



SHORE CAPITAL



# PUMA VCT II PLC

INTERIM REPORT 2008

# Contents

Chairman's Statement	1
Income Statement	5
Balance Sheet	6
Cash Flow Statement	7
Reconciliation of Movements in Shareholders' Funds	8
Notes to the Interim Report	9
Officers and Professional Advisers	11

# Chairman's Statement

## Highlights

- Net asset value per share of 100.72p. This represents a 3.2% decrease from year-end (adding back the 1.5p 2008 final dividend paid on 2 July 2008) compared to a decrease of 21.4% on the FTSE AIM Index for the same period.

### Introduction

During the six months to 31 August 2008, the investment manager's conservative approach has held Puma VCT II plc's performance stable though the continuing turmoil inflicting the wider financial markets, resulting in a small drop in NAV.

The fund has a remit to invest in both unquoted and AIM/Plus listed equities, but the investment manager has concentrated upon investments in unquoted companies. The focus in unquoted investments is on providing secured mezzanine finance whilst taking minimum equity risk. The fund also holds some AIM stocks where the Investment Manager considered that the fund-raising offered good medium term value.

This strategy has proven to be prudent as the AIM market fell 21.4% during the six months to 31 August 2008, suffering from the continuing economic downturn affecting global financial markets. It is likely that the value of typical unquoted equities of a kind in which VCTs can invest will have fallen by the same amount or more. In the same period the Company is reporting a fall of only 3.2% (adding back the 1.5p 2008 final dividend paid on 2 July 2008) in the NAV per share which now stands at 100.72p.

The fall in value is primarily attributable to the Company's AIM quoted stocks, many of which are trading at a discount to their respective net asset values. This is less to do with the quality of these

## Chairman's Statement continued

companies than the continuing result of the volatility and sentiment in the stock market for smaller companies that we reported on for the period ended 29 February 2008.

### Existing Qualifying investments

Of the existing unquoted stocks, the £1.5m investment in Cadbury House Hotel & Country Club plc (Cadbury House), the leisure centre and hotel complex near Bristol, continues to trade very well and ahead of budget. Also, Cadbury House had applied for planning permission to build an extension to the hotel containing a further 58 bedrooms and the application is expected to be considered by the relevant committees over the next few months. This should generate further value to the Company's existing investment.

The Company invested £419,000 in Stocklight, the parent company of Bloomsbury Auctions. This investment is in mezzanine finance and is very well secured both by freehold commercial property and a well-spread inventory of rare books. Stocklight is trading profitably

as a group, but the company has invested significantly in establishing a global footprint of its auction business. The auction sites in Rome and New York are taking time to generate a return, but overall our investment is secure.

The value of the quoted qualifying stocks at the period end was £897,000, compared to £1,199,000 at the period ended 29 February 2008 and is responsible for the bulk of the fall in NAV in the period. This reflects the difficult market conditions facing all AIM stocks. However these stocks make up only 10.6% of the overall portfolio and we expect that at least some of the recent falls will reverse in due course.

### Non-qualifying investments

The market value of the non-qualifying investment portfolio was £2,459,000 at the period end against an underlying book cost of £2,230,000. This portfolio consists of three elements, listed stocks, hedge funds and a non-qualifying private equity investment. Performance for this portfolio for the six months was slightly negative.

The non-qualifying private equity investment is in a hotel development project on the outskirts of Winchester in the green belt. Having secured planning permission in this location we expect, in due course, to record a gain on this holding. At present we are carrying it at cost. Construction of a 120 bedroom hotel, to be a Holiday Inn Express, began in October and is expected to take about a year.

### Results and dividends

As set-out in the accounts for the period ended 29 February 2008, a dividend of 1.5p per ordinary share was declared during the period and paid on 2 July 2008. Your Board is not proposing a dividend in relation to this interim period but reiterates the intention to distribute a large element of the available income and, if appropriate, realised capital gains in due course.

### VAT on management fees

The Government has announced that VCTs will be exempt from paying VAT on investment management fees with effect from 1 October 2008, following a European Court of Justice judgement against the

Government in a case relating to VAT payable by investment trusts. This represents a prospective annual cost saving for the Company of around £37,000. More recently, the Government has conceded that VCTs will be able to obtain a repayment of VAT paid on management fees in earlier periods (the benefit of this has not been included in the current NAV). We will report on our progress in respect of this beneficial development in due course.

### Principal risks and uncertainties

It is clear that the UK economy is in turmoil. The consequences of this for our investment portfolio constitute the principal risk and uncertainty for the Company in the second half of the year.

### The Board

Chris Ring has resigned as a director of the Company and the Board has appointed Graham Shore, a director of Shore Capital Limited, as his replacement. Chris has been a director of Puma VCT II plc since its inception and has played a full and active role in the development of the Company. I would like to thank him for his contribution.

## Chairman's Statement continued

### Outlook

The Investment Manager continues to review opportunities as potential investee companies look for alternate sources of debt finance brought about by tighter credit conditions. The VCTs offering of mezzanine and equity finance for asset-backed growing companies continues to be attractive benefiting from the ability to increase the sum offered by spreading the investment across the five Puma VCTs.

The current portfolio of private equity holdings are sustaining their strong position and limit the Company's risk exposure in qualifying investments. The AIM qualifying stocks, a small element of the portfolio, have not performed well during the period but the Investment Manager is monitoring them closely and expects at least some of current losses to reverse in due course.

The investment manager is seeking new qualifying opportunities which match the risk averse mandate of the Company. The Company has sufficient cash resources to capitalise on any opportunities which arise and the timing for making investments into mezzanine in solid private companies is now much more favourable.

I look forward to reporting the progress of the Company with the next Annual Report for the year ended 28 February 2009.

**Sir Aubrey Brocklebank Bt**  
Chairman

28 October 2008

# Income Statement (unaudited)

For the six months ended 31 August 2008

	Note	Six months ended 31 August 2008			Six months ended 30 June 2007			Period ended 29 February 2008		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/gains on investments		–	(396)	(396)	–	432	432	–	(400)	(400)
Income		195	–	195	92	–	92	364	–	364
		<b>195</b>	<b>(396)</b>	<b>(201)</b>	<b>92</b>	<b>432</b>	<b>524</b>	<b>364</b>	<b>(400)</b>	<b>(36)</b>
Investment management fees	4	25	75	100	28	85	113	64	191	255
Performance fees		21	(90)	(69)	3	69	72	36	(116)	(80)
Other expenses		46	–	46	47	–	47	110	–	110
		<b>92</b>	<b>(15)</b>	<b>77</b>	<b>78</b>	<b>154</b>	<b>232</b>	<b>210</b>	<b>75</b>	<b>285</b>
<b>(Loss)/return on ordinary activities before taxation</b>		<b>103</b>	<b>(381)</b>	<b>(278)</b>	<b>14</b>	<b>278</b>	<b>292</b>	<b>154</b>	<b>(475)</b>	<b>(321)</b>
Tax on return on ordinary activities		(19)	19	–	3	(3)	–	(12)	12	–
<b>(Loss)/return on ordinary activities after tax attributable to equity shareholders</b>		<b>84</b>	<b>(362)</b>	<b>(278)</b>	<b>17</b>	<b>275</b>	<b>292</b>	<b>142</b>	<b>(463)</b>	<b>(321)</b>
<b>(Loss)/return per Ordinary Share (pence)</b>	2	<b>1.01p</b>	<b>(4.35)p</b>	<b>(3.34)p</b>	0.19p	3.31p	3.50p	1.72p	(5.58)p	(3.86)p

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

# Balance Sheet (unaudited)

As at 31 August 2008

	Note	As at 31 August 2008 £'000	As at 30 June 2007 £'000	As at 29 February 2008 £'000
<b>Fixed Assets</b>				
Investments	7	8,028	9,602	8,561
<b>Current Assets</b>				
Debtors		183	97	137
Cash		282	38	293
		465	135	430
<b>Creditors – amounts falling due within one year</b>		(70)	(77)	(96)
<b>Net Current Assets</b>		395	58	334
<b>Total Assets less Current Liabilities</b>		8,423	9,660	8,895
<b>Creditors – amounts falling due after more than one year (including convertible debt)</b>		(1)	(1)	(1)
<b>Net Assets</b>		8,422	9,659	8,894
<b>Capital and Reserves</b>				
Called up share capital		83	83	83
Capital reserve – realised		630	331	769
Capital reserve – unrealised		(508)	891	(285)
Other reserve		65	286	134
Revenue reserve		8,152	8,068	8,193
<b>Equity Shareholders' Funds</b>		8,422	9,659	8,894
<b>Net Asset Value per Ordinary Share</b>	3	101.50p	116.38p	107.17p
<b>Diluted Net Asset Value per Ordinary Share</b>	3	100.72p	112.92p	105.56p



# Cash Flow Statement (unaudited)

For the six months ended 31 August 2008

	Six months ended 31 August 2008 £'000	Six months ended 30 June 2007 £'000	Period ended 29 February 2008 £'000
<b>Operating activities</b>			
Investment income received	148	71	280
Investment management fees paid	(100)	(164)	(327)
Cash paid to directors	(7)	(7)	(17)
Foreign exchange gain/(loss) on cash	(2)	18	19
Other cash payments	(45)	(54)	(102)
<b>Net cash outflow from operating activities</b>	<b>(6)</b>	<b>(136)</b>	<b>(147)</b>
<b>Equity dividend paid</b>	<b>(125)</b>	<b>(75)</b>	<b>(75)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of investments	(183)	(2,832)	(5,206)
Proceeds from sale of investments	347	2,563	5,154
Acquisition costs	–	–	(1)
Net realised (loss)/gain on forward foreign exchange contracts	(44)	13	63
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>120</b>	<b>(256)</b>	<b>10</b>
<b>Decrease in cash</b>	<b>(11)</b>	<b>(467)</b>	<b>(212)</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Decrease in cash for the period	(11)	(467)	(212)
Net cash at start of the period	293	505	505
<b>Net funds at the period end</b>	<b>282</b>	<b>38</b>	<b>293</b>

# Reconciliation of Movements in Shareholders' Funds (unaudited)

For the six months ended 31 August 2008

	For the six months ended 31 August 2008					
	Called up share capital £'000	Capital reserve-realised £'000	Capital reserve-unrealised £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 March 2008	83	769	(285)	134	8,193	8,894
Total recognised (losses)/gains for the period	–	(139)	(223)	(69)	84	(347)
Equity dividend paid	–	–	–	–	(125)	(125)
<b>Balance at 31 August 2008</b>	<b>83</b>	<b>630</b>	<b>(508)</b>	<b>65</b>	<b>8,152</b>	<b>8,422</b>

	For the six months ended 30 June 2007					
	Called up share capital £'000	Capital reserve-realised £'000	Capital reserve-unrealised £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 January 2007	83	115	832	214	8,126	9,370
Total recognised (losses)/gains for the period	–	216	59	72	17	364
Equity dividend paid	–	–	–	–	(75)	(75)
<b>Balance at 30 June 2007</b>	<b>83</b>	<b>331</b>	<b>891</b>	<b>286</b>	<b>8,068</b>	<b>9,659</b>

	For the period ended 29 February 2008					
	Called up share capital £'000	Capital reserve-realised £'000	Capital reserve-unrealised £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
At 1 January 2007	83	115	832	214	8,126	9,370
Total recognised (losses)/gains for the year	–	654	(1,117)	(80)	142	(401)
Equity dividend paid	–	–	–	–	(75)	(75)
<b>Balance at 29 February 2008</b>	<b>83</b>	<b>769</b>	<b>(285)</b>	<b>134</b>	<b>8,193</b>	<b>8,894</b>

# Notes to the Interim Report

For the six months ended 31 August 2008

## 1. Accounting Policies

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments, and in accordance with applicable Accounting Standards and with the Statement of Recommended Practice, "Financial Statements of Investment Trust Companies" ("SORP") December 2005. Although this SORP principally applies to Investment Trusts, many of the characteristics of Investment Trusts are shared by VCTs therefore the Company will continue to follow the SORP until investment company status is revoked.

## 2. Return per Ordinary Share

The total loss per share of 3.34p (30 June 2007 – return of 3.50p) is based on the loss for the period of £278,000 (30 June 2007 – profit of £292,000) and the weighted average number of shares in issue as at 31 August 2008 of 8,299,300 (30 June 2007 – 8,299,300).

## 3. Net asset value per share

Period	Net assets	Shares in issue	Net Asset Value per share	
			Basic	Diluted
<b>31 August 2008</b>	<b>£8,422,000</b>	<b>8,299,300</b>	<b>101.50p</b>	<b>100.72p</b>
29 February 2008	£8,894,000	8,299,300	107.17p	105.56p
30 June 2007	£9,659,000	8,299,300	116.38p	112.92p

## 4. Management fees

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

## 5. Related Party Transactions

Related party transactions are described in the 2008 Annual Report and Accounts on page 36. There were no other related party transactions during the 6 months ended 31 August 2008.

6. The financial information for the six months ended 31 August 2008 and 30 June 2007 has not been audited and does not comprise full financial statements within the meaning of Section 240 of the Companies Act 1985. The financial information for the period ended 29 February 2008 has been extracted from the company's full financial statements for the period then ended that have been delivered to the Registrar of Companies, and on which the report of the Auditors was unqualified. The interim financial statements have been prepared on the same basis as the annual financial statements.

# Notes to the Interim Report continued

For the six months ended 31 August 2008

## 7. Investment portfolio summary

	Cost £'000	Valuation £'000	Gains/ (loss)	Valuation as a % of Net Assets
<b>As at 31 August 2008</b>				
<b>Qualifying investment – unquoted</b>				
Albemarle Contracting Ltd	700	700	–	8%
Bond Contracting Ltd	1,054	1,054	–	13%
Clifford Contracting Ltd	1,040	1,040	–	12%
Cadbury House Hotel & Country Club plc	1,459	1,459	–	17%
Stocklight Limited	419	419	–	5%
<b>Qualifying investment – quoted</b>				
@UK plc	285	17	(268)	0%
Alterian plc	13	14	1	0%
Clarity Commerce Solutions plc	98	30	(68)	0%
I-Design Group plc	41	21	(20)	0%
INVU plc	81	61	(20)	1%
Mount Engineering plc	153	142	(11)	2%
Patsystems plc	214	321	107	4%
Sport Media plc	210	51	(159)	1%
Universe Group plc	120	64	(56)	1%
Vertu Motors plc	407	176	(231)	2%
<b>Total qualifying investments</b>	<b>6,294</b>	<b>5,569</b>	<b>(725)</b>	<b>66%</b>
<b>Non-qualifying investments</b>				
Hedge fund portfolio	1,289	1,586	297	19%
Loan stock – interest bearing	204	230	26	3%
Other quoted investments	737	643	(94)	7%
<b>Total non-qualifying investments</b>	<b>2,230</b>	<b>2,459</b>	<b>229</b>	<b>29%</b>
<b>Total investments</b>	<b>8,524</b>	<b>8,028</b>	<b>(496)</b>	<b>95%</b>
<b>Balance of portfolio</b>	<b>394</b>	<b>394</b>	<b>–</b>	<b>5%</b>
<b>Net Assets</b>	<b>8,918</b>	<b>8,422</b>	<b>(496)</b>	<b>100%</b>

# Officers and Professional Advisers

## Directors

Sir A T Brocklebank Bt, ACA  
(Chairman)\*  
D M Brock\*  
G Shore (Appointed 27 June 2008)  
C J Ring (Resigned 27 June 2008)

\* non-executive

## Secretary

J S Paisner

## Registered Number

05317329

## Registered Office

Bond Street House  
14 Clifford Street  
London W1S 4JU

## Investment Manager

Shore Capital Limited  
Bond Street House  
14 Clifford Street  
London W1S 4JU

## Registrar

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
West Yorkshire  
HD8 0GA

## Administrator

Shore Capital Fund Administration  
Services Limited  
Bond Street House  
14 Clifford Street  
London W1S 4JU

## Auditors

Baker Tilly Audit LLP  
2 Bloomsbury Street  
London WC1B 3ST

## Sponsors and Solicitors

Howard Kennedy  
19 Cavendish Square  
London W1A 2AW

## Bankers

The Royal Bank of Scotland plc  
Western Branch  
60 Conduit Street  
London W1R 9FD

## VCT Tax Advisor

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

## Custodian

Pershing Securities Limited  
Capstan House  
One Clove Crescent  
East India Dock  
London E14 2BH





Puma VCT II plc  
Bond Street House  
14 Clifford Street  
London W1S 4JU  
[www.shorecap.co.uk](http://www.shorecap.co.uk)

Tel: 020 7408 4050  
Fax: 020 7408 4051