**Puma VCT VII plc**

**Final results for the period ended 28 February 2014**

**HIGHLIGHTS**

- Fund now fully invested in a diverse range of high quality businesses and projects.
- Requirement that qualifying investments are 70% of the fund on an HMRC basis now met.
- 15p per share of dividends paid since inception, 10p during the period, equivalent to a 7.1% per annum tax-free running yield on net investment.
- Gain in NAV (adding back dividends) of 0.44p per share during the period.

**CHAIRMAN'S STATEMENT**

**Introduction**

I am pleased to present the Company's third Annual Report which, reflecting the change of accounting year end to 28 February, represents a 14 month period ended 28 February 2014.

As envisaged in the Company's prospectus, the Company has for the third calendar year in succession paid a dividend of 5p per ordinary share, equivalent to a 7.1% tax-free running yield on shareholder's net investment.

**Investments**

At the end of the period, the Company had invested just under £10 million, representing 96% of its net asset value, in a mixture of qualifying and non-qualifying investments whilst still maintaining our VCT qualifying status. These investments are primarily in asset-backed businesses and projects providing a gross annual return of 6.7% on the basis of current deployments and investment performance. This gross figure should rise to about 7.8% on the same basis when two further deployments in the pipeline are completed.

***VCT qualifying investments***

During the period, the Company deployed a total of £2.5 million across three new VCT-qualifying investments. Details of these investments can be found in the Investment Manager's report, below. During the period, the Company met its minimum qualifying investment percentage of 70 per cent.

***Non-qualifying investments***

As reported in our interim report, at the start of 2013 the Investment Manager made several changes to the non-qualifying portfolio to re-position it in light of conditions in the securities markets. All the Company's remaining holdings in bond funds and its last absolute return fund were liquidated, resulting in an overall total return to the Company (including income and capital) of 9.7% from the funds. Also during the period, the Company completed a further £650,000 non-qualifying secured loan, which is described in more detail 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.

**Results**

The Company reported a net profit of £60,000 for the year, equivalent to 0.44p per ordinary share (calculated on the weighted average number of shares). The Net Asset Value per ordinary share (“NAV”) at the period end (adding back the 15p of dividends paid to date) was 91.92p.

**Outlook**

The Company has made good progress during the period, and thereafter. 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. In addition to deploying funds in non-qualifying loans, the Company achieved its 70% qualifying status during the period. Whilst there will probably 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.

**David Buchler**
**Chairman**
27 June 2014

**INVESTMENT MANAGER'S REPORT**

## Introduction

The on-going effects of the credit crisis mean that small and medium sized businesses (SMEs) are continuing to find it difficult to access the funding they need from the traditional banks. As a consequence, we have been able to make a number of attractive investments, both qualifying and non-qualifying, to smaller companies on a secured basis.

## Qualifying investments

As indicated in the Company's interim report in March 2013, the Company invested a further £800,000 (as part of £1.6 million across the Puma VCTs) into Brewhouse and Kitchen Limited, taking its total exposure to £1.25 million. 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. During the period, Brewhouse and Kitchen opened its first pub, the White Swan in Portsmouth, which has been trading well. Shortly after the period end, it opened its second pub in Dorchester after a substantial renovation.

During the period, the Company made two investments totalling £1.1 million into Saville Services Limited, a contracting company, alongside other Puma VCTs. 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.

As previously reported, the Company invested £1 million into Jephcote Trading Limited, a contracting company, which had been actively pursuing opportunities to deploy its financial resources. In December 2013, the Company invested a further £650,000 into Jephcote Trading, and we are pleased to report that it has joined a limited liability partnership with other contracting companies which entered into a contracting contract with Ansgate (Barnes) Limited. The limited liability partnership has agreed to provide £8 million of project management and contracting services, of which the Company's share via Jephcote Trading is an investment of £1.64 million. These services will be provided 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. The work has now commenced and is currently progressing to time and to budget.

As indicated in the Company's previous interim report, 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 are providing contracting services 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. Several of the developments have now completed and the others are in the latter stages of construction; we expect these projects to deliver attractive returns.

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 indicated in the Company’s interim report, SIPCOM experienced a default by a major customer in 2012 and to be prudent the Company have 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 28 February 2014) and the Company expect to receive a further settlement in the next two months.

We previously reported that Huntly Trading Limited, a contracting company in which the Company had invested £1 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. Huntly Trading’s funds have since been re-allocated to a contract to provide contracting services in connection with the construction of up to 16 apartments for supported living for psychiatric and learning disabled service users in Bolton, Lancashire. We are pleased to confirm that the project is progressing well.

**Non-qualifying investments**

As indicated in the interim report for the first six months of the period, when the fund began investing in 2011, we chose a portfolio of bonds, hedge funds and hedge funds of funds. We reviewed the portfolio and liquidated several of these during 2012 for an overall small gain. We retained a number of the best performing investments of this portfolio, most of which were bond funds and one residual hedge fund. At the start of 2013, we became concerned that bonds had become overvalued relative to equities. Anticipating a change in market sentiment regarding bonds and a switch into equities, we decided to take profits on all of these holdings at the start of 2013 and all the positions were liquidated during the period.

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. These loans take longer to identify and execute, but should work well for the Company into the medium term. We have now completed three such non-qualifying loans for a total of £2.86 million.

As indicated in the Company’s interim report, in March 2013 the Company advanced a £650,000 loan (through Latimer Lending Limited) together with another Puma VCT investing on the same basis to Countywide Property Holdings Limited, a business with a strong track record of acquiring greenfield and brownfield sites for residential and commercial development. The loan is secured on a 5.6 acre site, including a large house, in Brackley near Silverstone. The loan was extended on a sub-50% loan to value basis and is earning an attractive rate of interest which is being paid monthly. Countywide Property Holdings has exchanged contracts with one of the UK's largest house builders to sell the property, subject to planning permission being granted, to develop up to 50 new homes on the site. There has recently been a favourable planning meeting and we expect planning to be granted.

The Company's £1.33 million 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.

As reported in the previous annual report, the Company has provided a loan of £881,000 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 funds, and has been performing very well over the year. Subsequent to the period end, this investment was realised to allow the funds to be deployed into further qualifying investments.

**Investment Strategy**

We are pleased now to have fully invested the Company's funds in secured loans, both qualifying and non-qualifying. We remain focused on generating strong returns for the Company in 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**
27 June 2014

# Investment Portfolio Summary
## As at 28 February 2014

| | Valuation £'000 | Cost £'000 | Loss £'000 | Valuation as % of Net Assets |
|---|---|---|---|---|
| **As at 28 February 2014** | | | | |
| **Qualifying Investment - Unquoted** | | | | |
| Brewhouse and 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 | - | 10% |
| Jephcote Trading Limited | 1,650 | 1,650 | - | 16% |
| Saville Services Limited | 1,100 | 1,100 | - | 11% |
| SIP Communications PLC | 335 | 545 | (210) | 3% |
| **Total Qualifying Investments** | 7,095 | 7,305 | (210) | 68% |
| **Non-Qualifying Investments** | | | | |
| Buckhorn Lending Limited | 881 | 881 | - | 8% |
| Latimer Lending Limited | 650 | 650 | - | 6% |
| Puma Brandenburg Finance Limited | 1,330 | 1,330 | - | 13% |
| **Total Non-Qualifying investments** | 2,861 | 2,861 | - | 27% |
| **Total Investments** | 9,956 | 10,166 | (210) | 95% |
| **Balance of Portfolio** | 435 | 435 | - | 5% |
| **Net Assets** | **10,391** | **10,601** | **(210)** | 100% |

Of the investments held at 28 February 2014, 87 per cent are incorporated in England and Wales, 13 per cent in Europe. Percentages have been calculated on the valuation of the assets at the reporting date.

# Income Statement
## For the period ended 28 February 2014

| | Note | Period from 1 January 2013 to 28 February 2014 Revenue £'000 | Capital £'000 | Total £'000 | Year ended 31 December 2012 Revenue £'000 | Capital £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| (Loss)/gain on investments | 8 (c) | - | (218) | (218) | - | 312 | 312 |
| Income | 2 | 741 | - | 741 | 274 | - | 274 |
| | | 741 | (218) | 523 | 274 | 312 | 586 |
| Investment management fees | 3 | (65) | (195) | (260) | (56) | (168) | (224) |
| Other expenses | 4 | (203) | - | (203) | (239) | - | (239) |
| | | (268) | (195) | (463) | (295) | (168) | (463) |
| Return on ordinary activities before taxation | | 473 | (413) | 60 | (21) | 144 | 123 |
| Tax on return on ordinary activities | 5 | - | - | - | - | - | - |
| Return on ordinary activities after tax attributable to equity shareholders | | 473 | (413) | 60 | (21) | 144 | 123 |
| Basic and diluted Return/(loss) per Ordinary Share | 6 | 3.50p | (3.06p) | 0.44p | (0.16p) | 1.07p | 0.91p |

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 period.

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 28 February 2014

| | Note | As at 28 February 2014 £'000 | As at 31 December 2012 £'000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Investments | **8** | 9,956 | 10,817 |
| **Current Assets** | | | |
| Debtors | **9** | 172 | 75 |
| Cash | | 388 | 926 |
| | | 560 | 1,001 |
| **Creditors - amounts falling due within one year** | **10** | (124) | (135) |
| **Net Current Assets** | | 436 | 866 |
| **Total Assets less Current Liabilities** | | 10,392 | 11,683 |
| **Creditors - amounts falling due after more than one year (including convertible debt)** | **11** | (1) | (1) |
| **Net Assets** | | 10,391 | 11,682 |
| **Capital and Reserves** | | | |
| Called up share capital | **12** | 135 | 135 |
| Capital reserve – realised | | (642) | (718) |
| Capital reserve – unrealised | | (210) | 279 |
| Revenue reserve | | 11,108 | 11,986 |
| **Equity Shareholders' Funds** | | 10,391 | 11,682 |
| **Net Asset Value per Ordinary Share** | **13** | 76.92p | 86.48p |
| **Diluted Net Asset Value per Ordinary Share** | **13** | 76.92p | 86.48p |

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2014 and were signed on their behalf by:

**David Buchler**
**Chairman**
27 June 2014

# Cash Flow Statement
## For the period ended 28 February 2014

| | **Period from 1 January 2013 to 28 February 2014 £'000** | **Year ended 31 December 2012 £'000** |
|---|---|---|
| Return on ordinary activities before taxation | 60 | 123 |
| Loss/(gains) on investments | 218 | (312) |
| Increase in debtors | (97) | (61) |
| (Decrease)/increase in creditors | (11) | 20 |
| **Net cash inflow/(outflow) from operating activities** | 170 | (230) |
| **Capital expenditure and financial investment** | | |
| Purchase of investments | (3,200) | (7,434) |
| Proceeds from sale of investments | 3,843 | 3,658 |
| **Net cash inflow/(outflow) from capital expenditure and financial investment** | 643 | (3,776) |
| **Dividends paid** | (1,351) | (676) |
| **Decrease in cash in the period** | (538) | (4,682) |
| **Reconciliation of net cashflow to movement in net funds** | | |
| Decrease in cash in the period | (538) | (4,682) |
| Net funds at start of period | 926 | 5,608 |
| Net funds at end of period | 388 | 926 |

# Reconciliation of Movements in Shareholders' Funds
## For the period ended 28 February 2014

| | Called up share capital £'000 | Capital reserve - realised £'000 | Capital reserve - unrealised £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|
| Balance as at 1 January 2012 | 135 | (405) | (178) | 12,683 | 12,235 |
| Return after taxation attributable to equity shareholders | - | (149) | 293 | (21) | 123 |
| Realisation of revaluation from prior period | - | (164) | 164 | - | - |
| Dividends paid | - | - | - | (676) | (676) |
| **Balance as at 31 December 2012** | **135** | **(718)** | **279** | **11,986** | **11,682** |
| Return after taxation attributable to equity shareholders | - | (203) | (210) | 473 | 60 |
| Realisation of revaluation from prior period | - | 279 | (279) | - | - |
| Dividends paid | - | - | - | (1,351) | (1,351) |
| **Balance as at 28 February 2014** | **135** | **(642)** | **(210)** | **11,108** | **10,391** |

Distributable reserves comprise: Capital reserve-realised, Capital reserve-unrealised and the Revenue reserve. At the period end distributable reserves totalled £10,256,000 (2012: £11,547,000).

The Capital reserve-realised shows gains/losses that have been realised in the period 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.

## 1. Accounting Policies

**Basis of Accounting**
Puma VCT VII plc ("the Company") was incorporated and is domiciled in England and Wales[RJC1]. 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 £60,000 as per the Income Statement on page 27 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 13. 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 debt instruments will usually be valued by applying a discounted cashflow 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 investment are taken to unrealised capital reserves.

It is not the Company's policy to exercise a controlling influence 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 agreed 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 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 boards 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, transaction costs, the capital element of the investment 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 the capital element of the performance fee are also taken through the Income Statement and are recognised in the Capital Reserve – Unrealised.

**Foreign exchange**
The base 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.

## 2. Income

| | Period from 1 January 2013 to 28 February 2014 £'000 | Year ended 31 December 2012 £'000 |
|---|---|---|
| **Income from investments** | | |
| Loan stock interest | 710 | 118 |
| Bond yields | 18 | 124 |
| | 728 | 242 |
| **Other income** | | |
| Bank deposit income | 13 | 32 |
| | 741 | 274 |

## 3. Investment Management Fees

| | Period from 1 January 2013 to 28 February 2014 £'000 | Year ended 31 December 2012 £'000 |
|---|---|---|
| Shore Capital Limited | 260 | 224 |
| | 260 | 224 |

Shore Capital Limited (Shore Capital) has been 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 pro rated due to the 14 month accounting period were 3.5% of the year end Net Asset Value (2012: 3.5%).

## 4. Other expenses

| | Period from 1 January 2013 to 28 February 2014 £'000 | Year ended 31 December 2012 £'000 |
|---|---|---|
| Administration - Shore Capital Fund Administration Services Limited | 45 | 41 |
| Directors remuneration | 71 | 61 |
| Social security costs | 4 | 5 |
| Auditor's remuneration for statutory audit | 21 | 17 |
| Insurance | 3 | 4 |
| Legal and professional fees | 3 | 8 |
| FSA, LSE and registrar fees | 9 | 37 |
| Trail commission | 31 | 54 |
| Other expenses | 16 | 12 |
| | 203 | 239 |

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 period are detailed in the Directors' Remuneration Report commencing on page 18. The Company had no employees (other than Directors) during the period. The average number of non-executive Directors during the period was 3 (2012: 3).

The Auditor's remuneration of £17,500 (2012: £14,000) has been grossed up in the table above to be inclusive of VAT.

## 5. Tax on Ordinary Activities

| | Period from 1 January 2013 to 28 February 2014 £'000 | Year ended 31 December 2012 £'000 |
|---|---|---|
| UK corporation tax charged to revenue reserve | - | - |
| UK corporation tax charged to capital reserve | - | - |
| **UK corporation tax charge for the period** | **-** | **-** |
| **Factors affecting tax charge for the period** | | |
| Return on ordinary activities before taxation | 60 | 123 |
| Tax charge calculated on profit on ordinary activities before taxation at the applicable rate of 20% | 12 | 25 |
| Capital loss/(income) not deductible/(taxable) | 81 | (29) |
| Tax losses (utilised)/carried forward | (93) | 4 |
| | - | - |

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 that they comply and continue to comply with the VCT regulations.

No provision for deferred tax has been made in the accounts. 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/(loss) per Ordinary Share

| | Period from 1 January 2013 to 28 February 2014 | | |
|---|---|---|---|
| | **Revenue** | **Capital** | **Total** |
| Result for the period (£'000) | 473 | (413) | 60 |
| Weighted average number of shares | 13,508,927 | 13,508,927 | 13,508,927 |
| Return/(loss) per share | 3.50p | (3.06)p | 0.44p |

| | Year ended 31 December 2012 | | |
|---|---|---|---|
| | **Revenue** | **Capital** | **Total** |
| Result for the period (£'000) | (21) | 144 | 123 |
| Weighted average number of shares | 13,508,927 | 13,508,927 | 13,508,927 |
| Return/(loss) per share | (0.16)p | 1.07p | 0.91p |

The total return 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 period ended 28 February 2014 (2012: nil). Interim dividends of 5p per Ordinary Share were paid on 21 February 2014 and 25 February 2013. Each dividend payment totalled £676,000 resulting in a total dividend of £1,351,000 (2012: £676,000).

## 8. Investments

| (a) Summary | Historic cost as at 28 February 2014 £'000 | Market value as at 28 February 2014 £'000 | Historic cost as at 31 December 2012 £'000 | Market value as at 31 December 2012 £'000 |
|---|---|---|---|---|
| Qualifying venture capital investments | 7,305 | 7,095 | 4,910 | 4,910 |
| Non-qualifying investments | 2,861 | 2,861 | 5,628 | 5,907 |
| | 10,166 | 9,956 | 10,538 | 10,817 |

| (b) Movements in investments | Qualifying venture capital investments £'000 | Non qualifying investments £'000 | Total £'000 |
|---|---|---|---|
| Opening value | 4,910 | 5,907 | 10,817 |
| Purchases at cost | 2,550 | 650 | 3,200 |
| Disposals: | | | |
| Proceeds | (155) | (3,688) | (3,843) |
| Realised net loss on disposals | - | (8) | (8) |
| Net unrealised losses in the period | (210) | - | (210) |
| **Valuation at 28 February 2014** | **7,095** | **2,861** | **9,956** |
| Book cost at 28 February 2014 | 7,305 | 2,861 | 10,166 |
| Net unrealised losses at 28 February 2014 | (210) | - | (210) |
| **Valuation at 28 February 2014** | 7,095 | 2,861 | 9,956 |

### (c) (Losses)/gains on investments

The (losses)/ gains on investments for the period shown in the Income Statement on page 27 is analysed as follows:

| | Period from 1 January 2013 to 28 February 2014 £'000 | Year ended 31 December 2012 £'000 |
|---|---|---|
| Realised (loss)/gain on disposal | (8) | 19 |
| Net unrealised (losses)/gains on investments held at the period end | (210) | 293 |
| | (218) | 312 |

## 8. Investments - continued

| (d) Quoted and unquoted investments | Market value as at 28 February 2014 £'000 | Market value as at 31 December 2012 £'000 |
|---|---|---|
| Quoted investments | - | 3,696 |
| Unquoted investments | 9,956 | 7,121 |
| | 9,956 | 10,817 |

**(e) Significant interests**

As at 28 February 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 High Income VCT plc | Puma VCT 8 plc | Puma VCT 9 plc | Fair value of Company's Investment 28 February 2014 £'000 | Fair value of Company's Investment 31 December 2012 £'000 |
| Frederica Trading Limited | 47% | 47% | - | - | 880 | 880 |
| Glenmoor Trading Limited | 47% | 47% | - | - | 880 | 880 |
| Huntly Trading Limited | 47% | 47% | - | - | 1,000 | 1,000 |
| Jephcote Trading Limited | 45% | - | 28% | 24% | 1,650 | 1,000 |
| Saville Services Limited | 23% | 16% | 15% | 5% | 1,100 | - |
| Buckhorn Lending Limited | 25% | 25% | 25% | 25% | 881 | 881 |
| Latimer Lending Limited | 33% | - | 33% | 33% | 650 | - |
| | | | | | 7,041 | 4,641 |

Shore Capital Limited is the investment manager of the Company, Puma VCT 8 plc and Puma High Income VCT 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 11 of the Annual Report.

## 9. Debtors

| | As at 28 February 2014 £'000 | As at 31 December 2012 £'000 |
|---|---|---|
| Prepayments and accrued income | 172 | 75 |

## 10. Creditors – amounts falling due within one year

| | As at 28 February 2014 £'000 | As at 31 December 2012 £'000 |
|---|---|---|
| Accruals and deferred income | 124 | 135 |

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

| | As at 28 February 2014 £'000 | As at 31 December 2012 £'000 |
|---|---|---|
| Loan notes | 1 | 1 |

On 29 November 2010, 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 members of the investment management team to receive 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 dividends 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.

## 12. Called Up Share Capital

| | As at 28 February 2014 £'000 | As at 31 December 2012 £'000 |
|---|---|---|
| 13,508,927 ordinary shares of 1p each | 135 | 135 |

## 13. Net Asset Value per Ordinary Share

| | As at 28 February 2014 | As at 31 December 2012 |
|---|---|---|
| Net assets (£'000) | 10,391 | 11,682 |
| Shares in issue | 13,508,927 | 13,508,927 |
| **Net asset value per share** | | |
| Basic | 76.92p | 86.48p |
| Diluted | 76.92p | 86.48p |

## 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 28 February 2014 £'000 | As at 31 December 2012 £'000 |
|---|---|---|
| **Assets at fair value through profit or loss** | | |
| Investments managed through Shore Capital Limited | 9,956 | 10,817 |
| **Loans and receivables** | | |
| Cash at bank and in hand | 388 | 926 |
| Interest, dividends and other receivables | 172 | 75 |
| **Other financial liabilities** | | |
| Financial liabilities measured at amortised cost | (125) | (136) |
| | 10,391 | 11,682 |

## 14. Financial Instruments (continued)

**Management of risk**
The main risks the Company faces from its financial instruments are 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, foreign currency 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 28 February 2014 £'000** | **As at 31 December 2012 £'000** |
|---|---|---|
| Investments in loans and loan notes | 6,328 | 5,068 |
| Cash at bank and in hand | 388 | 926 |
| Interest, dividends and other receivables | 172 | 75 |
| | 6,888 | 6,069 |

The cash held by the Company at the period end is split between a UK 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 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 Report of the Directors on page 15. 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.

## 14. Financial Instruments (continued)

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 to produce a conservative and accurate valuation.

None of the Company's investments are listed on the London Stock Exchange (2012: 34%) and all are unquoted investments (2012: 66%).

**Liquidity risk**
Details of the Company's unquoted investments are provided in the Investment Portfolio summary on page 6. By their nature, unquoted investments may not be readily realisable, the Board considers exit strategies for these investments throughout the period for which they are held. As at the period end, the Company had no borrowings other than loan notes amounting to £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.

**Fair value interest rate risk**
The benchmark that determines the interest received on the current account is the Bank of England base rate, which was 0.5 per cent at 28 February 2014 and 31 December 2012. All of the loan and loan note investments are unquoted and hence not directly subject to market movements as a result of interest rate movements.

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

**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.

## 14. Financial Instruments (continued)

**Interest rate risk profile of financial assets**
The following analysis sets out the interest rate risk of the Company's financial assets as at 28 February 2014.

| As at 28 February 2014 | Rate status | Average interest rate | Period until maturity | Total £'000 |
|---|---|---|---|---|
| Cash at bank - RBS | Floating | 0.15% | - | 83 |
| Cash at bank - Investec | Fixed | 0.80% | 32 day notice | 305 |
| Loans and loan notes | Floating | 15.18% | 42 months | 4,998 |
| Loans and loan notes | Fixed | 5.00% | 76 months | 1,330 |
| Balance of assets | Non-interest bearing | | - | 3,800 |
| | | | | 10,516 |

| As at 31 December 2012 | Rate status | Average interest rate | Period until maturity | Total £'000 |
|---|---|---|---|---|
| Cash at bank - RBS | Floating | 0.90% | - | 608 |
| Cash at bank - Investec | Fixed | 1.7% | 32 day notice | 304 |
| Cash at custodian | Non-interest bearing | - | - | 14 |
| Loans and loan notes | Floating | 4.74% | 93 months | 3,738 |
| Loans and loan notes | Fixed | 5.00% | 48 months | 1,330 |
| Balance of assets | Non-interest bearing | - | - | 5,824 |
| | | | | 11,818 |

**Foreign currency risk**
The reporting currency of the Company is Sterling. The Company has not held any non-Sterling investments during the period.

## 14. Financial Instruments (continued)

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

| As at 28 February 2014 | Level 1 'Quoted prices' £'000 | Level 2 'Observable inputs' £'000 | Level 3 'Unobservable inputs' £'000 | Total £'000 |
|---|---|---|---|---|
| At fair value through profit and loss | - | - | 9,956 | 9,956 |

| As at 31 December 2013 | Level 1 'Quoted prices' £'000 | Level 2 'Observable inputs' £'000 | Level 3 'Unobservable inputs' £'000 | Total £'000 |
|---|---|---|---|---|
| At fair value through profit and loss | 3,696 | - | 7,121 | 10,817 |

Financial assets and liabilities 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 asset or liabilities ('quoted prices');
- Level 2 – Inputs (other than quoted prices in active markets for identical assets or liabilities) that are directly or indirectly observable for the asset or liability ('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.

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

| | Unquoted shares £'000 | Loan notes £'000 | Total £'000 |
|---|---|---|---|
| 1 January 2012 | - | - | - |
| Purchases at cost | 2,053 | 5,068 | 7,121 |
| Balances as at 31 December 2012 | 2,053 | 5,068 | 7,121 |
| Purchases at cost | 1,785 | 1,415 | 3,200 |
| Disposals | - | (155) | (155) |
| Impairment | (210) | - | (210) |
| Balance as at 28 February 2014 | 3,628 | 6,328 | 9,956 |

## 15. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders 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 it 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 period-end (2012: nil).

## 17. Controlling Party

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