Puma High Income VCT plc

Final results for the period ended 31 March 2014

HIGHLIGHTS

- Fund now fully invested in a diverse range of high quality businesses and projects.
- 28p per share of dividends paid since inception, 7p during the period, equivalent to a 10% per annum tax-free running yield on net investment.
- Gain in NAV (adding back dividends) of 0.98p per share during the period.

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the Company's fourth Annual Report which is for the year ended 31 March 2014.

Results

As envisaged in the Company's prospectus, the Company has for the fourth calendar year in succession paid a dividend of 7p per ordinary share, equivalent to a 10% tax-free running yield on shareholder's net investment. The fully diluted net asset value per share ("NAV") at 31 March 2014 was 66.24p (equivalent to 94.24p after adding back the 28p of dividends paid to date) resulting in a gain in NAV (after adding back dividends) of 0.98p per share during the year.

Investments

Since the start of the year, the Company had just over £8.5 million invested, representing 95% of its net asset value, in a mixture of qualifying and non-qualifying investments whilst maintaining our VCT qualifying status. These investments are primarily in asset-backed businesses and projects providing a gross annual return of 6.1% on the basis of current deployments and investment performance. Details of the Company's portfolio of investments can be found in the Investment Manager's report, below.

VCT qualifying status

PricewaterhouseCoopers LLP ("PwC") provides the board and the investment manager with advice on the ongoing compliance with HMRC rules and regulations concerning VCTs. PwC also assists the Investment Manager in establishing the status of investments as qualifying holdings.

Outlook

We are pleased to report 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. Whilst there may be some further changes in the composition of the portfolio, the Board expects to concentrate in the future on the monitoring of our existing investments and considering the options for exits.

Ray Pierce
Chairman
30 July 2014

INVESTMENT MANAGER'S REPORT

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.

Qualifying investments

The Company's £1.4 million investment alongside other Puma VCTs into Saville Services Limited, a contracting company, is performing well. Saville Services is currently deploying the funds by providing contracting services on two projects: 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.

Our investment of £860,000 in Mirfield Contracting Limited, a contracting services company providing project management services to a £3.8 million development of town houses in Mirfield (near Wakefield) West Yorkshire, is progressing well. The three-phase development itself is almost complete and the developer, who is approved for the Government-backed Help to Buy Scheme, confirms that interest in the houses remains strong.

The Company's investment of £920,000 (as part of £3.1 million across the Puma VCTs) into Brewhouse and Kitchen Limited is performing well. Brewhouse and Kitchen is managed by two highly experienced pub sector professionals and our funding is facilitating 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. During the year, Brewhouse and Kitchen opened its first pub, the White Swan in Portsmouth, which has been trading well. Shortly after the year end, it opened its second pub in Dorchester after a substantial renovation.

As previously reported, the Company invested £880,000 into each of two contracting companies, Frederica Trading Limited and Glenmoor Trading Limited, committing £1.76 million in total. As members of a limited liability partnership with other contracting companies, Frederica Trading and Glenmoor Trading have recently successfully completed a contract in connection with five pre-let supported living developments for psychiatric and learning disabled people who are housed and given support by local authorities and other social care organisations. We are pleased to confirm that, since the year end, these companies have recently been awarded new contracts in connection with another two developments. We expect these investments to deliver attractive returns in the medium term.

In March 2012, the Company invested £700,000 (as part of a £1.4 million Puma VCT financing) into SIP Communications Plc ("SIPCOM"). SIPCOM provides hosted IP telephony and unified communications products and services and is a leading hosting provider for users of Microsoft Lync – a new business version of Skype with many enhanced features allowing IP telephony, video calls, instant messaging, and online meetings and integrating with Microsoft Outlook and Office. As explained in the Company's 2013 Investment Manager's Report, SIPCOM experienced a default by a major customer in 2012 and to be prudent the Company made a fair value provision against an element of our investment. Subsequent to this, the Company have agreed a restructuring of the investment which should lead to a recovery exceeding this provision. In addition to interest of £99,000 received to date, the Company has also recovered principal of £225,000 (of which £70,000 was recovered since the year end) and the Company expect to receive a further settlement in the next two months.

We previously reported that Huntly Trading Limited and Isaacs Trading Limited, two contracting companies in which the Company had invested a total of £1.4 million, had joined a limited liability partnership which entered into a contracting contract with FreshStart Living to provide project management and contracting services in connection with a project known as Trafford Press in Manchester. We understand that this project is no longer proceeding. Both companies' funds have since been re-allocated to several contracts to provide contracting services in connection with the construction of nine new houses and 12 new flats at a project known as The Albany, in Barnes, south west London and two projects in the greater Manchester area to construct supported living apartments. Work has commenced on all three projects and is currently progressing to time and to budget.

Non-qualifying investments

As previously reported, we have adopted a strategy for the non-qualifying portfolio of moving away from quoted investments and instead investing in secured non-qualifying loans offering a good yield with hopefully limited downside risk. The Company has two such non-qualifying loans which were originally for a total of £2.11 million.

The Company's £1.25 million loan (as part of a £4 million financing with other Puma VCTs) to Puma Brandenburg Finance Limited, a subsidiary of Puma Brandenburg Holdings Limited, continues to perform. The loan is secured on a portfolio of flats in the middle class area of central Berlin, Germany and, in accordance with the terms of the loan, £187,000 has been repaid to date. 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.

As previously reported, the Company has provided a loan of £860,000 to provide, together with other Puma VCTs, an innovative £4 million revolving credit facility to Organic Waste Management Trading Limited through another jointly held affiliate of the VCTs Buckhorn Lending Limited. The facility provides working capital for the purchase of used cooking oil for conversion into bio-diesel for sale to obligated off-take parties. The facility is structured to mitigate risks by being capable of drawn only once approved back-to-back purchase and sale contracts have been entered into with approved counterparties. The facility bears interest at a substantial rate for utilised funds and a lower rate for non-utilised fund, and has been performing very well over the year.

Investment Strategy

We remain focused on generating strong returns for the Company from both the qualifying and non-qualifying portfolios whilst balancing these returns with maintaining an appropriate risk exposure. In accordance with the HMRC VCT rules the Company had three years to invest 70 per cent of the portfolio (on an HMRC basis) into qualifying investments. Having now achieved this 70% qualifying status, we are now primarily focusing on the monitoring of our existing investments and considering the options for exits.

Shore Capital Limited
30 July 2014

Investment Portfolio Summary
As at 31 March 2014

	Valuation £'000	Cost £'000	Loss £'000	Valuation as a % of Net Assets
As at 31 March 2014				
Qualifying Investment - Unquoted				
Brewhouse & Kitchen Limited	920	920	-	10%
Saville Services Limited	1,400	1,400	-	15%
SIP Communications PLC	335	545	(210)	4%
Mirfield Contracting Limited	860	860	-	9%
Huntly Trading Limited	700	700	-	8%
Isaacs Trading Limited	700	700	-	8%
Frederica Trading Limited	880	880	-	10%
Glenmoor Trading Limited	880	880	-	10%
Total Qualifying Investments	6,675	6,885	(210)	74%
Non-Qualifying Investments				
Buckhorn Lending Limited	860	860	-	9%
Puma Brandenburg Finance Limited	1,063	1,063	-	12%
Total Non-Qualifying investments	1,923	1,923	-	21%
Total Investments	8,598	8,808	(210)	95%
Balance of Portfolio	458	458		5%
Net Assets	**9,056**	**9,266**	**(210)**	100%

Of the investments held at 31 March 2014, 88 per cent are incorporated in England and Wales and 12 per cent incorporated in Guernsey. Percentages have been calculated on the valuation of the assets at the reporting date.

Income Statement
For the year ended 31 March 2014

		Year ended 31 March 2014			Period from 1 January 2012 to 31 March 2013		
	Note	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Gain on investments	8 (c)	-	-	-	-	49	49
Income	2	495	-	495	481	-	481
		495	-	495	481	49	530
Investment management fees	3	(50)	(150)	(200)	(58)	(174)	(232)
Other expenses	4	(161)	-	(161)	(252)	-	(252)
		(211)	(150)	(361)	(310)	(174)	(484)
Return on ordinary activities before taxation		284	(150)	134	171	(125)	46
Tax on return on ordinary activities	5	-	-	-	-	-	-
Return on ordinary activities after tax attributable to equity shareholders		284	(150)	134	171	(125)	46
Basic and diluted							
Return per Ordinary Share (pence)	6	2.08p	(1.10p)	0.98p	1.25p	(0.91p)	0.34p

The total column represents the profit and loss account and the revenue and capital columns are supplementary information.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

No separate Statement of Total Recognised Gains and Losses is presented as all gains and losses are included in the Income Statement.

Balance Sheet
As at 31 March 2014
Registered No: 07036487

	Note	As at 31 March 2014 £'000	As at 31 March 2013 £'000
Fixed Assets			
Investments	8	8,598	8,940
Current Assets			
Debtors	9	356	236
Cash		273	813
		629	1,049
Creditors - amounts falling due within one year	10	(170)	(109)
Net Current Assets		459	940
Total Assets less Current Liabilities		9,057	9,880
Creditors - amounts falling due after more than one year (including convertible debt)	11	(1)	(1)
Net Assets		9,056	9,879
Capital and Reserves			
Called up share capital	12	137	137
Capital reserve – realised		(699)	(549)
Capital reserve – unrealised		(210)	(210)
Revenue reserve		9,828	10,501
Equity Shareholders' Funds		9,056	9,879
Net Asset Value per Ordinary Share	13	66.24p	72.26p
Diluted Net Asset Value per Ordinary Share	13	66.24p	72.26p

The financial statements were approved and authorised for issue by the Board of Directors on 30 July 2014 and were signed on their behalf by:

Raymond Pierce
Chairman
30 July 2014

Cash Flow Statement

For the year ended 31 March 2014

	Year ended 31 March 2014 £'000	Period from 1 January 2012 to 31 March 2013 £'000
Return on ordinary activities before taxation	134	46
Gain on investments	-	(49)
Increase in debtors	(120)	(219)
Increase/(decrease) in creditors	61	(11)
Net cash outflow from operating activities	75	(233)
Capital expenditure and financial investment		
Purchase of investments	-	(9,400)
Proceeds from sale of investments and loan note repayments	342	8,117
Net cash inflow/(outflow) from capital expenditure and financial investment	342	(1,283)
Equity dividend paid	(957)	(1,914)
Decrease in cash in the year	(540)	(3,430)
Reconciliation of net cash flow to movement in net funds		
Decrease in cash in the year	(540)	(3,430)
Net funds at start of year	813	4,243
Net funds at end of year	273	813

Reconciliation of Movements in Shareholders' Funds
For the year ended 31 March 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 2012	137	-	(584)	(50)	12,244	11,747
Return after taxation attributable to equity shareholders	-	-	85	(210)	171	46
Transfer	-	-	(50)	50	-	-
Dividend paid	-	-	-	-	(1,914)	(1,914)
Balance as at 31 March 2013	137	-	(549)	(210)	10,501	9,879
Return after taxation attributable to equity shareholders	-	-	(150)	-	284	134
Dividend paid	-	-	-	-	(957)	(957)
Balance as at 31 March 2014	**137**	**-**	**(699)**	**(210)**	**9,828**	**9,056**

Distributable reserves comprise: Capital reserve-realised, Capital reserve-unrealised and the Revenue reserve. At the year end distributable reserves totalled £8,919,000 (2013: £9,742,000).

The Capital reserve-realised shows gains/losses that have been realised in the year due to the sale of investments, and related costs. The Capital reserve-unrealised shows the gains/losses on investments still held by the company not yet realised by an asset sale.

Notes to the Accounts
For the year ended 31 March 2014

1. Accounting Policies

Basis of Accounting
Puma High Income VCT plc ("the Company") was incorporated and is domiciled in England & Wales. The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments held at fair value, and in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("SORP") revised in 2009.

Income Statement
In order to better reflect the activities of a Venture Capital Trust and in accordance with guidance issued by the Association of Investment Companies ("AIC"), supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net return of £134,000 as per the Income Statement on page 26 is the measure that the Directors believe is appropriate in assessing the Company's compliance with certain requirements set out in s274 of the Income Tax Act 2007.

Investments
All investments have been designated as fair value through profit or loss, and are initially measured at cost which is the best estimate of fair value. A financial asset is designated in this category if acquired to be both managed and its performance is evaluated on a fair value basis with a view to selling after a period of time in accordance with a documented risk management or investment strategy. All investments held by the Company have been managed in accordance with the investment policy set out on page 12. Thereafter the investments are measured at subsequent reporting dates at fair value. Listed investments and investments traded on AIM are stated at bid price at the reporting date. Hedge funds are valued at their respective quoted Net Asset Values per share at the reporting date. Unlisted investments are stated at Directors' valuation with reference to the International Private Equity and Venture Capital Valuation Guidelines ("IPEVC") and in accordance with FRS26 "Financial Instruments: Measurement":

- Investments which have been made within the last twelve months or where the investee company is in the early stage of development will usually be valued at the price of recent investment except where the company's performance against plan is significantly different from expectations on which the investment was made in which case a different valuation methodology will be adopted.

- Investments in redeemable equity interests and debt instruments will usually be valued by applying a discounted cash flow methodology based on expected future returns of the investment.

- Alternative methods of valuation such as net asset value may be applied in specific circumstances if considered more appropriate.

Realised surpluses or deficits on the disposal of investments are taken to realised capital reserves, and unrealised surpluses and deficits on the revaluation of investments are taken to unrealised capital reserves.

It is not the Company's policy to exercise control over investee companies. Therefore the results of the companies are not incorporated into the revenue account except to the extent of any income accrued.

Cash at bank and in hand
Cash at bank and in hand comprises of cash on hand and demand deposits.

Equity instruments
Equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at proceeds received net of issue costs.

1. Accounting Policies (continued)

Income
Dividends receivable on listed equity shares are brought into account on the ex-dividend date. Dividends receivable on unlisted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Interest receivable is recognised wholly as a revenue item on an accruals basis.

Performance fees
Upon its inception, the Company negotiated performance fees payable to the Investment Manager, Shore Capital Limited, and members of the investment management team at 20 per cent of the aggregate excess of amounts realised over £1 per Ordinary Share returned to Ordinary shareholders. This incentive will only be exercisable once the holders of Ordinary Shares have received distributions of £1 per share. The performance fee is accounted for as an equity-settled share-based payment.

FRS 20 Share-Based Payment requires the recognition of an expense in respect of share-based payments in exchange for goods or services. Entities are required to measure the goods or services received at their fair value, unless that fair value cannot be estimated reliably in which case that fair value should be estimated by reference to the fair value of the equity instruments granted.

At each balance sheet date, the Company estimates that fair value by reference to any excess of the net asset value, adjusted for dividends paid, over £1 per share in issue at the balance sheet date. Any change in fair value in the year is recognised in the Income Statement with a corresponding adjustment to equity.

Expenses
All expenses (inclusive of VAT) are accounted for on an accruals basis. Expenses are charged wholly to revenue, with the exception of:

- expenses incidental to the acquisition or disposal of an investment which are charged to capital; and

- the investment management fee, 75 per cent of which has been charged to capital to reflect an element which is, in the directors' opinion, attributable to the maintenance or enhancement of the value of the Company's investments in accordance with the Board's expected long-term split of return; and

- the performance fee which is allocated proportionally to revenue and capital based on the respective contributions to the Net Asset Value.

Taxation
Corporation tax is applied to profits chargeable to corporation tax, if any, at the applicable rate for the year. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue return on the marginal basis as recommended by the SORP.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent years. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1. Accounting Policies (continued)

Reserves
Realised losses and gains on investments and foreign exchange transactions, transaction costs, the capital element of the management fee and taxation are taken through the Income Statement and recognised in the Capital Reserve – Realised on the Balance Sheet. Unrealised losses and gains on investments and foreign exchange transactions and the capital element of the performance fee are also taken through the Income Statement and recognised in the Capital Reserve – Unrealised. The performance fee to be effected through share-based payment is taken to the Other Reserve and the total revenue gain or loss on the Income Statement is taken to the Revenue Reserve.

Foreign exchange
The functional and presentational currency of the Company is Sterling. Transactions denominated in foreign currencies are translated into Sterling at the rates ruling at the dates that they occurred. Assets and liabilities denominated in a foreign currency are translated at the appropriate foreign exchange rate ruling at the balance sheet date. Translation differences are recorded as unrealised foreign exchange losses or gains and taken to the Income Statement.

Debtors
Debtors include accrued income which is recognised at amortised cost, equivalent to the fair value of the expected balance receivable.

Dividends
Final dividends payable are recognised as distributions in the financial statements when the Company's liability to make payment has been established. The liability is established when the dividends proposed by the Board are approved by the Shareholders. Interim dividends are recognised when paid.

Change in reporting date
The Company has changed its reporting date to 31 March during the comparative period and so the comparative results are for a 15 month period ended 31 March 2013.

2. Income

	Year ended 31 March 2014 £'000	Period from 1 January 2012 to 31 March 2013 £'000
Income from investments		
Income from investments	490	439
Arrangement fees	-	16
	490	455
Other income		
Bank deposit income	5	26
	495	481

Notes to the Accounts
For the year ended 31 March 2014

3. Investment Management Fees

	Year ended 31 March 2014 £'000	Period from 1 January 2012 to 31 March 2013 £'000
Shore Capital Limited	200	232

Shore Capital Limited (Shore Capital) was appointed as the Investment Manager of the Company for an initial period of five years, which can be terminated by not less than twelve months' notice, given at any time by either party, on or after the fifth anniversary. The Board is satisfied with the performance of the Investment Manager. Under the terms of this agreement Shore Capital will be paid an annual fee of 2 per cent of the Net Asset Value payable quarterly in arrears calculated on the relevant quarter end NAV of the Company. These fees are capped, the Investment Manager having agreed to reduce its fee (if necessary to nothing) to contain total annual costs (excluding performance fee and trail commission) to within 3.5 per cent of Net Asset Value. Total annual costs this year were 3.5% of the year end Net Asset Value (2013: 3.5%).

4. Other expenses

	Year ended 31 March 2014 £'000	Period from 1 January 2012 to 31 March 2013 £'000
Administration - Shore Capital Fund Administration Services Limited	30	46
Directors' Remuneration	63	80
Social security costs	1	7
Auditor's remuneration for statutory audit	21	17
Insurance	5	2
Legal and professional fees	5	(13)
FSA, LSE and registrar fees	7	28
Trail commission	25	52
Other expenses	4	33
	161	252

Shore Capital Fund Administration Services Limited provides administrative services to the Company for an aggregate annual fee of 0.35 per cent of the Net Asset Value of the Fund, payable quarterly in arrears.

The total fees paid or payable (excluding VAT and employers NIC) in respect of individual Directors for the year are detailed in the Directors' Remuneration Report commencing on page 17. The Company had no employees (other than Directors) during the year. The average number of non-executive Directors during the year was four (2013: four).

The Auditor's remuneration of £17,500 (2013: £14,000) has been grossed up in the table above to be inclusive of VAT.

Notes to the Accounts
For the year ended 31 March 2014

5. Tax on Ordinary Activities

	Year ended 31 March 2014 £'000	Period from 1 January 2012 to 31 March 2013 £'000
UK corporation tax charged to revenue reserve	-	-
UK corporation tax charged to capital reserve	-	-
UK corporation tax charge for the year	**-**	**-**
Factors affecting tax charge for the year		
Return on ordinary activities before taxation	134	46
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 20%	27	9
Non taxable capital income	-	25
Utilisation of tax losses brought forward	(27)	(44)
Non deductible expenses	-	10
	-	-

The income statement shows the tax charge allocated to revenue and capital. Capital returns are not taxable as VCTs are exempt from tax on realised capital gains subject to continuing compliance with the VCT regulations.

Excess management expenses of £116,000 (2013: £250,000) are available to be carried forward and set off against future taxable income. No deferred tax assets have been recognised as the timing of their recovery cannot be foreseen with any certainty. Due to the Company's status as a Venture Capital Trust and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

6. Basic and diluted return per Ordinary Share

	Year ended 31 March 2014		
	Revenue	**Capital**	**Total**
Return/(loss) for the year (£'000)	284	(150)	134
Weighted average number of shares	13,671,872	13,671,872	13,671,872
Return/(loss) per share	2.08p	(1.10)p	0.98p

	Period from 1 January 2012 to 31 March 2013		
	Revenue	**Capital**	**Total**
Return/(loss) for the period (£'000)	171	(125)	46
Weighted average number of shares	13,671,872	13,671,872	13,671,872
Return/(loss) per share	1.25p	(0.91)p	0.34p

The total return/(loss) per ordinary share is the sum of the revenue return and capital return.

7. Dividends

The Directors do not propose a final dividend in relation to the year ended 31 March 2014 (period ended 31 March 2013: nil). An interim dividend of 7p per Ordinary Share was paid on 21 February 2014 (2013: 7p per Ordinary Share paid on both 27 February 2012 and 19 February 2013). The dividend payment totalled £957,000 (2013: £1,914,000).

Notes to the Accounts
For the year ended 31 March 2014

8. Investments

(a) Summary	Historic cost as at 31 March 2014	Market value as at 31 March 2014	Historic cost as at 31 March 2013	Market value as at 31 March 2013
	£'000	£'000	£'000	£'000
Qualifying venture capital investments	6,885	6,675	7,040	6,830
Non qualifying investments	1,923	1,923	2,110	2,110
	8,808	8,598	9,150	8,940

(b) Movements in investments	Qualifying venture capital investments	Non qualifying investments	Total
	£'000	£'000	£'000
Opening value	6,830	2,110	8,940
Repayment of loans and loan notes	(155)	(187)	(342)
Valuation at 31 March 2014	**6,675**	**1,923**	**8,598**
Book cost at 31 March 2014	7,040	2,110	9,150
Net unrealised losses at 31 March 2014	(210)	-	(210)
Valuation at 31 March 2014	6,830	2,110	8,940

(c) Gains on investments

The gains on investments for the year shown in the Income Statement on page 26 is analysed as follows:

	Year ended 31 March 2014	Period from 1 January 2012 to 31 March 2013
	£'000	£'000
Realised gains on disposal	-	259
Net unrealised losses in respect of investments held	-	(210)
	-	49

8. Investments - continued

(d) Quoted and unquoted investments	Market value as at 31 March 2014 £'000	Market value as at 31 March 2013 £'000
Quoted investments	-	-
Unquoted investments	8,598	8,940
	8,598	8,940

(e) Significant interests

As at 31 March 2014, the Company held more than 20% of the equity of the following undertakings. These holdings are included within the unquoted investments disclosed above and are held as part of the Company's investment portfolio.

	Percentage of equity held directly in Investee Company					
	Company	Puma VCT VII plc	Puma VCT 8 plc	Puma VCT 9 plc	Fair value of Company's Investment 31 March 2014 £'000	Fair value of Company's Investment 31 March 2013 £'000
Mirfield Contracting Limited	50%	-	-	-	860	860
Frederica Trading Limited	47%	47%	-	-	880	880
Glenmoor Trading Limited	47%	47%	-	-	880	880
Huntly Trading Limited	47%	47%	-	-	700	700
Isaacs Trading Limited	47.5%	-	47.5%	-	700	700
Saville Services Limited	16%	23%	15%	5%	1,400	1,400
Buckhorn Lending Limited	25%	25%	25%	25%	860	860
					6,280	6,280

Shore Capital Limited is the investment manager of the Company, Puma VCT VII plc and Puma VCT 8 plc and a subsidiary of Shore Capital Limited is the investment manager of Puma VCT 9 plc.

The Company is able to exercise significant influence over all of the above-named investee companies.

These investments have not been accounted for as associates or joint ventures since FRS 9: Associates and Joint Ventures and the SORP require that Investment Companies treat all investments held as part of their investment portfolio in the same way, even those over which the Company has significant influence.

Further details of these investments are disclosed in the Investment Portfolio Summary on pages 6 to 10 of the Annual Report.

9. Debtors

	As at 31 March 2014 £'000	As at 31 March 2013 £'000
Prepayments and accrued income	356	236

10. Creditors – amounts falling due within one year

	As at 31 March 2014 £'000	As at 31 March 2013 £'000
Accruals and deferred income	170	109

11. Creditors – amounts falling due after more than one year (including convertible debt)

	As at 31 March 2014 £'000	As at 31 March 2013 £'000
Loan notes	1	1

On 11 November 2009, the Company issued Loan Notes in the amount of £1,000 to a nominee on behalf of the Investment Manager and members of the investment management team. The Loan Notes accrue interest of 5 per cent per annum.

The Loan Notes entitle the Investment Manager and member of the investment management team to a performance related incentive of 20 per cent of the aggregate amounts realised by the Company in excess of £1 per Ordinary Share, and Shareholders will be entitled to the balance. This incentive to be effected through the issue of shares in the Company will only be exercised once the holders of Ordinary Shares have received distributions of £1 per share (whether capital or income). The performance incentive structure provides a strong incentive for the Investment Manager to ensure that the Company performs well, enabling the Board to approve distributions as high and as soon as possible.

In the event that distributions to the holders of Ordinary Shares totalling £1 per share have been made the Loan Notes will convert into sufficient Ordinary Shares to represent 20 per cent of the enlarged number of Ordinary Shares.

The amount of the performance fee will be calculated as 20 per cent of the excess of the net asset value (adjusted for dividends paid) over £1 per issued share.

Notes to the Accounts
For the year ended 31 March 2014

12. Called Up Share Capital

	As at 31 March 2014 £'000	As at 31 March 2013 £'000
13,671,872 ordinary shares of 1p each	137	137

13. Net Asset Value per Ordinary Share

	As at 31 March 2014	As at 31 March 2013
Net assets	9,056,000	9,879,000
Shares in issue	13,671,872	13,671,872
Dilutive effect of performance fee	-	-
	13,671,872	13,671,872
Net asset value per share		
Basic	66.24p	72.26p
Diluted	66.24p	72.26p

14. Financial Instruments

The Company's financial instruments comprise its investments, cash balances, debtors and certain creditors. The fair value of all of the Company's financial assets and liabilities is represented by the carrying value in the Balance Sheet. The Company held the following categories of financial instruments.

	As at 31 March 2014 £'000	As at 31 March 2013 £'000
Assets at fair value through profit or loss		
Investments managed through Shore Capital Limited	8,598	8,940
Loans and receivables		
Cash at bank and in hand	273	813
Interest, dividends and other receivables	356	236
Other financial liabilities		
Financial liabilities measured at amortised cost	(171)	(110)
	9,056	9,879

14. Financial Instruments (continued)

Management of risk
The main risk the Company faces from its financial instruments is market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency movements, liquidity risk, credit risk and interest rate risk. The Board regularly reviews and agrees policies for managing each of these risks. The Board's policies for managing these risks are summarised below and have been applied throughout the year.

Credit risk
Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Investment Manager monitors counterparty risk on an ongoing basis. The carrying amounts of financial assets best represents the maximum credit risk exposure at the balance sheet date. The Company's financial assets maximum exposure to credit risk is as follows:

	As at 31 March 2014 £'000	As at 31 March 2013 £'000
Investments in loans and loan notes	5,488	5,830
Cash at bank and in hand	273	813
Interest, dividends and other receivables	356	236
	6,117	6,879

The majority of the cash held by the Company at the year end is split between a U.K. bank and a BBB rated South African bank. Bankruptcy or insolvency of either bank may cause the Company's rights with respect to the receipt of cash held to be delayed or limited. The Board monitors the Company's risk by reviewing regularly the financial position of the banks and should it deteriorate significantly the Investment Manager will, on instruction of the Board, move the cash holdings to another bank.

Credit risk associated with interest, dividends and other receivables are predominantly covered by the investment management procedures.

Investments in loans and loan notes comprise a fundamental part of the Company's venture capital investments, therefore credit risk in respect of these assets is managed within the Company's main investment management procedures.

Market price risk
Market price risk arises mainly from uncertainty about future prices of financial instruments held by the Company. It represents the potential loss the Company might suffer through holding investments in the face of price movements. The Investment Manager actively monitors market prices throughout the period and reports to the Board, which meets regularly in order to consider investment strategy.

The Company's strategy on the management of market price risk is driven by the Company's investment policy as outlined in the Strategic Report on page 12. The management of market price risk is part of the investment management process. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders.

Holdings in unquoted investments may pose higher price risk than quoted investments. Some of that risk can be mitigated by close involvement with the management of the investee companies along with review of their trading results.

100 per cent of the Company's investments at 31 March 2014 are unquoted investments (2013: 100% unquoted).

14. Financial Instruments (continued)

Liquidity risk

Details of the Company's unquoted investments are provided in the Investment Portfolio summary on page 5. By their nature, unquoted investments may not be readily realisable, the Board regularly consider exit strategies for these investments. As at the year end, the Company had no borrowings other than loan notes amounting to £1,000 (2013: £1,000) (see note 11).

The Company's liquidity risk associated with investments is managed on an ongoing basis by the Investment Manager in conjunction with the Directors and in accordance with policies and procedures in place as described in the Strategic Report. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses.

Cash flow interest rate risk

The Company has exposure to interest rate movements primarily through its cash deposits and loan notes which track either the Bank of England base rate or LIBOR.

At the year end and throughout the year, the Company's only liability subject to interest rate risk were the Loan Notes of £1,000 at 5.0 per cent (see note 11).

Interest rate risk profile of financial assets

The following analysis sets out the interest rate risk of the Company's financial assets.

As at 31 March 2014	**Rate status**	**Average interest rate**	**Period until maturity**	**Total**
				£'000
Cash at bank – RBS	Floating	0.2%	-	130
Cash at bank - Investec	Fixed	0.8%	32 day notice	128
Cash at bank – Lloyds	Fixed	0.2%	-	15
Loans and loan notes	Floating	14.1%	76 months	4,425
Loans and loan notes	Fixed	5.00%	12 months	1,063
Balance of assets	Non-interest bearing		-	3,466
				9,227

As at 31 March 2013	**Rate status**	**Average interest rate**	**Period until maturity**	**Total**
				£'000
Cash at bank - RBS	Floating	0.9%	-	670
Cash at bank - Investec	Fixed	0.9%	32 day notice	128
Cash at bank – Lloyds	Fixed	0.9%	-	15
Loans and loan notes	Floating	5.4%	86 months	4,580
Loans and loan notes	Fixed	5.00%	24 months	1,250
Balance of assets	Non-interest bearing		-	3,346
				9,989

Notes to the Accounts
For the year ended 31 March 2014

14. Financial Instruments (continued)

Fair value hierarchy
Fair values have been measured at the end of the reporting period as follows:-

As at 31 March 2014	Level 1 'Quoted prices'	Level 2 'Observable inputs'	Level 3 'Unobservable inputs'	Total
At fair value through profit and loss (£'000)	-	-	8,598	8,598

As at 31 March 2013	Level 1 'Quoted prices'	Level 2 'Observable inputs'	Level 3 'Unobservable inputs'	Total
At fair value through profit and loss (£'000)	-	-	8,940	8,940

Financial assets measured at fair value are disclosed using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements, as follows:-

- Level 1 – Unadjusted quoted prices in active markets for identical assets ('quoted prices');
- Level 2 – Inputs (other than quoted prices in active markets for identical assets) that are directly or indirectly observable for the asset ('observable inputs'); or
- Level 3 – Inputs that are not based on observable market data ('unobservable inputs').

The Level 3 investments have been valued in line with the Company's accounting policies and IPEVC guidelines. Further details are provided in the significant investments section on pages 6 to 10 of the annual report.

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

	Unquoted shares £'000	Loan notes £'000	Total £'000
Movements in the income statement:			
Balance as at 1 January 2012	-	-	-
Unrealised losses in the income statement	(210)	-	(210)
Purchases at cost	3,320	5,830	9,150
Balance as at 31 March 2013	3,110	5,830	8,940
Repayments of loans and loan notes	-	(342)	(342)
Balance as at 31 March 2014	3,110	5,488	8,598

15. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to provide an adequate return to shareholders by allocating its capital to assets commensurate with the level of risk.

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed.

The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

The Board has the opportunity to consider levels of gearing, however there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the level of liabilities is small and the management of the liabilities is not directly related to managing the return to shareholders. There has been no change in this approach from the previous period.

16. Contingencies, Guarantees and Financial Commitments

There were no commitments, contingencies or guarantees of the Company at the year end (2013: nil).

17. Controlling Party

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

Enquiries
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