

# **Puma VCT VII plc**

## **Interim Report**

**For the six months ended 31 August 2014**

### **Chairman's Statement**

#### **Highlights**

- **Fully deployed in a diverse range of high quality loans and equities**
- **NAV gain of 1.14p for the period**
- **15p per share of dividends paid since inception, equivalent to a 7.1% per annum tax-free running yield on net investment**

#### **Introduction**

The Company has now deployed a substantial proportion of its funds in both qualifying and non-qualifying investments, having met its minimum qualifying investment percentage of 70 per cent during the previous period. We believe our portfolio is well positioned to deliver attractive returns to shareholders within its expected remaining time horizon.

#### **Net Asset Value ('NAV')**

The NAV per share at the period end was 93.05p after adding back dividends paid to date of 15p, representing a return of 1.14p per ordinary share for the period.

#### **Qualifying Investments**

##### ***Brewhouse and Kitchen***

The Company's £1,250,000 investment in Brewhouse and Kitchen Limited continues to perform well. Brewhouse and Kitchen is managed by two highly experienced pub sector professionals and our funding will facilitate the acquisition of freehold pubs and the roll-out of the brand. The investment is largely in the form of senior debt, secured with a first charge over the business and each site acquired. Funds can be utilised to a maximum 65% loan-to-value ratio, and are expected to produce an attractive return to the Company. Having opened its first pub, the White Swan in Portsmouth, last year, Brewhouse and Kitchen opened its second pub, the Station Master's House in Dorchester, in April after a substantial renovation. Both have been trading well, and, since the period end, Brewhouse and Kitchen have taken leases on a further three units in London and Bristol.

### ***The Albany, Barnes***

As previously reported, Huntly Trading Limited and Jephcote Trading Limited (in which the Company had invested £1,000,000 and £1,650,000 respectively) were, as members of SKPB Services LLP, engaged in a contract with Ansgate (Barnes) Limited to provide project management and contracting services in connection with the construction of nine new houses and 12 new flats at a construction known as The Albany, in Barnes, south west London. We understand that the project is progressing with a view to completion by the fourth quarter of next year.

### ***Supported Living***

SKPB Services LLP has also recently entered into a contract with HB Villages Tranche 2 Limited to provide project management and contracting services in connection with the construction of 16 units as accommodation and supported housing for psychiatric and learning disabled service users, and their care-workers, in Bolton.

The Company's investments of £880,000 into each of two contracting companies, Frederica Trading Limited ("Frederica") and Glenmoor Trading Limited ("Glenmoor") are progressing well. Frederica and Glenmoor (as members of a limited liability partnership with other contracting companies) are currently providing contracting services in connection with a supported living development in Clacton.

### ***Construction***

As previously reported, in March 2013 the Company invested £1,100,000 (alongside other Puma VCTs) into Saville Services Limited, a company providing contracting services over a series of projects including the construction of a private detached housing development in the countryside outside Aberdeen, under contract to Churchill Homes Limited, a longstanding Aberdeenshire developer, and the development of up to 20 apartments for supported living for psychiatric and learning disabled service users in Grimsby, North East Lincolnshire. I am pleased to report that the Aberdeen project is progressing well and that the Grimsby project recently completed. We understand that Saville Services' directors are actively pursuing opportunities to continue to deploy the capital and profits arising from these projects in similar projects in the near future.

Following the period end, the Company has agreed to subscribe a further £550,000 in Saville Services Limited to provide further working capital for another supported living project.

The Company has now realised its investment in SIP Communications plc, in which it invested £700,000. We had provided £210,000 against this investment to reflect its trading difficulties, but we are pleased to report that the realisation was substantially closer to the original investment. Over its life the Company recovered £637,000 from this investment.

### **Non-Qualifying Investments**

During the period, the Company, together with entities managed and advised by your Investment Manager, provided a £7.1 million bridging facility to companies within the Connolly and Callaghan group in several tranches. The Company participated in this through a £400,000 non-qualifying loan (advanced through a subsidiary, Buckhorn Lending Limited). The Connolly and Callaghan group is a provider of emergency overnight accommodation in Bristol with over 20 years' experience in the sector. The overall facility is secured on a portfolio of over 20 freehold residential properties, was extended on a sub-50% loan-to-value basis and is earning an attractive rate of interest.

As previously reported, the Company had extended a £650,000 non-qualifying loan (as part of a £1.3 million financing with other Puma VCTs) to Countywide Property Holdings Limited, secured on a 5.6 acre site, including a large house, in Brackley near Silverstone. I am pleased to report that, having successfully obtained planning permission for 50 new homes on the site, Countywide Property Holdings completed the sale of the site to one of the UK's largest house builders and repaid the Company's loan in full.

The Company's £1,330,000 non-qualifying loan (as part of a £4 million financing with other Puma VCTs) to Puma Brandenburg Finance Limited, a subsidiary of Puma Brandenburg Limited, continues to perform. The loan is secured on a portfolio of flats in the middle class area of central Berlin, Germany. Since the loan was made, the property market in this area of Berlin has been very strong, further enhancing the excellent security we have for this loan. The loan attracts a fixed interest rate at a good coupon given the security profile.

As previously reported, the Company extended a £881,000 loan to provide an innovative £4 million revolving credit facility to Ennovor Trading 1 Limited (formerly known as Organic Waste Management Trading Limited) together with other Puma VCTs. The facility provided working capital for the purchase of used cooking oil for conversion into bio-diesel. In order to provide the liquidity necessary for a further qualifying investment, during the Company sold its position in Ennovor Trading 1 to another Puma VCT.

## **Dividends**

As set out in the accounts for the period ended 28 February 2014, the Company declared a dividend of 5p per ordinary share for that period which was paid in February 2014. Reflecting this recent payout, your Board is not proposing a further dividend at this interim stage but still intends to pay out a dividend of 5p per ordinary share each year as envisaged in the Company's prospectus.

## **VCT Qualifying Status**

PricewaterhouseCoopers LLP ('PwC') provides the board and the investment manager with advice on the ongoing compliance with Her Majesty's Revenue & Customs ('HMRC') rules and regulations concerning VCTs. PwC assists the Investment Manager in establishing the status of investments as qualifying holdings and has reported that the Company has met all

HMRC's criteria to date. As noted above, the Company has met its minimum qualifying investment percentage of 70 per cent.

### **Principal risks and uncertainties**

Although the economy in the UK is showing signs of improvement, it remains fragile. The consequences of this for the Company's investment portfolio constitute the principal risk and uncertainty for the Company in the second half of 2014.

### **Outlook**

We are pleased that the Company's net assets are now fully deployed in a diverse range of high quality businesses and projects. The lack of availability of bank credit has enabled the Company to assemble a portfolio of investments on attractive terms. This should offer the prospect of further growth in net assets per share. Whilst there will be some further changes in the composition of the portfolio to ensure that the Company continues to satisfy its HMRC qualifying targets, the Board expects to concentrate in the future primarily on the monitoring of our existing investments and considering the options for exits.

**David Buchler**  
**Chairman**  
**29 October 2014**

## Income Statement (unaudited)

For the six months ended 31 August 2014

Note	Six months ended 31 August 2014			Six months ended 30 June 2013			Period ended 28 February 2014			
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	
Gain/(loss) on investments	-	47	47	-	(218)	(218)	-	(218)	(218)	
Income	300	-	300	373	-	373	741	-	741	
	300	47	347	373	(218)	155	741	(218)	523	
Investment management fees	(27)	(81)	(108)	(27)	(81)	(108)	(65)	(195)	(260)	
Other expenses	(82)	-	(82)	(61)	-	(61)	(203)	-	(203)	
	(109)	(81)	(190)	(88)	(81)	(169)	(268)	(195)	(463)	
Return/(loss) on ordinary activities before taxation	191	(34)	157	285	(299)	(14)	473	(413)	60	
Tax on return on ordinary activities	(3)	-	(3)	-	-	-	-	-	-	
Return/(loss) on ordinary activities after tax attributable to equity shareholders	188	(34)	154	285	(299)	(14)	473	(413)	60	
Basic and diluted Return/(loss) per Ordinary Share (pence)	2	1.39p	(0.25p)	1.14p	2.11p	(2.21p)	(0.10p)	3.50p	(3.06p)	0.44p

The revenue column of this statement is the profit and loss of the Company. All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

## Balance Sheet (unaudited)

As at 31 August 2014

	Note	As at 31 August 2014 £'000	As at 30 June 2013 £'000	As at 28 February 2014 £'000
<b>Fixed Assets</b>				
Investments	7	8,490	9,461	9,956
<b>Current Assets</b>				
Debtors		834	245	172
Cash		1,369	1,323	388
		2,203	1,568	560
<b>Creditors - amounts falling due within one year</b>				
Other creditors		(144)	(36)	(124)
Tax liabilities		(3)	-	-
<b>Net Current Assets</b>		2,056	1,532	436
<b>Total Assets less Current Liabilities</b>		10,546	10,993	10,392
<b>Creditors - amounts falling due after more than one year (including convertible debt)</b>		(1)	(1)	(1)
<b>Net Assets</b>		10,545	10,992	10,391
<b>Capital and Reserves</b>				
Called up share capital		135	135	135
Share premium account		-	-	-
Capital reserve – realised		(886)	(528)	(642)
Capital reserve – unrealised		-	(210)	(210)
Revenue reserve		11,296	11,595	11,108
<b>Equity Shareholders' Funds</b>		10,545	10,992	10,391
<b>Net Asset Value per Ordinary Share</b>	3	78.06p	81.37p	76.92p
<b>Diluted Net Asset Value per Ordinary Share</b>	3	78.06p	81.37p	76.92p

## Cash Flow Statement (unaudited)

For the six months ended 31 August 2014

	Six months ended 31 August 2014 £'000	Six months ended 30 June 2013 £'000	Period ended 28 February 2014 £'000
<b>Operating activities</b>			
Return/(loss) on ordinary activities before tax	157	(14)	60
(Gains)/losses on investments	(47)	218	218
Increase in debtors	(662)	(170)	(97)
Increase/(decrease) in creditors	20	(99)	(11)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(532)</b>	<b>(65)</b>	<b>170</b>
<b>Corporation tax paid</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital expenditure and financial investment</b>			
Purchase of investments	(400)	(2,550)	(3,200)
Proceeds from sale of investments	1,913	3,688	3,843
Net realised loss on forward foreign exchange contracts	-	-	-
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>1,513</b>	<b>1,138</b>	<b>643</b>
<b>Equity dividend paid</b>	<b>-</b>	<b>(676)</b>	<b>(1,351)</b>
<b>Financing</b>			
Redemption of redeemable preference shares	-	-	-
<b>Net cash outflow from financing</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Decrease in cash</b>	<b>981</b>	<b>397</b>	<b>(538)</b>
Net cash at start of the period	388	926	926
<b>Net funds at the period end</b>	<b>1,369</b>	<b>1,323</b>	<b>388</b>

## Reconciliation of Movements in Shareholders' Funds (unaudited)

For the six months ended 31 August 2014

	Called up share capital £'000	Share premium account £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000	Total £'000
Balance as at 1 January 2013	135	-	(718)	279	11,986	11,682
Total recognised (losses)/gains for the period	-	-	190	(489)	285	(14)
Dividends paid	-	-	-	-	(676)	(676)
Balance as at 30 June 2013	135	-	(528)	(210)	11,595	10,992
Total recognised (losses)/gains for the period	-	-	(393)	279	188	74
Realisation of valuations from prior period	-	-	279	(279)	-	-
Dividends paid	-	-	-	-	(675)	(675)
Balance as at 28 February 2014	135	-	(642)	(210)	11,108	10,391
Total recognised (losses)/gains for the period	-	-	(34)	-	188	154
Realisation of valuations from prior period	-	-	(210)	210	-	-
Dividends paid	-	-	-	-	-	-
Balance as at 31 August 2014	135	-	(886)	-	11,296	10,545



## Notes to the Interim Report

### For the six months ended 31 August 2014

#### 1. Accounting Policies

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments, and in accordance with applicable Accounting Standards and with the Statement of Recommended Practice, "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP").

#### 2. Return per Ordinary Share

The total profit per share of 1.14p is based on the profit for the period of £154,000 (2013: £60,000) and the weighted average number of shares in issue as at 31 August 2014 of 13,508,925 (2013: 13,508,925).

#### 3. Net asset value per share

	As at 31 August 2014	As at 30 June 2013	As at 28 February 2014
Net assets	10,545,000	10,992,000	10,391,000
Shares in issue	13,508,925	13,508,925	13,508,925
<b>Net asset value per share</b>			
Basic	78.06p	81.37p	76.92p
Diluted	78.06p	81.37p	76.92p

#### 4. Management fees

The Company pays the Investment Manager an annual management fee of 2% of the Company's net assets. The fee is payable quarterly in arrears. The annual management fee is allocated 75% to capital and 25% to revenue.

#### 5. Related Party Transactions

Related party transactions are described in the 2014 Annual Report and Accounts on page 37. There were no other related party transactions during the six months ended 31 August 2014.

6. The financial information for the six months ended 31 August 2014 has not been audited and does not comprise full financial statements within the meaning of Section 423 of the Companies Act 2006. The interim financial statements have been prepared on the same basis as will be used to prepare the annual financial statements.

## Notes to the Interim Report *continued*

### For the six months ended 31 August 2014

#### 7. Investment portfolio summary

	Valuation £'000	Cost £'000	Gain/(loss) £'000	Valuation as a % of Net Assets
<b>As at 31 August 2014</b>				
<b>Qualifying Investment - Unquoted</b>				
Brewhouse & Kitchen	1,250	1,250	-	12%
Frederica Trading Limited	880	880	-	8%
Glenmoor Trading Limited	880	880	-	8%
Huntly Trading Limited	1,000	1,000	-	9%
Jephcote Trading Limited	1,650	1,650	-	16%
Saville Services Limited	1,100	1,100	-	10%
<b>Total Qualifying Investments</b>	<b>6,760</b>	<b>6,760</b>	<b>-</b>	<b>63%</b>
<b>Non-Qualifying Investments</b>				
PBL finance Limited	1,330	1,330	-	13%
Buckhorn lending limited	400	400	-	4%
<b>Total Non-Qualifying investments</b>	<b>1,730</b>	<b>1,730</b>	<b>-</b>	<b>17%</b>
<b>Total Investments</b>	<b>8,490</b>	<b>8,490</b>	<b>-</b>	<b>80%</b>
<b>Balance of Portfolio</b>	<b>2,055</b>	<b>2,055</b>	<b>-</b>	<b>20%</b>
<b>Net Assets</b>	<b>10,545</b>	<b>10,545</b>	<b>-</b>	<b>100%</b>

Copies of this Interim Statement will be posted to shareholders in due course and made available on the website:  
<http://www.pumainvestments.co.uk/investors/our-investments/venture-capital-trusts/investor-information>