the relevant Maximum Subscription is reached though Application Forms specifying that some or all Shares are to be allotted in the tax year 2018/19 must be returned by 10.00 a.m. on 5 April 2019. The results of the Offer and any exercise of the Directors' right to extend the Offer will be announced to the London Stock Exchange through a Regulatory Information Service provider authorised by the Financial Conduct Authority. It is expected that dealings will commence no later than 15 Business Days following the date of allotment. Share certificates are expected to be issued (and, where relevant, CREST accounts credited) no later than 15 Business Days following the date of allotment.

Application procedure

The Directors in their absolute discretion will determine the basis of allocation of the New Ordinary Shares but expect to allocate on a first come/first served basis. To the extent that any Application is not accepted, any excess payment will be returned without interest by returning the Applicant's payment through the post at the risk of the person entitled thereto. The Receiving Agent will not acknowledge receipt of Applications unless an email address is provided in which case an email

acknowledgement will be sent. An Application Form together with notes on its completion is set out at the end of this document.

Provided that Applications are for the minimum subscription amount of £6,000, they can be for any amount thereafter in multiples of £1,000. Application Forms should be sent or delivered, together with the full amount payable in respect of the Application, by post or by hand to The City Partnership (UK) Ltd, 110 George Street, Edinburgh EH2 4LH. All payments must be made in pounds sterling by cheque or banker's draft made payable to "City Partnership - Draper Esprit VCT plc" and crossed "A/C payee only". Your attention is drawn to the statements concerning the Money Laundering Regulations in the terms and conditions of application. A person may make multiple Applications, each of which will be treated as a separate Application by the Company.

Admission to trading and dealing arrangements

Application will be made for Admission in respect of the New Ordinary Shares. Following Admission, announcements of allotments pursuant to the Offer will be made as required by the Listing Rules. It is expected that Admission will become effective and dealings in the New Ordinary Shares will commence within 15 Business Days after their allotment. Definitive share certificates are expected to be despatched to successful Applicants by post within 15 Business Days of their allotment, and successful Applicants will be notified of the total number of New Ordinary Shares issued to them by receipt of such share certificates. Temporary documents of title will not be used in connection with the allotment of New Ordinary Shares. Dealings prior to receipt of share certificates will be at the risk of the Applicants.

New Ordinary Shares will be in registered form capable of being transferred by means of the CREST system. Those Applicants who wish to take advantage of the ability to trade in New Ordinary Shares in uncertificated form, and who have access to a CREST account, may arrange with their CREST operator to hold their New Ordinary Shares in dematerialised form. Investors should be aware that New Ordinary Shares delivered in certificated form are likely to incur higher dealing costs than those in respect of Shares held in CREST.

PART 6

BENEFITS OF VENTURE CAPITAL TRUSTS

Venture Capital Trusts provide private investors with an attractive and tax-efficient method of investing in a portfolio of small to medium-size trading companies in the UK. It is often difficult for private investors to have access to such investment opportunities, and few have the time or means to identify, assemble and monitor a portfolio of companies with such potential. VCTs also offer substantial tax benefits to private investors.

The principal benefits offered by VCTs to private investors are:

Income tax relief Private investors subscribing for new shares in a VCT in the 2017/18 or 2018/19 tax years should receive income tax relief at 30% of the amount subscribed against their income tax liability in the year of subscription, provided that such shares are held for at least five years.

Tax-free dividends Private investors should be exempt from income tax on dividends received from a VCT.

Capital gains tax exemption There should be no capital gains tax on disposal of shares in a VCT; conversely there is no relief for losses.

Personal taxation benefits All the reliefs described above are available to individual investors, provided certain conditions are met and the shares are acquired within the permitted maximum of £200,000 in any one tax year. Relief from income tax on investment only applies to subscriptions for new shares.

Professional investment team VCTs are advised by professional advisers with specific experience and proven track records. Prior to the launching of a VCT the investment manager(s) must meet certain criteria laid down by the FCA Rules and the VCT must have obtained approval (provisional or full) by HMRC.

Corporate governance VCTs must appoint a board of directors who are majority independent of the investment manager(s) and led by an independent Chairman.

Spread of investments VCTs spread their investments across a range of companies (either within the same sector or across several sectors), with a view to creating a more balanced portfolio than could be achieved by individuals investing in separate companies.

Tax-free realisations Capital gains realised by a VCT should be exempt from corporation tax within the VCT thereby potentially allowing increased distributions to shareholders.

Admission to the Official List The shares of a VCT must be listed on a European regulated market providing investors with a potential market to trade their shares and a means of assessing their value.

The above is only an outline of the tax reliefs associated with VCTs and should be read in conjunction with the detailed provisions of the current legislation, a summary of which appears in Parts 7 and 8 of this document.

Prospective investors are recommended to consult a professional adviser as to the taxation consequences of investment in a VCT.

PART 7

TAX POSITION OF INVESTORS

The tax reliefs set out below are available to individuals aged 18 or over who subscribe under the Offer. Whilst there is no specific limit on the amount of an individual's acquisitions of shares in a VCT, tax reliefs will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in VCTs in any tax year does not exceed £200,000. Tax treatment depends on the individual circumstances of each Investor and may be subject to change in the future.

Investors who intend to invest more than £200,000 in VCTs in any one tax year should consult their professional advisers.

(a) Income Tax

(i) Relief from income tax on investment

A private investor subscribing for New Ordinary Shares will be entitled to claim income tax relief on amounts subscribed (along with any other VCT shares subscribed for) up to a maximum of £200,000 in any tax year. For the 2018/19 and 2019/20 tax years the relief is given at 30% of the amount subscribed although the relief cannot exceed the amount which reduces the Investor's income tax liability to nil. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances. Tax relief is restricted on subscriptions for shares in a VCT where, within six months of subscription, the investor disposes of shares in the same VCT (or in another VCT which is known to be seeking a merger that VCT).

(ii) Dividend relief

An Investor who acquires in any tax year New Ordinary Shares having a value (along with any other VCT shares acquired by him in that tax year) of up to £200,000 will not be liable to income tax on dividends paid by the VCT on those shares.

The return to Investors from the Company will depend on the type of profit received by it. Capital gains realised by a VCT are tax-free. No tax is payable by a VCT on distributing these gains by way of dividend and such dividends are received tax-free by shareholders who benefit from dividend relief. However, income received by a VCT will usually constitute either interest (on which the VCT may be subject to tax) or a dividend from a UK company (on which the VCT would not be subject to tax). Such income as is reduced by the payment of tax (if applicable) can be distributed tax-free to shareholders who benefit from dividend relief. It is expected, however, that the bulk of the returns generated by the Company will derive from the realisation of capital gains from its portfolio.

(iii) Purchases in the market

An individual purchaser of existing Ordinary Shares in the market will be entitled to claim dividend relief (as described in paragraph (ii) above) but not relief from income tax on the purchase price.

(iv) Withdrawal of relief

Relief from income tax on a subscription for shares in a VCT is withdrawn if the shares are disposed of (other than between spouses) within five years of issue or if the VCT loses its approval within this period (see below). Relief also ceases to be available on any dividend paid in respect of profits or gains in any accounting period ending at a time when VCT status has been lost.

(b) Capital Gains Tax

(i) Relief on the disposal of New Ordinary Shares

A disposal by an Investor of New Ordinary Shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of New Ordinary Shares acquired within the limit of £200,000 for any tax year, determined as for dividend relief.

(ii) Purchases in the market

An individual purchaser of existing Ordinary Shares in the market will be entitled to claim relief on disposal (as described in paragraph (i) above).

(iii) Withdrawal of relief

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn or treated as never having been given. The exemption from corporation tax on capital gains will not apply to any gain realised by the VCT after this time. If VCT approval is withdrawn, any gains on the New Ordinary Shares up to the date from which loss of VCT status is treated as taking effect will be exempt but gains thereafter will be taxable.

Obtaining tax reliefs

A VCT will provide to each investor a certificate which the investor may use to claim income tax relief, either by obtaining from HMRC an adjustment to his tax code under the PAYE system or by waiting until the end of the tax year and using his tax return to claim relief.

Investors not resident in the UK

Investors not resident in the UK should seek their own professional advice as to the consequences of making an investment in a VCT, as they may be subject to tax in other jurisdictions as well as in the UK.

The above is only a summary of the law as at the date of this document concerning the tax position of investors in VCTs. The tax rates and reliefs shown are those currently in use and could alter in future years. Prospective investors are recommended to consult a professional adviser as to the taxation consequences of investment in a VCT.

PART 8

TAX POSITION OF THE COMPANY

1. Qualification as a VCT

The legislation relating to VCTs sets out tests which a company has to satisfy in order to be treated as a VCT and attract tax benefits for itself and its shareholders. The legislation summarised below is that in force as at the date of this document.

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

- (a) it must not be a close company;
- (b) it must have each class of its ordinary share capital listed on a European regulated market throughout the accounting period following that in which the application for approval is made;
- (c) it must derive its income wholly or mainly from shares or securities;
- (d) at least 70% by value of its investments must be represented by shares and securities comprising Qualifying Investments (rising to 80% for accounting periods commencing on or after 6 April 2019); and
- (e) at least 30% of new monies raised in accounting periods commencing on or after 6 April 2018 must be invested in qualifying holdings within 12 months of the end of accounting period in which the relevant VCT shares are issued;
- (i) at least 70% by value of its Qualifying Investments must be represented by holdings of 'eligible shares'. Eligible shares are shares which carry no present or future preferential rights to a portfolio company's assets on its winding-up, and no present or future right to be redeemed, but which may have certain preferential rights to dividends (investments made before 6 April 2018 from funds raised before 6 April 2011 are excluded from this requirement);
- (f) at least 10% of its total investment in any Qualifying Company must consist of eligible shares;
- (g) loan investments made by the Company after 14 March 2018 must be made on an unsecured basis at a commercial rate of interest;
- (h) not more than 15% by value of its investments may be in a single company or group (other than a VCT or a company which would, if its shares were listed, qualify as a VCT);
- (i) not more than 15% of its income derived from shares and securities in any accounting period may be retained;
- (j) the VCT must only make Qualifying Investments, or certain non-qualifying investments permitted by section 274 ITA 2007;
- (k) no investment by a VCT can cause a company to receive more than a total of £5 million in any period of twelve months (£10 million for "knowledge intensive" companies), nor than £12 million (£20 million for "knowledge intensive" companies) over its lifetime;
- (l) a VCT cannot invest in a company whose first commercial sale was more than seven years ago (ten years for a "knowledge intensive" company) unless the company had previously received State Aid risk finance within that period or it is seeking to break into a new product or geographic market and a turnover test is met. In the case of "knowledge intensive" companies, the company may elect for the 10 year period to commence from the end of the accounting period in which its annual turnover exceeds £200,000; and
- (m) an investment by a VCT cannot be used by an investee to acquire a trade, business or shares in a company.

For the purpose of conditions (j) above, permitted investments include ordinary shares or securities listed on a regulated market (such as the London Stock Exchange) and shares or units in alternative investment funds and UCITS which may be repurchased or redeemed on seven days' notice.

2. Qualifying Investments

To be a Qualifying Investment, an investment must consist of shares or securities first issued to the VCT (and held by it ever since) by an unquoted company satisfying certain conditions. The conditions are complex but include conditions that any investment must be in a qualifying company which must:

- (a) meet a principles-based “risk to capital” gateway test to requiring the company to have genuine plans to grow and develop over the long term and for there to be a significant risk to the VCT that invested capital of an amount greater than its net investment return will be lost;
- (b) have gross assets not exceeding £15 million immediately before and £16 million immediately after the VCT’s investment (these tests are applied on a group basis if applicable);
- (c) have fewer than 250 full-time employees (or their equivalents) at the date on which the VCT investment is made (this test is applied on a group basis if applicable) (fewer than 500 for a “knowledge intensive” company);
- (d) not have raised more than £5 million in the 12 month period ending on the date of the VCT’s investment (£10 million for a “knowledge intensive” company), nor more than a lifetime total of £12 million (£20 million for a “knowledge intensive” company), from State aid sources including from VCTs and under the Enterprise Investment Scheme;
- (e) have made its first commercial sale less than seven years ago (ten years for a “knowledge intensive” company who can also elect to start this ten year period from the last day of the accounting period in which it first reaches a turnover of £200,000) unless one or more of the exemptions set out at paragraph 1(l) above applies;
- (f) apply the money raised for the purposes of a qualifying trade carried on by the company or its qualifying 90% subsidiary within certain time periods and more generally for the purpose of growth and development of its business;
- (g) must at all times have a permanent establishment in the United Kingdom; and
- (h) not be controlled by another company nor control another company save where this is a qualifying 51% subsidiary.

Companies whose shares are traded on AIM are treated as unquoted companies for the purposes of eligibility as a Qualifying Investment. Unquoted company shares that subsequently become listed may still be regarded as a Qualifying Investment for a further five years following listing, provided all other conditions are met.

3. Qualifying Companies

A qualifying company must exist wholly or mainly for the purpose of carrying on a qualifying trade or be the parent company of a qualifying trading group. For this purpose, certain activities are prohibited such as dealing in land or shares or providing financial, legal or accountancy services, managing nursing homes or hotels (where the manager is in occupation or owns an interest in the land), property development, leasing or farming, shipbuilding, and coal and steel production. The trade must either be carried on by, or be intended to be carried on by, the qualifying company or by a qualifying subsidiary at the time of the issue of its shares or securities to the VCT (and by such company or its qualifying subsidiary at all times thereafter). A qualifying subsidiary for these purposes is at least 90% directly owned by the qualifying company, or is a 100% subsidiary of at least a 90% subsidiary of the qualifying company, or is at least a 90% subsidiary of a 100% subsidiary of the qualifying company.

A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT.

A qualifying company can be the parent company of a trading group. If this is the case, the group, when taken together as one business, must carry on activities which constitute a qualifying trade. Any subsidiary must be more than 50% owned. However, if a subsidiary is one which carries on the trade by reference to which the investment is to qualify as a Qualifying Investment, that subsidiary must be a 90% qualifying subsidiary as described above.

4. Approval as a VCT

A VCT must be approved at all times by HMRC. Approval has effect from the time specified in the approval. A VCT cannot be approved unless the tests are met throughout the most recent complete

accounting period of the VCT and HMRC is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, in order to facilitate the launch of a VCT, HMRC may provisionally approve a VCT notwithstanding that certain of the tests are not met at the time of application, provided that HMRC is satisfied that the tests will be met within certain time limits. In particular, in the case of the test described at 1(d) and (f) above, approval may be given if HMRC is satisfied that this will be met throughout an accounting period of the VCT beginning no more than three years after the date when approval takes effect.

5. Withholding Tax at Source

There is no withholding tax on dividends paid by a UK company and, consequently, the Company does not assume responsibility for withholding tax at source on dividends.

6. Definition of “Knowledge Intensive” Company

In order to meet the definition of a knowledge intensive company, a company must meet one or both of the two “operating costs conditions” set out below and one or both of the “innovation condition” and the “skilled employee condition”.

The first “operating costs condition” is that in at least one of the relevant three preceding years at least 15% of the relevant operating costs constituted expenditure on research and development or innovation.

The second “operating costs condition” is that in each of the relevant three preceding years at least 10% of the relevant operating costs constituted such expenditure.

The “innovation condition” is met where the relevant company is engaged in intellectual property creation and it is reasonable to assume that, within 10 years of the applicable time, one or a combination of the exploitation of relevant intellectual property held by the company and business which results from new or improved products, processes or services utilising relevant intellectual property held by the company.

The “skilled employee condition” is met if at least 20% of a company’s full time employees hold a relevant higher education qualification and are engaged directly in research and development.

PART 9

GENERAL INFORMATION

1. The Company

- 1.1 Draper Esprit VCT plc was incorporated in England and Wales on 26 August 1997 with the name Downing Street VCT plc. The Company's name was changed to Elderstreet Downing VCT plc on 20 October 1997 and to Elderstreet VCT plc on 26 January 2005 before changing to its current name on 10 January 2019.
- 1.2 The Company and operates under the Act as a public company limited by shares, with registered number 03424984. The Company is not part of a group.
- 1.3 The registered office of the Company is 6th Floor, St Magnus House, 3 Lower Thames Street, London EC3R 6HD. Its principal place of business is at 20 Garrick Street, London WC2E 9BT and its telephone contact number 020 7416 7780.
- 1.4 HMRC provisional approval was granted to the Company to trade as a VCT under the Income and Corporation Taxes Act 1988 (as amended) on 28 January 1998 and since that date the Company has carried on its business in accordance with that act and the ITA. The Company intends to continue to carry on its business such that its VCT status will be maintained. The various requirements are now contained within the ITA.
- 1.5 Current share capital:
- 1.5.1 As at 10 January 2019, being the latest practicable date prior to the publication of this document, the issued share capital of the Company was 69,249,111 fully paid up Ordinary Shares with a nominal value of 5p each. The ISIN of the Ordinary Shares is GB0002867140. Ordinary Shares to be issued pursuant to the Offer will rank *pari passu* in all respects with the existing Ordinary Shares.
- 1.5.2 At close of the Offer, assuming the Maximum Subscription is raised and the Offer is not increased, Existing Shareholders will hold approximately 86% of the enlarged Ordinary Share capital of the Company.

2. The Investment Manager

- 2.1 Elderstreet Investments Limited (the "**Manager**") was incorporated in England and Wales on 18 June 1984 and operates under the Act as a private company limited by shares, with registered number 01825358. It is domiciled in the United Kingdom.
- 2.2 The registered office and principal place of business of the Manager is 20 Garrick Street, London WC2E 9BT and its telephone contact number is 020 7831 5088. The Manager is authorised and regulated by the FCA with registered number 148527 and, as a small authorised UK AIFM, has permission to manage Smaller Alternative Investment Funds under the Alternative Investment Fund Managers Directive (AIFMD).
- 2.3 The Manager is a venture capital fund management company. Funds managed by the Manager include the Company and the Elderstreet EIS portfolio. The Manager is a wholly owned subsidiary of Elderstreet Holdings Limited. Michael Jackson is a significant shareholder in Elderstreet Holdings Limited.
- 2.4 The Manager provides custody services to the Company by holding securities in certificated form on behalf of the Company. The Company has no other third party custodian.

3. The Directors

- 3.1 Each of the Directors is also a shareholder in the Company as set out in the table below:

Director	Shares	Shareholding %
Michael Jackson	801,790	1.16%
Nicholas Lewis	48,498	0.07%
David Brock	104,281	0.15%
Hugh Aldous	20,710	0.03%
Barry Dean	20,421	0.03%
Total	995,700	1.44%

- 3.2 No New Ordinary Shares under the Offer are being reserved for allocation to existing shareholders, directors or employees of the Company or the Manager.
- 3.3 Each of the Directors has a consultancy agreement with the Company; the current fees, term and notice periods of the Directors as follows:

Director	Agreement Date	Fees per Annum	Term	Performance Incentive / Fee Entitlement*	Notice Period
David Brock	30 Jan 1998	£22,500	rolling	0%	3 months
Hugh Aldous	1 Mar 2007	£17,500	rolling	0%	3 months
Barry Dean	25 Jan 2005	£17,500	rolling	0%	3 months
Michael Jackson**	30 Jan 1998	£15,000	rolling	100%	3 months
Nicholas Lewis***	30 Jan 1998	£15,000	rolling	0%	3 months

* Details of the performance incentive fees to which the Manager is, or may be entitled, are set out in paragraphs 5.1 below.

** Michael Jackson is a director of and 53.8% shareholder in Elderstreet Holdings Limited, a company of which the Manager is a wholly owned subsidiary. The Manager is entitled to 100% of the performance incentive fees and investment management fees from the Company from which it will pay a service charge to Draper Esprit going forward.

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

- 3.4 Save as disclosed in this document, the Directors do not have any other commission or profit sharing arrangements with the Company. The agreements do not contain any provision for compensation payable upon early termination of the agreements
- 3.5 None of the Directors nor any director of the Manager has for at least the previous five years: (i) had any convictions in relation to fraudulent offences; or (ii) been associated with bankruptcies, receiverships or liquidations (save for members' voluntary liquidations) in relation to an entity for which they have been acting as members of the administrative, management or supervisory bodies or senior management who was relevant to establishing that the entity had the appropriate expertise and experience for the management of its business; or (iii) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including designated professional bodies) or been disqualified by a Court from acting as a director or member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any issue.

4. General Information

- 4.1 There have not been any governmental, legal or arbitration proceedings in the 12 months prior to the publication of this document which may have or have had in the recent past a significant effect on the financial position or profitability of the Company, nor are there any such proceedings pending or threatened of which the Company is aware.
- 4.2 No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase New Ordinary Shares.
- 4.3 Shareholders' authority to create, allot and issue new Ordinary Shares up to an aggregate maximum nominal value of £2,500,000, with pre-emption rights dis-applied in respect of such issues, was obtained at the annual general meeting of the Company held on 18 September 2018. All Shareholders will have the same voting rights in respect of the existing share capital of the Company. An existing holder of Ordinary Shares who does not subscribe for New Ordinary Shares pursuant to the Offer would experience no dilution in terms of NAV per share (as the assets of the Company will be increase by the proceeds of the Offer and the upfront costs of the Offer are borne by subscribers) but would experience dilution in terms of their voting power. The Offer Shares are ordinary shares of five pence each (ISIN: GB0002867140) created under the CA 2006 and are freely transferable.
- 4.4 No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All applicants under the Offer will be required to warrant that they are not a US Person.

- 4.5 All information regarding Draper Esprit in this document has been sourced by the Company from Draper Esprit and has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 4.6 Where other information set out in this document has been sourced from third parties the source has been identified at the relevant place in the document and the Company confirms that this information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published, no facts have been omitted which would render the reproduced information inaccurate or misleading.

5. Material Contracts

- 5.1 Under an agreement (the "Investment Management Agreement") dated 30 January 1998 between the Company and the Manager (which was subsequently novated to the subsidiary of the Manager, Elderstreet Private Equity Limited, varied by an agreement dated 1 July 2009 and subsequently novated back to the Manager and varied again on 23 November 2016), the Manager provides investment advisory services to the Company in respect of its portfolio of Qualifying Investments for a fee of 2% of net assets (as defined in the agreement), together with a performance incentive fee. Performance incentive fees are payable when dividend payments and/or distributions equivalent to not less than 3.5p per Share in any one financial year are made provided that the NAV, before the distribution, is higher than 70.6p per Share. Where such threshold is met, the Manager will receive 20% of the distribution amount over 3.5p per Share. The performance incentive fee will also have a catch-up should any previous year's distribution not be met. This catch-up will be cumulative so that in any years where the distribution is less than 3.5p the shortfall must be made up prior to awarding any further incentive fees. Any performance incentive fee payable in any period of 12 months has been capped so that in any 12 month period, the fee payable under the incentive arrangements (together with any other fees payable to the Manager by the Company which have not been approved by Shareholders) is capped at 24.9% of the lesser of the Company's current Net Assets, market capitalisation or gross assets. Any such fees which result in this cap being exceeded will be waived, will not be carried over to another period and will cease to be payable to the Manager. These fees are calculated in respect of each year ended 31 December following approval of the audited accounts by Shareholders.

Further, under the Investment Management Agreement, the annual running costs of the Company (including VAT) are capped at 3.5% of its net asset value (as defined in the agreement) with any excess being refunded by way of a reduction in the fees payable to the Manager and to the Administration Manager pro rata. The Manager is also entitled to certain non-executive directors' fees, arrangement fees and expenses in respect of any investee company.

- 5.2 Under an agreement dated 30 January 1998 originally between the Company and Downing Management Services Limited and novated by a deed of novation dated 25 August 2011 such that since 1 June 2011 the parties thereto are the Company and Downing LLP (the "Administration Agreement"), Downing will provide or procure the provision of certain administration services to the Company for a capped fee of £50,000 (excluding VAT).
- 5.3 A promoter agreement dated 11 January 2019 between the Company (1), the Directors (2) and the Promoter (3) whereby the Promoter has agreed to act as promoter in connection with the Offer. The agreement contains warranties given by the Company and the Directors to the Promoter. The Company will pay to the Promoter a fee of up to 5.5% of funds raised under the Offer, depending on the category of subscriber and subject to an overall cap, and is also responsible for paying initial and trail commission in respect of the Offer where applicable.
- 5.4 Michael Jackson is a director of and shareholder in the Manager which is entitled to performance incentive fees and investment management fees from the Company, as well as Promotion Fees in relation to the Offer described in paragraphs 5.1 and 5.3 above.
- 5.5 Nicholas Lewis is a member of Downing LLP, which provides administration services to the Company in relation to the agreement described in paragraph 5.2 above.
- 5.6 Other than as disclosed herein, there are no potential conflicts of interests between the duties of the Directors to the Company and their private interests or other duties. There are no family relationships between the Directors at the date of this document.

5.7 Draper Esprit has given and not withdrawn its consent to the issue of this document with references to its name in the form and context in which they appear.

6. Historical Financial Information

Audited statutory accounts for the Company for each of the three years ended 31 December 2015, 31 December 2016 and 31 March 2018 on which unqualified audit reports (not containing a statement under section 237(2) or (3) of the Companies Act 2006) have been given by the auditors BDO LLP have been filed with the Registrar of Companies. BDO LLP are registered with the Institute of Chartered Accountants of England and Wales to carry out audit work.

Copies of the audited annual accounts and the unaudited half year accounts referred to above are also available at the following websites: www.elderstreet.com and www.downing.co.uk and from the registered office of the Company and the Manager.

7. Working capital

The Company is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.

8. Documents on display

Copies of this document are available for download at www.elderstreet.com and may be obtained free of charge at the Company's registered office, where they are also on display, at 6th Floor, St Magnus House, 3 Lower Thames Street, London EC3R 6HD, and at its principal place of business at 20 Garrick Street, London WC2E 9BT during the period in which the Offer remains open.

Also available at the addresses noted above are copies of the Memorandum and Articles of Association of the Company, the Company's annual report and accounts for the three years ended 31 March 2018 and half yearly reports to 30 June 2016 and 30 June 2017.

DIRECTORY

Directors

David Brock (Non-executive Chairman)
Hugh Aldous (Non-executive Director)
Barry Dean (Non-executive Director)
Michael Jackson (Non-executive Director)
Nicholas Lewis (Non-executive Director)

Company Secretary

Grant Whitehouse

VCT Status Monitor

Philip Hare & Associates LLP
4-6 Staple Inn
High Holborn
London WC1V 7QH

Auditor

BDO LLP
55 Baker Street
London W1U 7EU

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Promoter

RAM Capital Partners LLP
4 Staple Inn
London
WC1V 7QH

Investment Manager

Elderstreet Investments Limited
20 Garrick Street
London WC2E 9BT

Administration Manager

Downing LLP
St Magnus House
3 Lower Thames Street
London EC3R 6HD

Solicitors to the Company

RW Blears LLP
29 Lincoln's Inn Fields
London WC2A 3EG

Fixed Income Securities Manager

Smith & Williamson Investment Services Limited
25 Moorgate
London EC2R 6AY

Receiving Agent

The City Partnership (UK) Ltd
110 George Street
Edinburgh EH2 4LH

DEFINITIONS

In this document the following words and expressions shall, unless the context requires otherwise, have the following meanings:

“Act”	the Companies Act 2006 (as amended)
“Administration Manager”	the administration manager of the Company, Downing LLP
“Admission”	admission of the New Ordinary Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange’s main market for listed securities
“Adviser Charge”	a fee, payable to a financial intermediary, agreed with the Investor for the provision of a personal recommendation and/or related services in relation to an investment in New Ordinary Shares, and detailed on the Application Form
“AIM”	AIM, a market operated by the London Stock Exchange, formerly known as the Alternative Investment Market
“Applicant”	an investor whose name appears in an Application Form
“Application”	an application for New Ordinary Shares under the Offer
“Application Amount”	amount (in pounds sterling) due from an Applicant in respect of his Application or such part (if any) of his Application as is accepted
“Application Form(s)”	a validly completed application form in the form contained at the end of this document
“Articles”	the articles of association of the Company from time to time
“Business Days”	any day (other than a Saturday or Sunday) on which clearing banks are open for normal banking business in sterling
“Company”	Draper Esprit VCT plc (company number 03424984)
“Commission”	commission paid to the financial intermediaries of limited classes of eligible Investors
“CREST”	the computerised settlement system to facilitate the transfer of the title to shares in uncertificated form operated by Euroclear UK & Ireland Limited
“Direct Investor”	an Investor who applies under the Offer directly without any financial intermediary (whether advisory or non-advisory)
“Directors” or “Board”	directors of the Company as at the date of this document, whose names are set out on page 43 of this document
“Draper Esprit”	Draper Esprit plc and/or Esprit Capital Partners LLP and their associates, and co-investors of the Draper Venture Network as the context dictates
“Early Investment Incentive”	the additional New Ordinary Shares offered to Applicants who subscribe for New Ordinary Shares within the relevant period referred to in the section “Offer Statistics” of this document, such additional New Ordinary Shares being issued pursuant to the Pricing Formula

“Elderstreet Funds”	funds managed by the Investment Manager
“Estimated Offer Price”	the amount of 61.9p per New Ordinary Share, calculated on the basis of the assumptions referred to on page 4 of this document
“Existing Shareholder”	a Shareholder who holds shares in the Company subscribed for prior to the launch of the Offer
“FCA”	Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Gross Proceeds”	the amount of monies subscribed by Applicants for New Ordinary Shares under the Offer (disregarding any Adviser Charges or Commission)
“HMRC”	Her Majesty’s Revenue & Customs
“Investment Management Agreement” or “IMA”	the investment management agreement entered into between the Company and the Manager on 30 January 1998 (which was subsequently novated to Elderstreet Private Equity Limited, and then back to the Manager on 1 June 2009), as varied from time to time
“Investment Management Team”	those people whose details are set out on pages 22 - 23 of this document
“Investment Manager” or “Manager” or “Promoter” or “Elderstreet”	Elderstreet Investments Limited, a subsidiary of Elderstreet Holdings Limited
“Investor”	an individual investor, who is aged 18 or over, investing no more than £200,000 in VCTs in any one tax year
“ITA”	Income Tax Act 2007 (as amended)
“Link Asset Services”	Link Asset Services Limited and/or Link Market Services Limited
“Listed”	admitted to the Official List of the UK Listing Authority and to trading on London Stock Exchange’s main market for listed securities
“Listing Rules”	the listing rules issued by the FCA
“London Stock Exchange”	London Stock Exchange plc
“Maximum Subscription”	approximately 11.3 million New Ordinary Shares
“MiFID II”	Directive 2014/65/EU of the European Parliament and of the Council, as amended and supplemented
“Money Laundering Regulations”	the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, (as amended)
“Net Asset Value” or “NAV”	net asset value per Ordinary Share
“Net Assets”	gross assets less all liabilities (excluding contingent liabilities) of the Company
“New Ordinary Shares”	the Ordinary Shares available for subscription pursuant to the Offer

“Offer”	the offer for subscription for New Ordinary Shares contained in the Offer Document
“Offer Document”	this document
“Offer Price”	the price paid (sterling) by Applicants for each New Ordinary Share issued under the Offer calculated according to the Pricing Formula on page 9 as applied by the Board
“New Ordinary Shares”	the New Ordinary Shares
“Offer”	the offer for subscription of New Ordinary Shares pursuant to the terms of this document
“Official List”	official list of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 5p (sterling) each in the capital of the Company with ISIN GB0002867140
“Pricing Formula”	the mechanism by which the Offer Price may be adjusted by the Board according to the latest announced NAV, the level of the Promoter’s Fee, Commission or Adviser Charges (as relevant) to intermediaries, as described on page 9 of this document and in the Terms and Conditions of Application
“Promotion Fee”	the fees payable by the Company to, or as directed by, the Manager (as promoter of the Offer), calculated as a percentage of each Applicant’s gross subscription in the Offer in the amounts set out on page 4
“Qualifying Company”	an unquoted (or AIM listed) company which satisfies the requirements of Chapter 4 of Part 6 of ITA
“Qualifying Investment”	shares in, or securities of, a Qualifying Company held by a VCT which meet the requirements of Chapter 4 of Part 6 of ITA
“Qualifying Investor”	an individual who subscribes for or acquires shares in a VCT and satisfies the conditions of eligibility for tax relief available to investors in a VCT
“Receiving Agent”	The City Partnership (UK) Ltd
“Shareholders”	holders of Shares
“Shares”	Ordinary Shares
“Terms and Conditions”	terms and conditions of Application as set out at the end of this document
“UK Listing Authority”	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“US Person”	as defined in the United States Securities Act of 1933 (as amended)
“Venture Capital Trust” or “VCT”	a venture capital trust as defined in Section 259 of ITA

TERMS & CONDITIONS OF APPLICATION

1. The right is reserved to reject any Application in whole or in part or to accept any Application in whole or in part. If any Application is not accepted, or if any contract created by acceptance does not become unconditional, or if any Application is accepted for a lesser amount than was applied for, the application monies or the balance of the amount paid on Application will be returned without interest by post at the risk of the Applicant.
2. By completing and delivering an Application Form, you:
 - (a) irrevocably offer to subscribe the amount of money specified in your Application Form or such lesser amount as is accepted (in each case such amount being referred to as the "Application Amount") which shall be applied to purchase New Ordinary Shares on the basis of the Pricing Formula set out on page 9 of this Offer Document and subject to the provisions of the Offer Document including these Terms and Conditions and the Articles. An Investor whose Application Form is received and accepted before 4.00 p.m. on 28 February 2019 will receive a 1.5% rebate from the Promotion Fee as additional New Ordinary Shares;
 - (b) accept that the Net Asset Value used will be the most recently announced net asset value per Ordinary Share, updated at the discretion of the Board should there be a material movement in Net Asset Value, and adjusted where necessary for the subsequent payment of dividends, expressed in pence (sterling) prior to the date of allotment of the relevant New Ordinary Shares (and will ordinarily be unaudited);
 - (c) authorise your financial adviser, or whoever he or she may direct, Link Asset Services or the Company to send a document of title for the number of New Ordinary Shares for which your Application is accepted, and/or a crossed cheque for any monies returnable, by post at your risk to your address as set out on your Application Form;
 - (d) agree that in consideration of the Company agreeing that it will not, prior to the closing date of the Offer, offer any New Ordinary Shares to any persons other than by means of the procedures set out or referred to in this Offer Document, agree that your Application may not be revoked prior to the Offer closing and that this paragraph constitutes a collateral contract which will become binding upon despatch by post or delivery of your Application Form duly completed to the Company or to your financial adviser;
 - (e) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive a share certificate for the New Ordinary Shares applied for or to enjoy or receive any rights or distributions in respect of such New Ordinary Shares unless and until you make payment in cleared funds for such New Ordinary Shares and such payment is accepted by the Company (which acceptance shall be in its absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Company of such late payment in respect of such New Ordinary Shares, the Company may (without prejudice to its other rights) treat the agreement to allot such New Ordinary Shares as void and may allot such New Ordinary Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such New Ordinary Shares (other than return of such late payment);
 - (f) agree that all cheques and bankers' drafts may be presented for payment on the due dates and any definitive document of title and any monies returnable to you may be retained pending clearance of your remittance and the completion of any verification of identity required by the Money Laundering Regulations and that such monies will not bear interest;
 - (g) undertake to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of the Company and the Manager) to ensure compliance with the Money Laundering Regulations;
 - (h) agree that, in respect of those New Ordinary Shares for which your Application has been received and processed and not rejected, acceptance of your Application shall be constituted by the Company instructing Link Asset Services to enter your name on the share register of the Company;

- (i) agree that all documents in connection with the Offer and any returned monies will be sent at your risk and may be sent to you at your address as set out in the Application Form;
- (j) agree that, having had the opportunity to read this document, you are deemed to have had notice of all information and representations contained therein including the risk factors contained on pages 25 - 27;
- (k) confirm that (save for advice received from your financial adviser) in making such application you are not relying on any information or representation other than those contained in this document and you accordingly agree that no person responsible solely or jointly for this document will have any liability for any such other information or representation;
- (l) agree that all Applications, acceptances of Applications and contracts resulting there from under the Offer shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such Applications, acceptance and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (m) authorise the Company, Link Asset Services or the Manager or any other person authorised by them, as your agent, to do all things necessary to effect registration of any New Ordinary Shares subscribed by you into your name and authorise any representatives of the Company, Link Asset Services or the Manager to execute any document required therefor and to enter your name on the register of members of the Company;
- (n) agree to provide the Company, Link Asset Services, The City Partnership (UK) Ltd or the Manager with any information which they may request in connection with your Application or to comply with the VCT regulations or other relevant legislation (as the same may be amended from time to time);
- (o) warrant that, in connection with your Application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your Application in any territory and that you have not taken any action which will or may result in the Company or the Manager acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your Application;
- (p) confirm that you have read and complied with paragraph 3 below;
- (q) confirm that you have reviewed the restrictions contained in paragraph 4 below;
- (r) warrant that you are not under the age of 18 years;
- (s) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your Application, warrant that you have complied with all such laws and none of the Company or the Manager or any of their respective agents will infringe any laws of any such territory or jurisdiction directly or indirectly as a result or in consequence of any acceptance of your Application;
- (t) agree that your Application Form is addressed to the Company;
- (u) warrant that if you sign the Application Form on behalf of somebody else or yourself and another or others jointly or a corporation you have the requisite power to make such investments as well as the authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application and undertake (save in the case of signature by an authorised financial adviser on behalf of the Investor) to enclose a power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
- (v) warrant that you are not subscribing for the New Ordinary Shares using a loan which would not have been given to you, or not given to you on such favourable terms, if you had not been proposing to subscribe for the New Ordinary Shares;
- (w) warrant that the New Ordinary Shares are allotted to you for bona fide investment purposes and not as part of a scheme or arrangement, the main purpose of which, or one of the main purposes of which, is the avoidance of tax;

- (x) warrant that you are not a US Person or resident of Canada and that you are not applying on behalf of or with a view to the offer, sale or delivery, directly or indirectly, to or for the benefit of any US Person or resident of Canada; and
 - (y) warrant that the information contained in the Application Form is accurate.
3. No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application thereunder to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any of the formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
 4. The New Ordinary Shares have not been and will not be registered under the United States Securities Act 1933, as amended, or under the securities laws of any state or other political subdivision of the United States, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. No Application will be accepted if it bears an address in the USA.
 5. This Application is addressed to the Company. The rights and remedies of the Company and the Manager under these Terms and Conditions are in addition to any rights and remedies which would otherwise be available to either of them, and the exercise or partial exercise of one will not prevent the exercise of others.
 6. The dates and times referred to in these Terms and Conditions may be altered by the Company. In particular, the Directors may close the Offer early at their sole discretion.
 7. Authorised financial intermediaries who, acting on behalf of their clients, return valid Application Forms (in each case bearing their stamp and FCA number) following the provision of restricted advice to their professional clients or in respect of execution-only transactions where they can demonstrate and confirm to the Company that their duty to act honestly, fairly and professionally in the best interest of the client is not impaired and that they provide an enhanced value service in accordance with COBS 2.3A.6 to 2.3A.9, will be entitled to commission on the amount payable in respect of the New Ordinary Shares allocated for each such Application Form at the rates specified in the paragraph "Terms of the Offer" in Part 5 (Information relating to the Offer) of this document. Commission may also be payable where advisors have provided restricted advice to their professional clients. The Company reserves the right to amend its policy on the payment of commission at any time. Authorised financial intermediaries may agree to waive part or all of their initial commission in respect of an Application. If this is the case, then the Application Amount will be increased by an amount equivalent to the amount of commission waived. Financial intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for their commission. No commission is payable on reinvested commission or on any additional allocation received under the Early Investment Incentive arrangements described above. In addition, provided they continue to act for their client and the client continues to hold such New Ordinary Shares, such intermediaries will usually be paid an annual trail commission of 0.25% of the gross subscription for a maximum of five years. Annual trail commissions will be paid in October (commencing in October 2018) by the Company.
 8. In respect of Applications received where commission is payable in accordance with applicable rules and guidance, such commission (but not annual trail commission) will be taken into account when calculating, and will reduce, the number of New Ordinary Shares which are to be issued on the basis of the Pricing Formula set out on page 9 of this document.
 9. Where Application Forms are returned on your behalf by an authorised financial intermediary who has given you a personal recommendation in respect of your application, the Company will facilitate the payment of any up-front Adviser Charge agreed between you and your intermediary, as validated by your completion of Box 3 on the Application Form. The amount

of the agreed Adviser Charge will be facilitated by the Company making a payment equal to the agreed up-front Adviser Charge direct to the intermediary which will be taken into account when calculating, and will reduce, the number of New Ordinary Shares which are issued to you on the basis of the Pricing Formula set out on page 9 of the Offer Document. The Applicant will be issued fewer New Ordinary Shares to the equivalent value of the Adviser Charge. The Adviser Charge is inclusive of VAT, where applicable.

10. If you have agreed to pay on-going charges to an intermediary in respect of services related to your investment, for example, for conducting associated administrative tasks or managing your relationship with the Company, then the Company will not facilitate the payment of any such on-going adviser charge.
11. The section headed Application Procedure below forms part of these Terms and Conditions.
12. It is a condition of the Offer that compliance with the Money Laundering Regulations is ensured. The City Partnership (UK) Ltd is therefore entitled to require, at its absolute discretion, verification of identity from any Applicant including, without limitation, any person who either (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to The City Partnership (UK) Ltd to be acting on behalf of some other person. Pending the provision of evidence satisfactory to The City Partnership (UK) Ltd as to the identity of the Applicant and/or any person on whose behalf the Applicant appears to be acting, The City Partnership (UK) Ltd may, in its absolute discretion, retain an Application Form lodged by an Applicant and/or the cheque or other remittance relating thereto and/or The City Partnership (UK) Ltd may not enter the Applicant on the register of members of the Company or issue any share certificates in respect of such Application. If verification of identity is required, this may result in delay in dealing with an Application and in rejection of the Application. The Company reserves the right, in its absolute discretion, for it or The City Partnership (UK) Ltd to reject any Application in respect of which The City Partnership (UK) Ltd considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an Application being rejected in any such circumstances, the Company reserves the right in its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such Application Form (in which event the money payable or paid in respect of the Application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited) and/or to endeavour to procure other subscribers for the Shares in question (but in each case without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of an Application Form will constitute an undertaking by the Applicant to provide promptly to The City Partnership (UK) Ltd such information as may be specified by it as being required for the purpose of the Money Laundering Regulations.
13. The right is also reserved to treat as valid any application not complying fully with these Terms and Conditions for the Offer or not in all respects complying with the Application Procedure. In particular, but without limitation, the Company may accept Applications made otherwise than by completion of an Application Form where the Applicant has agreed in some other manner acceptable to the Company to apply in accordance with these Terms and Conditions. The Company reserves the right to make non-material amendments to these Terms and Conditions without notice to any person.

APPLICATION PROCEDURE

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

It is important that you complete all parts of the relevant Application Form in accordance with the instructions in these notes. Please send the completed Application Form, together with your cheque or bankers' draft, by post, or deliver it by hand (during normal business hours), to The City Partnership (UK) Ltd, 110 George Street, Edinburgh EH2 4LH. If you have any questions on how to complete the Application Form please contact Elderstreet Investments Limited on 020 7831 5088, email william@elderstreet.com or speak to your financial adviser. Elderstreet cannot offer any investment, tax or legal advice.

1. Insert in BLOCK CAPITALS your full name, permanent address, daytime telephone number, e-mail address (if you have one), date of birth and National Insurance Number and country of tax residence in Box 1. Applicants must be aged 18 or over and joint applications are not permitted.
2. Insert (in figures) in the relevant tax year the total monetary amount you wish to invest in the New Ordinary Shares (not the number of New Ordinary Shares you wish to apply for) in Box 2.

Please note that the minimum investment is £6,000 for New Ordinary Shares

Investors should note that the maximum investment on which tax reliefs on investments in VCTs are available is £200,000 per tax year (£200,000 per spouse).

Attach your cheque or bankers draft to the Application Form for the exact amount shown in Box 2. Your cheque or bankers' draft must be made payable to "City Partnership - Draper Esprit VCT" and crossed "A/C Payee only". Your payment must relate solely to this application. No receipt will be issued.

Money Laundering Regulations – Important note for applications of the Sterling equivalent of £15,000 (approx. £13,500) or more where no certificate is provided by your financial intermediary

The verification of identity requirements in the Money Laundering Regulations will apply and verification of the identity of the Applicant may be required. Failure to provide the necessary evidence of identity may result in your Application being treated as invalid or result in a delay.

If the amount of your Application is £13,500 or more (or is one of a series of linked applications, the value of which exceeds that amount) payment must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or bankers' drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to "City Partnership - Draper Esprit VCT".

Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by endorsing the cheque/bankers' draft to such effect. The account name should be the same as that shown on the application.

Cheques may be cashed immediately upon receipt. Post-dated cheques will not be accepted.

If the amount of your Application is £13,500 or more, (or is one of a series of linked applications, the value of which exceeds that amount), and if payment is not made by personal cheque, you must also ensure that enclosed with the Application Form is one document from list A below and one document from list B below. Original documents will be returned by post at your risk. Please do not send your original passport or driving licence. Alternatively, verification of the Applicant's identity may be provided by means of a "Letter of Introduction" in the prescribed form from a UK or European Economic Area financial institution (such as a bank or stockbroker) or other regulated person (such as a solicitor, accountant or independent financial adviser) who is required to comply with the Money Laundering Regulations. The relevant financial institution or regulated person will be familiar with the requirements and the relevant form.

For Applications of the Sterling equivalent of €15,000 (approx. £13,500) or more and subscription by way of a cheque drawn by a third party (one item from List A and one item from List B)

List A (Verification of Identity)

- Certified* copy of current signed passport
- Certified* copy of current full UK Driving Licence (a provisional licence is not acceptable)
- Original Inland Revenue Tax Notification
- Original Firearms Certificate

List B (Verification of Address)

- Original recent** utility bill (but not a mobile telephone bill)
- Original recent** local authority tax bill
- Original recent** bank or building society statement
- Original most recent mortgage statement from a recognised lender

*Certified as a true copy of the original by a UK lawyer, banker, authorised financial intermediary (e.g. an independent financial adviser or an FCA authorised mortgage broker), accountant, teacher, doctor, minister of religion, postmaster or sub-postmaster. The person certifying the document should state that the copy is a true copy of the original, print their name, address, telephone number and profession and sign and date the copy.

**Recent means within the last three months.

Read the declaration and sign and date the Application Form in Box 4. If someone other than the Applicant named in Box 1 signs on such Applicant's behalf, such signatory must ensure that the declaration given on behalf of such Applicant is correct.

Agents who are entitled to receive commission should stamp and complete the agent's box, giving their full name and address, telephone number and details of their authorisation under the Financial Services and Markets Act 2000. The right is reserved to withhold payment of commission if the Company is not, in its sole discretion, satisfied that the agent is so authorised.

DRAPER ESPRIT VCT PLC

APPLICATION FORM FOR NEW ORDINARY SHARES

IMPORTANT: BEFORE COMPLETING THIS APPLICATION FORM, IT IS VERY IMPORTANT YOU HAVE READ THE OFFER DOCUMENT DATED 11 JANUARY 2019 (INCLUDING, THE TERMS AND CONDITIONS OF APPLICATION AND APPLICATION PROCEDURE)

Money Laundering Notice: If your application is for the sterling equivalent of €15,000 (approx. £13,500) or more (or is one of a series of applications the value of which exceeds that amount) you will need to ensure that verification of your identity is included with your Application - see page 52 of the Offer Document for details.

PLEASE TICK ONE OF THE FOLLOWING TWO OPTIONS:

- A) I shall transfer within two business days of submitting this application, with the reference Surname, Initial and (if there is room) Postcode, the total funds noted in Box 2 below to the following account:

Sort Code 80 - 22 - 60	Account Number 18606664
-------------------------------	--------------------------------

- B) I enclose a cheque or banker's draft, drawn on a UK clearing bank or building society for the total amount, made payable to "City Partnership – Draper Esprit VCT" and crossed "A/C Payee only" and return this form as soon as possible to The City Partnership (UK) Ltd, 110 George Street, Edinburgh EH2 4LH

If subscribing by cheque then sufficient time must be allowed for the cheque to clear. This means in practice the cheque must be in City Partnership's possession no later than 5 Business Days before the relevant closing date.

1

Title and Name in Full		
Permanent Address		
Postcode	Daytime Telephone	
E-Mail Address*		
Date of Birth / /19	National Insurance No	Country of Tax Residence

* Receipt of applications will only be acknowledged where an email address is provided

2

I hereby subscribe for the following amount of investment in New Ordinary Shares, to be allocated between tax years 2018/19 and 2019/20 in the following proportions:

	2018/2019		2019/20		Total (A+B)
A	£ <input type="text"/>	B	£ <input type="text"/>	C	£ <input type="text"/> <small>Min £6,000</small>

3

TO BE COMPLETED BY INVESTORS WHO WISH TO HAVE THEIR AGREED ADVISER FEE FACILITATED THROUGH THEIR SUBSCRIPTION

Amount of agreed adviser fee

£

BY SIGNING THIS FORM I HEREBY DECLARE THAT: (i) I have received the Offer Document dated 11 January 2019 and have had the opportunity to read the Risk Factors and Terms and Conditions of application therein; (ii) I will be the beneficial owner of the New Ordinary Shares in Draper Esprit VCT plc issued to me pursuant to the Offer; and (iii) to the best of my knowledge and belief, the particulars I have given to the Company in completing this form are complete and correct.

4

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



5 TO BE COMPLETED BY THE INVESTOR'S FINANCIAL INTERMEDIARY

Anti Money Laundering Declaration

We have applied customer due diligence measures on a risk-sensitive basis in respect of the investor to the standard required by UK money laundering regulations and we certify that we have::

1. identified and verified the identity of the investor on the basis of documents, data and information obtained from a reliable and independent source;
2. identified, where there is a beneficial owner who is not the investor, the beneficial owner and have taken adequate measures, on the basis of documents, data and information obtained from a reliable and independent source, to verify his identity so that we know who the beneficial owner is, including, in the case of a legal person, trust or similar arrangement, measures to understand the ownership and control structure of that person, trust or arrangement and the identity of the beneficial owner and details of the ownership and control structure set out in Box 6 below; and
3. obtained information on the purpose and intended nature of the investor's proposed investment in the Company, as the case may be, which information is set out in Box 6 below.

Commission / Adviser Charges

The Company will only pay commission to firms:

- (a) which do not provide personal recommendations or investment advice (save where this is restricted advice given to professional clients of the advisor); and only then
- (b) where the payment of such commission is designed to enhance the quality of the relevant (non-advisory) service to the investor in accordance with the criteria in COBS 2.3A.8;
- (c) where the intermediary has confirmed that they will clearly disclose to the investor the existence, nature and amount of such commission prior to the provision of the service; and
- (d) in the case of on-going payments (trail commission) where such criteria are fulfilled on an on-going basis.

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

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

(ii) The firm name below is an Execution Only broker which is permitted to receive commission in respect of this Application in accordance with COBS 2.3A.6 OR This Application is made on behalf of an Investor who is categorised by the below named firm as a Professional Client and to whom only restricted advice has been provided in accordance with applicable FCA rules.

We consent to the Company relying on this Certificate.

Name	Date
Firm Name	Nature of Business
Address	
	Postcode
Tel	FCA Registration Number and Co Stamp
Signature	

If you are electing to waive an amount of commission in favour of extra New Ordinary Shares, please state in this box what percentage is to be waived up to a maximum of 2.5%

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

<p>We certify the beneficial owner is</p> <p>and (in the case of a legal person, trust or similar arrangement), the ownership and control structure of that person trust or arrangement is</p> <p>The purpose of the investment is</p>	
<p>For Official Use Only</p>	
<p>Date on which New Ordinary Shares are Issued</p>	<p>Share Register Number</p>
<p>Amount paid for New Ordinary Shares issued £</p>	<p>Number of New Ordinary Shares Issued</p>
<p>Amount paid per New Ordinary Share £</p>	<p>Amount of commisssion waived (where applicable) £</p>
<p>Due completion of the agent's box indicates that the agent is duly authorised to transact investments of this type under the Financial Services and Markets Act 2000 and confirms that the requirements of the Money Laundering Regulations have been complied with.</p>	
<p>DATA PROTECTION ACT: The Company and/or Elderstreet Investments Limited may use the information you give for administration, research and/or statistical purposes. Your details may be used by the Company and/or Elderstreet Investments Limited to send you information on other potential investment opportunities. If you would prefer not to receive such information, please tick this box. <input type="checkbox"/></p>	



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