



PUMA VCT <sup>12</sup>  
Calculated Excellence

**INTERIM REPORT**

For the period ended  
31 August 2017

# Officers and Professional Advisers

## **DIRECTORS**

Raymond Pierce (Chairman)  
Jim Brydie (resigned on 01.11.2017)  
David Brock (appointed on 01.11.2017)  
Graham Shore

## **SECRETARY**

Eliot Kaye

## **REGISTERED NUMBER**

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## **REGISTERED OFFICE**

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London W1S 4JU

## **INVESTMENT MANAGER**

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Bond Street House  
14 Clifford Street  
London W1S 4JU

## **REGISTRAR**

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42-50 Hershams Road  
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## **ADMINISTRATOR**

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Bond Street House  
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## **AUDITORS**

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Chartered Accountants  
25 Farringdon Street  
London EC4A 4AB

## **SPONSORS AND SOLICITORS**

Howard Kennedy  
No 1 London Bridge  
London SE1 9BG

## **BANKERS**

Metro Bank plc  
One Southampton Row  
London  
WC1B 5HA

## **VCT TAX ADVISOR**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

## **CUSTODIAN**

Howard Kennedy  
No 1 London Bridge  
London SE1 9BG

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# 02 Chairman's Statement

## Highlights

- Φ 95% of fund invested in a diverse range of high quality businesses and projects
- Φ Qualifying investments now represent just under 60% of the fund, following investments made in eight SMEs since the period end
- Φ NAV per share up 0.24p in the half year to 95.62p

## INTRODUCTION

I AM PLEASED TO PRESENT THE INTERIM REPORT FOR PUMA VCT 12 PLC (THE 'COMPANY') FOR THE PERIOD TO 31 AUGUST 2017. AS AT THE DATE OF REPORTING, 95% OF FUNDS RAISED HAVE BEEN INVESTED IN A DIVERSE RANGE OF HIGH QUALITY BUSINESSES AND PROJECTS. SINCE THE PERIOD END, THE COMPANY HAS COMPLETED EIGHT QUALIFYING INVESTMENTS INTO SMALL AND MEDIUM SIZED BUSINESSES ("SMES"), REPRESENTING JUST UNDER 60% OF THE FUND. OUR PORTFOLIO IS WELL POSITIONED TO DELIVER ATTRACTIVE RETURNS TO SHAREHOLDERS WITHIN ITS EXPECTED TIME HORIZON.

## NET ASSET VALUE ('NAV')

The NAV per share at the period end was 95.62p, including a profit for the period of £74,000 which represents a return of 0.24p per ordinary share. The Company's total net assets at the period end were just over £29.5 million.

## QUALIFYING INVESTMENTS

### Growing Fingers – Children's Nursery

As reported in the Company's previous annual report, the Company had made a £294,000 qualifying investment (as part of a £2.8 million investment alongside other Puma VCTs) in Growing Fingers Limited, and a further £126,000 was invested during the period. The investment is funding the construction and launch of a new purpose-built 108 place nursery school in Wendover, Buckinghamshire, an affluent commuter town with direct links to

London. Growing Fingers is a new venture headed by a management team with many years' operational experience in nurseries and healthcare facilities. The Company benefits from first charge security over the Wendover site and the Growing Fingers business.

The Company has completed eight new qualifying investments since the period end, details of which are as follows.

### **Signal Building Services – Construction Projects**

In September 2017, the Company invested £200,050 (as part of a total investment round of £2 million) into Signal Building Services Limited, a recently established business specialising in delivering turnkey solutions to construction projects. The management team have over 40 years' of combined experience in the construction sector and we understand that they are in advanced negotiations to commence their first project.

### **Knott End – Pubs with Microbreweries**

The Company invested £2.4 million (as part of a £4.8 million qualifying investment alongside another Puma VCT) in Knott End Pub Company Limited which has entered into a franchise agreement with Brewhouse & Kitchen Limited to roll out a portfolio of pubs offering on-site craft micro-brewing activities and good quality food. The management team at Knott End have already identified several possible locations for their first unit and expect to open their first pub early next year.

### **Sweat Union – Budget Gyms**

In November 2017, the Company invested £3.35 million (as part of a total investment round of £3.75 million) into Sweat Union Limited, an innovative fitness business in the budget gym space. The high calibre

management team includes Frank Reed, a co-founder of Virgin Active, as CEO and has already opened five gyms under the Sweat! brand. Sweat! is pitched at a slight price premium to budget rivals, has dedicated spinning and aerobics studios and recently unveiled a partnership with Debenhams to launch in-store gyms. The Company's investment will facilitate the roll-out of the brand across the United Kingdom.

### **Sunlight Educational Nucleus – Special Educational Needs Schools**

In November 2017, the Company made a £2.35 million qualifying investment (as part of a £4.7 million investment alongside other Puma VCTs) in Sunlight Educational Nucleus Limited, a company seeking to develop, own and operate a series of special education needs schools across the United Kingdom.

### **Pure Cremation – Crematorium and Direct Cremations**

In November 2017, the Company invested £3 million in Pure Cremation Holdings Limited (as part of a £5 million qualifying investment alongside another Puma VCT). Pure Cremation is a leading provider of so-called direct cremations, meeting the needs of a growing number of people in the United Kingdom who want a respectful direct cremation arranged without any funeral, leaving them free to say farewell how, where and when is right for them. The Pure Cremation team have many years' experience in the funeral services sector and have secured an option over a site near Andover on which they will seek to develop a new crematorium and central facility.

## 04 Chairman's Statement continued

### **Children's Nurseries**

We are pleased to have completed qualifying investments in three children's day nursery businesses, backing experienced management teams, details of which are as follows:

#### ***Applebarn Nurseries***

In October 2017, the Company invested £1.1 million in Applebarn Nurseries Limited (as part of a £2.2 million qualifying investment alongside another Puma VCT) which is developing and will operate a new 120 place children's day nursery in Altrincham, South Manchester. The management team behind Applebarn include Stewart Pickering (the founder of Kidsunlimited which he built up to 50 nurseries before a successful exit) and experienced developer and contractor, the McGoff Group. The nursery is expected to open in the third quarter of 2018.

#### ***Kid and Play***

The Company made a £1.7 million qualifying investment in Kid and Play Limited, alongside funds invested by another Puma VCT totalling £3.4 million, in October 2017. Kid and Play is seeking to develop, own and operate a new children's day nursery and has identified a first site in Bromley, South London.

#### ***South West Cliffe***

In October 2017, the Company invested £2.1 million (as part of a £4.2 million qualifying investment alongside another Puma VCT) in South West Cliffe Limited, supporting an experienced management team to roll out a portfolio of purpose built day nurseries.

### **NON-QUALIFYING INVESTMENTS**

As previously reported, the Company had initially invested just under £22 million in a series of lending businesses offering an appropriate risk adjusted return in the short to medium term. It was intended that these positions would be liquidated in due course as the Company makes qualifying investments. Details of loans these lending businesses have made, many of which were repaid in full during the period to facilitate the qualifying investments referred to above, are set out below.

#### **Portfolio of freehold ground rent interests**

In June 2016, a £2.3 million loan was advanced and secured against a portfolio of freehold assets and the associated ground rents, as part of a package from other vehicles managed and advised by the Investment Manager totalling £4.3 million. We are pleased to report that, during the period, the loan was repaid in full giving a good rate of return.



### **Construction of Airport Hotel, Edinburgh**

During the period, a £1.6 million loan (as part of an overall facility of £13.5 million) was agreed with Ability Hotels (Edinburgh) Limited to fund the development of a new 175-room Hampton by Hilton hotel at Edinburgh Airport. The hotel is scheduled to open in the summer of 2019 at which time it will be the newest and nearest hotel to the airport terminal building. The Ability Group is an experienced developer and operator of hotels and the loan is secured with a first charge over the site. Following the period end, Ability obtained planning permission to increase the number of rooms to 240 and the overall facility is anticipated to increase accordingly to £17.75 million.

### **Rovex Business Park, Birmingham**

In July 2016, a loan of £1.5 million, together with loans from other vehicles managed and advised by your Investment Manager totalling £2.5 million, was advanced to Pall Mall Investments 2016 Limited. The loan was used to acquire Rovex Business Park, an industrial business park in Birmingham. We are pleased to report that, shortly following the period end, the loan was repaid in full giving a good rate of return.

### **Pharmacy, Notting Hill**

A loan of £1.03 million was advanced to Zinbake Limited to facilitate the acquisition of the assets of a pharmacy business located on Portobello Road in Notting Hill, London. The borrower is an experienced operator and has carried out an extensive refurbishment program at the new unit which has a good mix of NHS and over-the-counter income. The loan is secured with a first charge on the new pharmacy business and a first charge over the borrower's existing pharmacy located in south west London, both of which are trading well.

### **Citrus Group**

As previously reported, a series of loans totalling £1 million were advanced to various entities within the Citrus Group. These loans, together with loans from other vehicles managed and advised by the Investment Manager, form part of a series of revolving credit facilities to provide working capital to the Citrus PX business. Citrus PX operates a property part exchange service facilitating the rapid purchase of properties for developers and homeowners. The facility provides a series of loans to Citrus PX, with the benefit of a first charge over a geographically diversified portfolio of residential properties on conservative terms.

### **Ironbridge Group**

We previously reported that a £800,000 million facility (as part of a total facility of £5 million) had been advanced to an entity within the Ironbridge Group, providing the senior 70% slice of "stretched senior" bridging loans on non-owner-occupied properties in London and the South East with Ironbridge funding the subordinated 30% slice. Ironbridge operate a bridge lending business and have successfully deployed over £50m of customer loans to date. Loans are being advanced from 6 to 24 months with the senior slice at a conservative loan-to-value ratio.

### **Mixed Residential Commercial Development, Tower Bridge**

A £1.8 million loan (together with loans from other vehicles managed and advised by the Investment Manager totalling £4.3 million) was advanced to Empire TBR Limited to fund the construction of a mixed residential and commercial development near Tower Bridge, London. The location is well suited to the target market, with good transport links and local amenities, and the developer has successfully completed several similar redevelopments in central London. Unfortunately, the project has made little progress since the loan was advanced and may well not proceed to development. However, the loan is secured with a first charge over the site and the security covers the loan exposure.

### **Mixed Residential Commercial Development, Bloomsbury**

As previously reported, a £3.9 million loan (as part of a total facility of £17.97 million, increased from £17.5 million) was advanced to Cudworth Limited to fund the construction of a mixed residential and commercial development in Bloomsbury, London, close to the British Museum and 600m from King's Cross station. The development includes 11 apartments, 2 houses and 11,800 square feet of B1 commercial space. The loan is secured with a first charge over the site.

### **Care Home for the Elderly, Chester**

A £608,000 loan (as part of an overall facility of £7.4 million) was advanced to New Care (Chester) Limited to fund the development and initial trading of a 77-bed purpose-built care home in Chester. The New Care Group is an experienced developer and operator of care homes. The loan is secured with a first charge over the site and is expected to

generate an attractive return. We understand that the development is progressing well and the care home is scheduled to open in the first quarter of 2018.

### **Liquidity Management**

To further manage liquidity, the Company holds £1.2 million in a floating rate note issued by Royal Bank of Canada and £1.2 million in a floating rate note issued by Commonwealth Bank of Australia. It is intended that these positions will be liquidated in due course as the Company makes further qualifying investments.

### **VCT QUALIFYING STATUS**

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

### **PRINCIPAL RISKS AND UNCERTAINTIES**

Although the economy in the UK continues to grow, there are some signs of a slowdown associated with high personal debt levels and low growth in real wages. The consequences of this for the Company's investment portfolio constitute the principal risk and uncertainty for the Company in the second half of the year.



## PATIENT CAPITAL REVIEW

We are pleased that, in its response to the Financing Growth in Innovative Firms Consultation published with the Autumn Budget on 22 November 2017 ("the Patient Capital Review"), the Government has recognised the continuing importance of VCTs in providing much needed investment in SMEs. We note that proposed changes arising out of the Patient Capital Review include increasing VCTs' minimum qualifying investment percentage threshold from 70% to 80% with effect from 6 April 2019. As reported above, the Company has made good progress in making qualifying investments and we therefore believe that it is on track to meet this target.

## BOARD CHANGES

The Company announced on 1 November 2017 that Jim Brydie had resigned as a director with immediate effect. I would like to take this opportunity to thank Jim for his valuable contribution to the Company since its launch and wish him well for the future. We also announced that David Brock was appointed as director of the Company from the same date. David was previously a director of the first four Puma VCTs and, most recently, a director of Puma VCT 8 plc which has, to date, paid out 70p per share in dividends to shareholders. He was, until July 1997, a main board director of MFI Furniture Group plc and Managing Director of MFI International Limited having been involved at a senior level in both MFI's management buy-out and its subsequent flotation. He started his career at Marks and Spencer Group PLC. David is currently Chairman of Episys Limited, Elderstreet VCT plc and a non-executive director of Hargreave Hale AIM VCT 1 plc. He has had interests in venture capital both as a private investor and as an adviser to various funds.

## OUTLOOK

We are pleased that a substantial proportion of the Company's available cash is now invested in a diverse portfolio of qualifying and non-qualifying investments, generating an attractive return. The Investment Manager is in legal process with a number of further qualifying investment opportunities and expects to make such investments in the second half of the year. There are many suitable companies which are well-managed, in good market positions and which need our investment. We therefore believe the Company is strongly positioned to continue to assemble a portfolio to deliver attractive returns to shareholders.

**Ray Pierce**  
**Chairman**  
**30 November 2017**

# 08 Income Statement (unaudited)

FOR THE PERIOD ENDED 31 AUGUST 2017

	Note	Six months ended 31 August 2017			Period ended 31 August 2016			Period ended 28 February 2017		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments		-	7	7	-	4	4	-	26	26
Income		487	-	487	93	-	93	477	-	477
		487	7	494	93	4	97	477	26	503
Investment management fees	4	(74)	(222)	(296)	(71)	(213)	(284)	(144)	(432)	(576)
Other expenses		(124)	-	(124)	(157)	-	(157)	(297)	-	(297)
		(198)	(222)	(420)	(228)	(213)	(441)	(441)	(432)	(873)
Return/(loss) on ordinary activities before taxation		289	(215)	74	(135)	(209)	(344)	36	(406)	(370)
Tax on return on ordinary activities		-	-	-	-	-	-	(7)	7	-
Return/(loss) on ordinary activities after tax attributable to equity shareholders		289	(215)	74	(135)	(209)	(344)	29	(399)	(370)
Basic and diluted Return/(loss) per Ordinary Share (pence)	2	0.93p	(0.70p)	0.24p	(0.44p)	(0.68p)	(1.11p)	0.14p	(1.98p)	(1.84p)

The total 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 2017

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	Note	As at 31 August 2017 €'000	As at 31 August 2016 €'000	As at 28 February 2017 €'000
<b>Fixed Assets</b>				
Investments	6	25,793	24,826	27,129
<b>Current Assets</b>				
Prepayments		942	83	458
Cash		2,985	4,731	2,060
		3,927	4,814	2,518
<b>Creditors – amounts falling due within one year</b>		(164)	(132)	(165)
<b>Net Current Assets</b>		3,763	4,682	2,353
<b>Net Assets</b>		29,556	29,508	29,482
<b>Capital and Reserves</b>				
Called up share capital		19	19	19
Share premium account		29,833	29,833	29,833
Capital reserve – realised		(620)	(213)	(425)
Capital reserve – unrealised		6	4	26
Revenue reserve		318	(135)	29
<b>Equity Shareholders' Funds</b>		29,556	29,508	29,482
<b>Net Asset Value per Ordinary Share</b>	3	95.62p	95.47p	95.38p
<b>Diluted Net Asset Value per Ordinary Share</b>	3	95.62p	95.47p	95.38p

# 10 Cash Flow Statement (unaudited)

FOR THE PERIOD ENDED 31 AUGUST 2017

	Six months ended 31 August 2017 £'000	Period ended 31 August 2016 £'000	Period ended 28 February 2017 £'000
<b>Operating activities</b>			
Profit/(loss) on ordinary activities after tax	74	(344)	(370)
Gains on investments	(7)	(4)	(26)
Increase in debtors	(484)	(83)	(458)
(Decrease)/ increase in creditors	(1)	132	165
<b>Net cash outflow from operating activities</b>	<b>(418)</b>	<b>(299)</b>	<b>(689)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of investments	1,343	(24,822)	(27,103)
<b>Net cash used in investing activities</b>	<b>1,343</b>	<b>(24,822)</b>	<b>(27,103)</b>
<b>Cash flow from financing activities</b>			
Proceeds received from issue of ordinary share capital	-	30,909	30,909
Expenses paid for issue of share capital	-	(1,057)	(1,057)
Proceeds received from issue of redeemable preference shares	-	13	13
Redemption of redeemable preference shares	-	(13)	(13)
<b>Net cash inflow from financing</b>	<b>-</b>	<b>29,852</b>	<b>29,852</b>
<b>Increase in cash</b>	<b>925</b>	<b>4,731</b>	<b>2,060</b>
Net cash at start of the period	2,060	-	-
<b>Net funds at the period end</b>	<b>2,985</b>	<b>4,731</b>	<b>2,060</b>

# Reconciliation of Movements in Shareholders' Funds (unaudited)

FOR THE PERIOD ENDED 31 AUGUST 2017

	Called up share capital £'000	Share premium account £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000	Total £'000
Shares issued in the period	19	30,890		-	-	30,909
Expense of share issue	-	(1,057)	-	-	-	(1,057)
Total recognised (losses)/gains for the period	-	-	(213)	4	(135)	(344)
<b>Balance as at 31 August 2016</b>	19	29,833	(213)	4	(135)	29,508
Total recognised (losses)/gains for the period	-	-	(212)	22	164	(26)
<b>Balance as at 28 February 2017</b>	19	29,833	(425)	26	29	29,482
Total recognised (losses)/gains for the period	-	-	(195)	(20)	289	74
<b>Balance as at 31 August 2017</b>	19	29,833	(620)	6	318	29,556

# 12 Notes to the Interim Report

FOR THE PERIOD ENDED 31 AUGUST 2017

## 1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments, and in accordance with applicable Accounting Standards and with the Statement of Recommended Practice, "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") and in accordance with the Financial Reporting Standard 102 ("FRS102").

## 2. RETURN PER ORDINARY SHARE

The total profit per share of 0.24p is based on the profit for the period of £74,000 and the weighted average number of shares in issue as at 31 August 2017 of 30,909,188 calculated from the date of the first receipt of proceeds from the issue of ordinary share capital.

## 3. NET ASSET VALUE PER SHARE

	As at 31 August 2017	As at 31 August 2016	As at 28 February 2017
Net assets	29,556,000	29,508,000	29,482,000
Shares in issue	30,909,188	30,909,188	30,909,188
<b>Net asset value per share</b>			
Basic	95.62p	95.47p	95.38p
Diluted	95.62p	95.47p	95.38p

## 4. MANAGEMENT FEES

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

## 5. FINANCIAL INFORMATION PROVIDED

The financial information for the period ended 31 August 2017 has not been audited and does not comprise full financial statements within the meaning of Section 423 of the Companies Act 2006. The interim financial statements have been prepared on the same basis as will be used to prepare the annual financial statements.

FOR THE PERIOD ENDED 31 AUGUST 2017

## 6. INVESTMENT PORTFOLIO SUMMARY

	Valuation £'000	Cost £'000	Gain/(loss) £'000	Valuation as a % of Net Assets
<b>As at 31 August 2017</b>				
<b>Qualifying Investment – Unquoted</b>				
Growing Fingers Limited	420	420	-	1%
<b>Total Qualifying Investments <sup>1</sup></b>	420	420	-	1%
<b>Non-Qualifying Investments</b>				
Piccadilly Lending Limited	2,400	2,400	-	8%
Bayswater Lending Limited	1,900	1,900	-	6%
Victoria Lending Limited	3,800	3,800	-	13%
Tottenham Lending Limited	3,800	3,800	-	13%
Sloane Lending Limited	3,800	3,800	-	13%
Marble Lending Limited	3,800	3,800	-	13%
Valencia Lending Limited	2,441	2,441	-	8%
<b>Total Non-Qualifying Investments</b>	21,941	21,941	-	74%
<b>Liquidity Management Investments</b>				
Royal Bank of Canada Bond <sup>2</sup>	2,213	2,213	-	7%
Commonwealth Bank of Australia Bond <sup>2</sup>	1,219	1,213	6	4%
<b>Total Liquidity Management Investments</b>	3,432	3,426	6	11%
<b>Total Investments</b>	25,793	25,787	6	86%
<b>Balance of Portfolio</b>	3,763	3,763		14%
<b>Net Assets</b>	29,556	29,550	6	100%

<sup>1</sup> As discussed in the Chairman's Statement, a substantial number of qualifying investments were made following the period end, such that just under 60% of the portfolio on the HMRC basis is now qualifying.

<sup>2</sup> Quoted investment listed on the London Stock Exchange

Of the investments held at 31 August 2017, all are incorporated in England and Wales with the exception of the liquidity management holdings.

Copies of this Interim Statement will be made available on the website:

[www.pumainvestments.co.uk/pages/view/investors-information-vcts](http://www.pumainvestments.co.uk/pages/view/investors-information-vcts)



## PUMA INVESTMENTS

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