



SHORE CAPITAL



PUMA VCT PLC

ANNUAL REPORT & ACCOUNTS 2008

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Highlights

- Fully diluted NAV per share of 105.31p for Puma VCT plc at period end (up 8.4% since inception including dividends, down 3.7% for the period).
- Nine qualifying investments made in 2007/08, achieving its 70% qualifying investment target.
- Dividend of 1.5p proposed per Ordinary Share.

Sir Aubrey Brocklebank Bt of Puma VCT plc said:

“The defensive qualities of the Puma VCT plc’s investments have enabled a resilient performance with only a small drop in NAV. This was despite the well reported turmoil inflicting the wider financial markets and was considerably better than most of its peers, reflecting the investment manager’s conservative approach.”



Cadbury House Hotel & Country Club plc with the new 72 bed extension

Chairman's Statement

The defensive qualities of the Puma VCT plc's investments have enabled a resilient performance with only a small drop in NAV. This was despite the well reported turmoil inflicting the wider financial markets and was considerably better than most of its peers, reflecting the investment manager's conservative approach.

In a year where the AiM market fell 17 per cent from its peak in July, the Company is reporting a 3.7 per cent fall in diluted NAV per share (including the 2006 final dividend) for the 14 month period, which now stands at 105.31p. Although on an absolute return basis this is disappointing, in the current environment the focus must be on ensuring that the Company is not too exposed to the vagaries of the markets and that the private equity investments can weather any economic down-turn. Most of the drop in value arises from our investments in AiM stocks which in many cases are trading at a discount to their asset value. This is more the result of the volatility and sentiment in the stock market for smaller companies than the quality of the companies concerned and I would expect these prices to return to more sensible levels in due course. To this extent I am comfortable that the Investment Manager has successfully delivered against its mandate and is conservatively building a robust portfolio of investments that should protect investors' capital.

Venture capital investments

The Company completed nine qualifying transactions during the period. Three of these are private equity deals with companies in which Puma VCT plc already had an investment. Given the current uncertainties, it is undoubtedly a sensible approach to stick with the companies and entrepreneurs whom are well known to the Investment Manager. The new AiM investments were relatively small amounts, representing less than 6 per

cent of the total qualifying portfolio (c4 per cent of total NAV).

Puma VCT plc originally invested £711,000 into Cadbury House Hotel & Country Club Limited in June 2005. The Company subsequently follow-on invested £1.2 million in two tranches, with the second investment occurring in April 2007. In June, Cadbury House opened the doors to the newly built 72 bed hotel extension and it has subsequently outperformed expectations with respect to occupancy and room rates. Given the success of the leisure club, it was proposed that an extension should be built to expand capacity. This presented the Company with an opportunity to exit its original investment with an 88 per cent return after two years and to reinvest further amounts as secured mezzanine.

As you may recall, Puma VCT plc invested in the parent company of Bloomsbury Auctions Limited, at the end of 2006. Bloomsbury Auctions is Europe's largest specialist book auctioneer, which during the year has successfully launched additional departments in the UK (away from books) and opened new auction rooms in Rome and New York. As a result of the progress made, the company sought further amounts to fund working capital requirements. Puma VCT plc invested £203,000 as part of a £1 million financing round.

At 29 February 2008, the Company's qualifying portfolio had a total cost of £9,212,000 and was valued at £8,513,000 resulting in an unrealised loss of £699,000. Further details are set out in the Investment Manager's Report and the Largest Investments on pages 4 to 10.

The Company now has 73.4 per cent invested in qualifying investments, which meets the Inland Revenue requirement to have at least 70 per cent in qualifying investments by the end of year three.

Non-qualifying investments

The Investment Manager has invested the non-qualifying investments on an absolute return basis. The market value was £3,893,000 at year-end against an underlying book cost of £3,448,000. The performance was flat in the non-qualifying portfolio in 2007 as a result of the turbulent markets, reflecting which the Company retains a high level of cash.

Results and dividend

The net total loss for the period was £497,000. Gross revenue for the period was £480,000 and net revenue return after taxation was £182,000. The Board proposes a final dividend of 1.5p per Ordinary Share. The ex-dividend date will be 7 May 2008 and the record date 9 May 2008. Payment will be made to shareholders by 2 July 2008.

Annual General Meeting

The Annual General Meeting of the Company will be held at Bond Street House, 14 Clifford Street, London, W1S 4JU on 27 June 2008 at 10am. Notice of the Annual General Meeting and Form of Proxy are inserted within the annual accounts.

Outlook

As discussed later on in the Investment Manager's Report, in many respects the fall-out from tighter credit conditions is expected to present more opportunities to Puma VCT plc as potential investee companies look for alternative sources of debt finance and should have more realistic expectations on valuations, whether that be in a private or listed capacity. The existing private equity investments have performed well and we are comfortable with the risk exposure in these going forward. The AiM investments make up only 14 per cent of the overall portfolio. On a medium term view it is still considered that they represent sound defensive investments, however, we will monitor them very closely.

Sir Aubrey Brocklebank Bt

Chairman

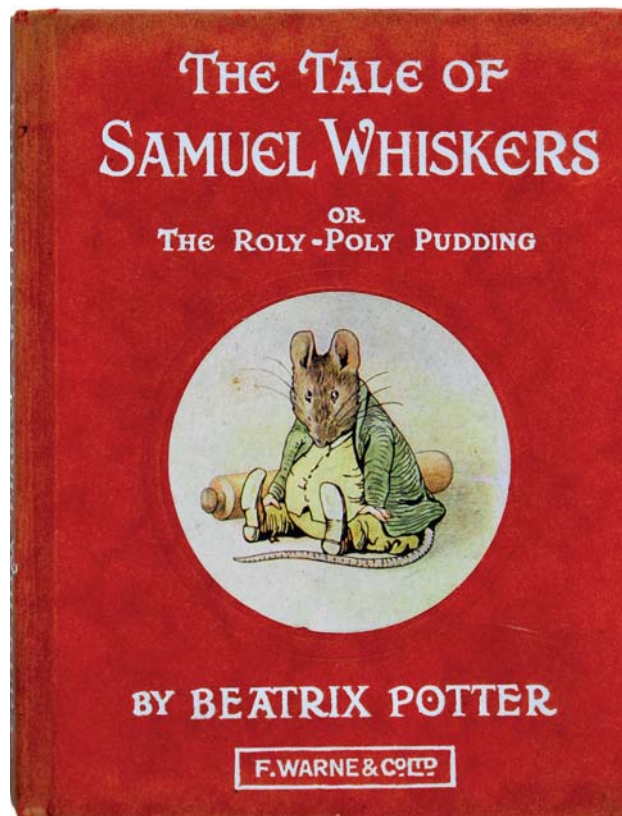
28 April 2008

Investment Manager's Report

Overall Performance

The Company's relatively lower risk investment mandate has clearly been tested in the preceding eight months as significant increases in volatility and widespread negative sentiment dragged down the financial markets. It is against this backdrop that we are pleased to report that the diluted NAV per share performed relatively well, dropping from 110.32p to 105.31p representing a 3.7 per cent fall after taking into account the 2006 dividend. This compares favourably against the fall of 17 per cent in the FTSE AiM index from its high in July and we believe supports our investment decisions to date. Notwithstanding this, the results are disappointing as our investors expect an absolute return on their capital. We are, however, comfortable with the current portfolio of investments and expect that recent falls will be corrected in the medium term whilst at the same time new investments will improve overall returns.

The well documented difficulties faced by hedge funds after July impacted on the performance of the non-qualifying portfolio as did adverse market sentiment on



Typical item for auction, Bloomsbury Auctions, subsidiary of Stocklight Limited



The Restaurant, Cadbury House Hotel & Country Club plc

property stocks. The hedge fund investments ended the period with a positive overall return of 4.3 per cent. During the period the amount invested in hedge funds was reduced by over 65 per cent as a result of increasing concern over the turmoil in markets as a whole. The decline in the remaining non-qualifying investments, which off-set the hedge fund gains, was due to falls in property share prices trading at deep discounts to net asset values.

We believe that the discounts to net asset values shown on these stocks should protect investors against further shocks and we would expect valuations to rise over the next three years.

New Qualifying Investments

During 2007, we considered literally hundreds of opportunities for the Company's qualifying portfolio, meeting numerous management teams every week. It is therefore a reflection of our cautious approach, in accordance with our mandate, that we did not get carried away by the frenetic activity associated with the AiM market in the first half of the year. This has left us relatively well positioned, given the subsequent decline in values across the board. Therefore, it should perhaps be of little surprise that of the nine new qualifying transactions completed by Puma VCT plc four of these related to companies in which we already had an investment. In turbulent and uncertain times it has been hugely reassuring to have the opportunity to invest in businesses and management teams that we know very well.

Puma VCT plc's first qualifying investment in 2007 was the second tranche of the Company's £1.2 million senior debt investment in Cadbury House Hotel & Country Club Limited. Cadbury House opened its 72 bed hotel wing in June which brings to an end a £17 million development project that started in June 2005. The management team have continued to deliver excellent results from all aspects of the business which includes conference and banqueting and a leisure club. The overwhelming success of the leisure club in growing membership led to a proposal to build an extension to increase capacity. To facilitate the financing and to crystallise a gain, the investment was restructured in November. The Puma VCT plc's original investment of £711,000 was exited at £1.33 million, an 88 per cent return in just over two years. The Company reinvested £910,000 of this amount into more secure loan notes, with an attractive coupon.

Puma VCT plc invested in Bond Contracting Limited in the first half of 2007. Bond Contracting was set-up to acquire companies or to operate within the leisure sector and actively sought to enter into contracting arrangements during the period. We are pleased to report that the company has recently entered into its first significant construction contract within this space.

Between April and July, Puma VCT plc invested a total of £679,000 in five AiM quoted companies: Universe Group plc, Mount Engineering plc, Mediasurface plc, Invu plc and i-Design plc. Just under a third of this amount was invested in Mount Engineering plc a provider of



Mount Engineering plc

engineering equipment, principally to the oil and gas sector. We are pleased to report that the share price has held firm against the wider market decline. The business has many of the defensive qualities we look for, was reasonably priced and the management team are backable. The other new AiM investments proved less resilient to the general market down-turn. These represent only 4.4 per cent of the Company's NAV and therefore the exposure is well contained and did not unduly impact Puma VCT plc's performance.

The Company's second investment in what was Interactive World plc (now Sport Media plc) has proved more disappointing. Puma VCT plc's original investment, in this distributor and aggregator of media content to mobile phones, had been performing satisfactorily, with the share price being supported by strong cash generation and management delivering against all forecasts. In August this year, the Company invested a further £204,000, as part of a £63 million fundraising, in a deal to acquire the Sports Newspaper Group (the combined group has been renamed Sport Media Group plc). The business has strong cash flows in both parts of the merged group (reflected in a good dividend) and management made a case for a turn-around story. Most of the £63 million raised was placed with non-VCTs giving the stock a higher capitalisation which should improve its liquidity in the medium term.

Puma VCT plc's final qualifying investment of 2007 was another follow-on investment in one of our existing private investee companies. Stocklight Limited is the parent company of Bloomsbury Auctions, which has made great progress expanding its auction business both in the UK and overseas. The company successfully launched a new auction room in New York and Rome, whilst maintaining momentum with the more established London business. The Company invested £203,000, taking the total investment to £611,000. In keeping with our mandate, most of the investment is in the form of secured loan notes and we are comfortable with the security provided by a significant asset base.

During the period the Company has invested in two qualifying companies, Clifford Contracting Limited and

Investment Manager's Report continued

Albemarle Contracting Limited. Both Albemarle Contracting Limited and Clifford Contracting Limited have been actively pursuing opportunities to either acquire companies or to operate within the business consultancy sector and we expect news of positive developments over the coming months.

Existing Qualifying Investments

The investments discussed above represent c.88 per cent of the qualifying portfolio with the balance consisting of four further existing investments, quoted on AiM: Patsystems plc, Vertu Motors plc, @UK plc and Clarity Commerce Solutions plc. Patsystems plc and Vertu Motors plc represented c.92 per cent of these investments at year end NAVs.

Vertu Motors plc is delivering on its strategy as a consolidator of motor dealerships. Its largest acquisition to date, of the Bristol Street Motors group for £40 million, together with several smaller ones has propelled it to be the 10th largest dealership in the UK. The industry remains very fragmented, offering opportunities for further acquisitions. The management are strong (ex Reg Vardy) and the share price is underpinned by considerable fixed asset backing. However, negative sentiment on the sector, a result of disappointing results from the larger players and concerns about the consumer, has dragged down the share price. We still believe that the company offers strong fundamentals on a medium term view but will continue to monitor closely. Given the relatively large position we have in Vertu, one factor we took into account when making the investment decision was that the vast majority of the shares placed were with non-VCT shareholders, which should greatly facilitate our eventual exit.

Patsystems plc provides derivatives trading software products and solutions to financial institutions. The company continues to perform well, delivering results which met all expectations. Despite the problems faced by its customer base, Patsystems is well positioned to weather the storm, as a high proportion of its revenues are recurring and effectively booked, whilst additional growth is expected from its risk management system.



Patsystems plc

Although the share price is off its highs set in May (in part caused by bid speculation), it has been a strong performer, ending the year up c.60 per cent.

Outlook

We believe that the Company remains well positioned in the year ahead both in respect of its existing portfolio and the opportunities that we expect will emerge as a result of tighter credit markets. In 2007, when banks were lending loosely and new fundraisings on AiM were placed relatively easily, we stayed on the side-lines whilst risk was being priced incorrectly. Companies seeking secured mezzanine financing in 2008 will struggle to find such accommodating bankers. As a result of this we expect to see increasing deal flow to invest in robust companies with more realistic price expectations. A deeper macroeconomic decline than currently expected will undoubtedly present challenges for our current investments but we are confident that their defensive attributes will protect our capital.

Shore Capital Limited

28 April 2008

Investment Portfolio Summary

As at 29 February 2008

Investment	Valuation £'000	Original Cost £'000	Gain/(Loss) £'000	Valuation as % of NAV
Qualifying Investments – Unquoted				
Albemarle Contracting Limited	1,000	1,000	–	8%
Bond Contracting Limited	1,532	1,532	–	12%
Cadbury House Limited	2,110	2,110	–	16%
Clifford Contracting Limited	1,515	1,515	–	12%
Stocklight Limited	610	610	–	5%
Qualifying Investments – Quoted				
@UK plc	28	415	(387)	0%
Clarity Commerce Solutions plc	55	142	(87)	0%
I-Design Group plc	48	59	(11)	0%
INVU plc	95	119	(24)	1%
Mediasurface plc	19	104	(85)	0%
Mount Engineering plc	216	223	(7)	2%
Patsystems plc	560	311	249	4%
Sport Media Group plc	189	305	(116)	1%
Universe Group plc	131	174	(43)	1%
Vertu Motors plc	405	593	(188)	3%
Total Qualifying Investments	8,513	9,212	(699)	66%
Non-Qualifying Investments – Unquoted				
Lakan Investments Limited	317	297	20	2%
Non-Qualifying Investments – Quoted				
Puma Absolute Return Fund Limited	1,590	1,323	267	12%
Puma Brandenburg Limited	451	578	(127)	3%
The Hotel Corporation plc	681	413	268	5%
Other hedge funds and equity investments	854	837	17	7%
Total Non-Qualifying Investments	3,893	3,448	445	30%
Total investments	12,406	12,660	(254)	96%
Cash and other net assets	512	512	–	4%
	12,918	13,172	(254)	100%

Of the investments held at 29 February 2008 70 per cent are incorporated in England and Wales, 18 per cent in the Cayman Islands, 3 per cent in Europe and 9 per cent other.

Largest Investments



Cadbury House Hotel & Country Club plc

www.cadburyhouse.com

Cost (£'000):	2,110
Investment comprises:	
Ordinary shares (£'000):	360
Debt – Class B (£'000):	910
Debt – Class C (£'000):	840
Valuation method:	Directors' valuation
Valuation (£'000):	2,110
Source of financial data –	
Last audited accounts:	31/03/07
Turnover (£'000):	2,296
Loss before tax (£'000):	(1,435)
Loss after tax (£'000):	(1,435)
Net assets (£'000):	838
Earnings per share (p)	(0.2)
Dividends per share (p)	–
Proportion of total equity held:	4.4%

Cadbury House Limited is a major venue for weddings, conferences and banqueting in the Bristol area with a well-established fitness centre on 14 acres of freehold grounds.

Clifford Contracting Limited

Cost (£'000):	1,515
Investment comprises:	
Ordinary shares (£'000):	155
Debt (£'000):	1,360
Valuation method:	Directors' valuation
Valuation (£'000):	1,515
Source of financial data –	
Last audited accounts:	¹
Turnover (£'000):	¹
Profit before tax (£'000):	¹
Retained profit (£'000):	¹
Net assets (£'000):	¹
Earnings per share (p)	¹
Dividends per share (p)	¹
Proportion of equity held:	24.2%

Clifford Contracting Limited (Clifford) has been actively pursuing opportunities to either acquire companies or to operate within the business consultancy sector.

¹ This is Clifford's first year of operations and hence there are no audited accounts to report.

Bond Contracting Limited

Cost (£'000):	1,532
Investment comprises:	
Ordinary shares (£'000):	244
Debt (£'000):	1,288
Valuation method:	Directors' valuation
Valuation (£'000):	1,532
Source of financial data –	
Last audited accounts:	¹
Turnover (£'000):	¹
Profit before tax (£'000):	¹
Retained profit (£'000):	¹
Net assets (£'000):	¹
Earnings per share (p)	¹
Dividends per share (p)	¹
Proportion of equity held:	12.2%

Bond Contracting Limited (Bond) was set-up to acquire companies or to operate within the leisure sector and actively seeks to enter into suitable contracting arrangements. Bond has recently entered into its first significant contract to construct a hotel near Winchester.

¹ This is Bond's first year of operations and hence there are no audited accounts to report.

Albemarle Contracting Limited

Cost (£'000):	1,000
Investment comprises:	
Ordinary shares (£'000):	–
Debt (£'000):	1,000
Valuation method:	Directors' valuation
Valuation (£'000):	1,000
Source of financial data –	
Last audited accounts:	¹
Turnover (£'000):	¹
Profit before tax (£'000):	¹
Retained profit (£'000):	¹
Net assets (£'000):	¹
Earnings per share (p)	¹
Dividends per share (p)	¹
Proportion of equity held:	25%

Albemarle Contracting Limited (Albemarle) was set up to provide business contracting services and to acquire companies that operate within the business contracting and services sector.

¹ This is Albemarle's first year of operations and hence there are no audited accounts to report.



Stocklight Limited

www.shapero.com

Cost (£'000):	610
Investment comprises:	
Ordinary shares (£'000):	61
Debt (£'000):	549
Valuation method:	Directors' valuation
Valuation (£'000):	610
Source of financial data –	
Last audited accounts:	31/12/06
Turnover (£'000):	13,019
Loss before tax (£'000):	(35)
Loss after tax (£'000):	(55)
Net assets (£'000):	3,479
Earnings per share (p)	(0.1)
Dividends per share (p)	–
Proportion of equity held:	0.6%

Stocklight Limited owns 100 per cent of Bloomsbury Auctions and trades as Bernard J Shapero Rare Books, an internationally recognised dealer in antiquarian and rare books. Bernard Shapero, who owns the business with his business partner Tommaso Zanzotto, has been dealing in antiquarian books for over 20 years. The company bought its current premises in Saint George Street, Mayfair, in 1996.



Patsystems plc

www.patsystems.com

Cost (£'000):	311
Investment comprises:	
Ordinary shares (£'000):	311
Valuation method:	Bid Market Price
Valuation (£'000):	560
Source of financial data –	
Last audited accounts:	31/12/07
Turnover (£'000):	16,962
Profit before tax (£'000):	2,188
Profit after tax (£'000):	1,844
Net assets (£'000):	18,694
Earnings per share (p)	1.1
Dividends per share (p)	0.4
Proportion of equity held:	1.2%

Patystems plc is involved in the development, distribution and support of software enabling the electronic trading of financial products on global trading exchanges.



Vertu Motors plc

www.vertumotors.com

Cost (£'000):	593
Investment comprises:	
Ordinary shares (£'000):	593
Valuation method:	Bid Market Price
Valuation (£'000):	405
Source of financial data –	
Last audited accounts:	1
Turnover (£'000):	1
Profit before tax (£'000):	1
Profit after tax (£'000):	1
Net assets (£'000):	1
Earnings per share (p)	1
Dividends per share (p)	1
Proportion of equity held:	1.1%

Vertu Motors has been formed to acquire and consolidate UK motor retail businesses with the potential for performance improvements and which may contain freehold property portfolios.

¹ This is Vertu Motors' first year of operations and hence there are no audited accounts to report.

Mount Engineering plc

www.mountengineering.co.uk

Cost (£'000):	223
Investment comprises:	
Ordinary shares (£'000):	223
Valuation method:	Bid Market Price
Valuation (£'000):	216
Source of financial data –	
Last audited accounts:	1
Turnover (£'000):	1
Profit before tax (£'000):	1
Profit after tax (£'000):	1
Net assets (£'000):	1
Earnings per share (p)	1
Dividends per share (p)	1
Proportion of equity held:	1.3%

Mount Engineering plc pursues a selective acquisition strategy by acquiring specialist engineering manufacturing and distribution companies where opportunities arise to increase its product range, brand profile and widen its customer base. Mount Engineering has three subsidiaries; Redapt Engineering Company Limited, Hi-Flow Valves Limited and Raxton Limited.

¹ This Mount Engineering's first year of operations and hence there are no audited accounts to report.

Largest Investments continued

Sport Media Group plc

www.sportmediagroup.co.uk

Cost (£'000):	305
Investment comprises:	
Ordinary shares (£'000):	305
Valuation method:	Bid Market Price
Valuation (£'000):	189
Source of financial data –	
Last audited accounts:	31/07/07
Turnover (£'000):	11,363
Profit before tax (£'000):	5,307
Profit after tax (£'000):	3,620
Net assets (£'000):	4,830
Earnings per share (p)	9.5
Dividends per share (p)	7.0
Proportion of equity held:	0.4%

Sport Media Group plc changed its name from Interactive World plc. The Group sells digital media content through mobile telephones via the internet to mobile customers of major UK network operators and users of leading UK internet key search engines. It also publishes two national newspapers in the UK under the titles of the Daily Sport and the Sunday Sport.

The Hotel Corporation plc

www.paramount-hotels.co.uk

Cost (£'000):	413
Investment comprises:	
Ordinary shares (£'000):	413
Valuation method:	Bid Market Price
Valuation (£'000):	681
Source of financial data –	
Last audited accounts:	31/12/06
Turnover (£'000):	2,185
Profit before tax (£'000):	51,215
Profit after tax (£'000):	51,215
Net assets (£'000):	100,283
Earnings per share (p)	147.9
Dividends per share (p)	5.9
Proportion of equity held:	0.9%

The Hotel Corporation plc invests in Dawney Shore Hotels (DSH), which is a private equity vehicle. DSH owns and operates a group of four star British regional hotels.

Puma Absolute Return Fund Limited

Cost (£'000):	1,323
Investment comprises:	
Ordinary shares (£'000):	1,323
Valuation method:	NAV per share
Valuation (£'000):	1,590
Source of financial data –	
Last audited accounts:	30/04/07
Turnover (\$'000):	19,762
Profit before tax (\$'000):	17,854
Profit after tax (\$'000):	17,854
Net assets (\$'000):	162,839
Earnings per share (p)	n/a
Dividends per share (p)	–
Proportion of equity held:	3.3%

Puma Absolute Return Fund Limited (PARF) is a fund of hedge funds. PARF invests across a range of third party hedge fund managers. It diversifies its portfolio across a number of different investment styles.

Puma Brandenburg Limited

www.pumabrandenburg.com

Cost (£'000):	578
Investment comprises:	
Ordinary shares (£'000):	578
Valuation method:	Bid Price
Valuation (£'000):	451
Source of financial data –	
Last audited accounts:	31/03/07
Turnover (€'000):	7,390
Profit before tax (€'000):	37,940
Profit after tax (€'000):	37,940
Net assets (€'000):	294,701
Earnings per share (cents)	20.5
Dividends per share (cents)	1.3
Proportion of equity held:	0.3%

Puma Brandenburg Limited invests in German real estate, typically apartment blocks which often also have some retail/commercial element. The Company's primary objective is to generate income and capital growth by acquiring, actively managing and selling real estate, as opportunities arise.

Directors' Biographies

Sir Aubrey Brocklebank Bt, ACA (Chairman) (56)

Sir Aubrey worked for Guinness Mahon from 1981 to 1986, initially in its corporate finance department before assisting in the establishment of a specialist development capital department. From 1986 to 1990 he was a director of Venture Founders Limited, managing a £12 million venture capital fund, which had been raised to invest in early stage ventures. He managed the Avon Enterprise Fund (a venture capital fund of circa £4.5 million investing in approximately 20 companies) from 1990 until all investments had been realised in 1997. He is on the board of eight other VCTs, the AiM Distribution Trust plc (as chairman), Keydata AiM VCT plc and Keydata AiM VCT II plc (both as chairman), Close Second AiM VCT plc and Pennine 6 VCT plc (both as a non-executive director), Puma VCT II plc, Puma VCT III plc and Puma VCT IV plc (as chairman). He is and has also been a director of a number of companies, some of which are, or have been, quoted on AiM.

David Michael Brock (58)

David 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. He is currently chairman of Jane Norman (Holdings) Limited, Phase Eight Limited, Episys Limited, Ossain Retail Group plc, and Elderstreet VCT plc.

Christopher John Ring, ACA (53)

Chris joined Shore Capital in 2002 from NatWest Stockbrokers Limited of which he was managing director between 1999 and 2001. After qualifying as an accountant with Coopers & Lybrand (now part of PricewaterhouseCoopers), he held senior positions at various stockbrokers firms, including Scrimgeour Kemp Gee (now Citicorp) between 1980 and 1988 and Wise Speke between 1988 and 1996. Throughout this time his focus was on managing private client funds, including the appraisal and investment of a wide range of new issues many of which were AiM quoted. Within the Shore Capital Group, Chris is responsible for both the private client portfolio and hedge fund management activities.

Report of the Directors

The Directors present their annual report and the audited financial statements of the Company for the period ended 29 February 2008.

Principal Activities and Status

The principal activity of the Company is the making of investments in qualifying holdings of shares or securities. The Company is an investment company within the meaning of Section 266 of the Companies Act 1985. The Company has been granted provisional approval by the Inland Revenue under Section 842AA of the Income and Corporation Taxes Act 1988 as a Venture Capital Trust for the period ended 29 February 2008. The Directors have managed, and continue to manage, the Company's affairs in such a manner as to comply with Section 842AA of the Income and Corporation Taxes Act 1988.

The Company has no employees (other than the Directors).

The Company's ordinary shares of 1p each have been listed on the Official List of the UK Listing Authority since 29 April 2005.

Investment Policy

Puma VCT plc seeks to achieve its overall investment objective by maximising distributions from capital gains and income generated by the Company's assets. It intends to do so whilst maintaining its qualifying status as a VCT, by pursuing the following Investment Policy:

Asset Mix

The Company may invest in a mix of qualifying and non-qualifying assets. The qualifying investments may be quoted on AiM/OFEX or be unquoted companies. The Company may invest in a diversified portfolio of growth oriented qualifying companies which seek to raise new capital on flotation or by way of a secondary issue. The Company has the ability to structure deals to invest in private companies with an asset-backed focus to reduce

potential capital loss. After 29 February 2008, the Company must have in excess of 70% of its assets invested in qualifying investments as defined for VCT purposes.

The portfolio of non-qualifying investments will be managed with the intention of generating a positive return. Subject to the Investment Manager's view from time to time of desirable asset allocation it will comprise quoted and unquoted investments (direct or indirect) in cash or cash equivalents, bonds, equities, vehicles investing in property and a portfolio of hedge funds.

Risk Management

The Company's asset mix may include a large proportion of the Company's assets to be held in unquoted investments. These investments are not publicly traded and there is not a liquid market for them, and therefore these investments may be difficult to realise.

The Company manages its investment risk within the restrictions of maintaining its qualifying VCT status by using the following methods:

- The active monitoring of its investments by the Investment Manager;
- Seeking board representation associated with each investment, if possible;
- Seeking to hold larger investment stakes by co-investing with other companies managed by the Investment Manager, so as to gain more significant influence in the investment;
- Ensuring a spread of investments is achieved.

Gearing

The Company has the authority to borrow up to 25% of the amount received on the issued share capital but there are currently no plans to take advantage of this authority.

Results and dividends

The results for the financial period are set out on page 20. The Directors propose a final dividend of 1.5p per Ordinary Share (2006 – 0.9p). It is the aim of the Directors to maximise tax free distributions to shareholders by way of dividends paid out of income received from investments and capital gains received following successful realisations.

Business Review and Developments

The Company's business review and developments are set out in the Chairman's Statement and the Investment Manager's Report.

The principal risks facing the company relate to its investment activities and include market price, interest rate and liquidity risk. An explanation of these risks and how they are managed is contained in note 18 to the financial statements. Additional risks faced by the company are as follows:

Investment Policy – Inappropriate stock selection leading to underperformance in absolute and relative terms is a risk which the Investment Manager mitigates by reviewing performance throughout the period and formally at Board meetings. There is also a regular review of the investment mandate and long term investment strategy by the Board and monitoring of whether the Company should change its investment strategy.

Regulatory Risk – the Company operates in a complex regulatory environment and faces a number of related risks. A breach of section 842AA of the Income and Corporation Tax Act 1988 could result in the Company being subject to capital gains on the sale of investments. A breach of the VCT Regulations could result in the loss of VCT status and consequent loss of tax relief currently available to shareholders. Serious breach of other regulations, such as the UKLA Listing rules and the Companies Act 1985 could lead to suspension from the

Stock Exchange. The board receives quarterly reports in order to monitor compliance with regulations.

Issue of shares

During the period ended 29 February 2008, the Company issued no shares.

The authorised and issued share capital of the Company is detailed in note 13 of these accounts.

Directors

The Directors of the Company during the period and their beneficial interests in the issued ordinary shares of the Company at 1 January 2007 and 29 February 2008 were as follows:

	1p ordinary shares	
	29 February 2008	1 January 2007
Sir A T Brocklebank Bt, ACA (Chairman)	10,000	10,000
D M Brock	–	–
C J Ring, ACA	50,000	50,000

All of the Directors' share interests shown above were held beneficially. No options over the share capital of the Company have been granted to the Directors. There have been no changes in the holdings of the Directors since the period end.

The Directors are also Directors of Puma VCT II plc, Puma VCT III plc and Puma VCT IV plc, VCTs to which Shore Capital Limited is also the Investment Manager.

Investment management, administration and performance fees

Shore Capital Limited (Shore Capital) is the Investment Manager to the Company. The principal terms of the Company's management agreement with Shore Capital Limited as applicable during the period ended 29 February 2008, are set out in note 3 of the financial statements.

Report of the Directors continued

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 (plus VAT), payable quarterly in arrears.

The annual running costs of the Company, for the period, are subject to a cap of 3.5 per cent of the Company's net assets.

Shore Capital and members of the investment management team will be entitled to a performance related incentive of 20 per cent of the aggregate excess on any amounts realised by the Company in excess of £1 per Ordinary Share, and Shareholders will be entitled to the balance. This incentive will only be payable 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 make distributions as high and as soon as possible.

The performance incentive has been satisfied through the issue of Loan Notes to a nominee on behalf of the Investment Manager's group and employees of and persons related to the investment management team. In the event that distributions attributable to the Ordinary Shares of £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 performance fee has been expensed in accordance with FRS 20 for share based payments (see notes 1 and 4).

VCT status monitoring

The Company has retained PricewaterhouseCoopers LLP to advise it on compliance with VCT requirements, including evaluation of investment opportunities, as appropriate, and regular review of the portfolio. Although

PricewaterhouseCoopers LLP work closely with the Investment Manager, they report directly to the Board.

Creditor payment policy

The Company's payment policy for the forthcoming year is to ensure settlement of suppliers' invoices in accordance with their standard terms. As at 31 December 2006 and 29 February 2008 there were nil days' billing from the suppliers of services outstanding.

Financial Instruments

The material risks arising from the Company's financial instruments are investment, currency and interest rate risk. The Board reviews and agrees policies for managing each of these risks and these are summarised in note 18. These policies have remained unchanged since the beginning of the financial year. As a venture capital trust, it is the Company's specific business to evaluate and control the investment risk in its portfolio.

Substantial Shareholdings

As at 29 February 2008 and at the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent of any class of the issued share capital.

Annual General Meeting

The Annual General Meeting of the Company will be held at Bond Street House, 14 Clifford Street, London, W1S 4JU on 27 June 2008. Notice of the Annual General Meeting and Form of Proxy are inserted within this document.

Auditor

The Directors, resolved that Baker Tilly UK Audit LLP be re-appointed as auditor in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

Statement as to Disclosure of Information to the Auditor

The Directors in office at the date of the report have confirmed, as far as they are aware, that there is no relevant information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;

- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Jonathan Paisner
Company Secretary

29 May 2008

Directors' Remuneration Report

This report is prepared in accordance with Schedule 7A of the Companies Act 1985.

The Board as a whole considers Directors' remuneration and, as such, a Remuneration Committee has not been established. The Board's policy is that the remuneration of non-executive Directors should reflect time spent and the responsibilities borne by the Directors on the Company's affairs and should be sufficient to enable candidates of high calibre to be recruited. Directors' fees payable during the period totalled £38,000 in aggregate for Puma VCT plc and Puma VCT II plc of which £25,000 (including VAT) related to Puma VCT plc as set out in note 5.

Directors' Remuneration

The Directors received emoluments as detailed below:

	Unaudited Current Annual fee 12 months £	Audited 2008 14 months £	Audited 2006 12 months £
Sir A T Brocklebank			
Bt, ACA (Chairman)	11,000	13,000	11,000
D M Brock	9,000	10,000	9,000
C J Ring, ACA	–	–	–
	<u>20,000</u>	<u>23,000</u>	<u>20,000</u>

* No fee is paid to Chris Ring due to his position as a director of the Investment Manager, Shore Capital Limited.

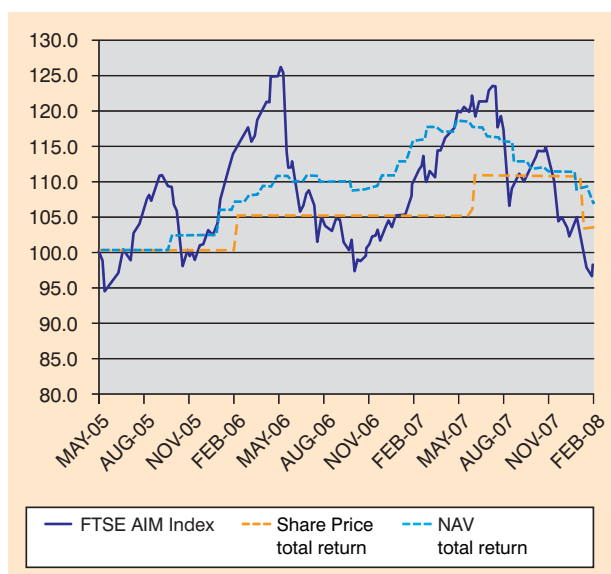
The remuneration levels for the forthcoming year are expected to be at the annual levels shown in the table above. The Directors shall be paid by the Company all travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

Directors' and Officers liability insurance cover is held by the Company in respect of the Directors.

On 20 January 2005, the non-executive Directors were appointed for a period of twelve months after which either party must give three calendar months' notice to end the contract.

Performance Graph

The following chart represents the Company's performance from inception to 29 February 2008 and compares the rebased Net Asset Value to a rebased FTSE AiM Index which has been chosen as a comparison as it best represents the spread of investments held by the Company. This has been rebased to 100 at 5 April 2005, the effective start of operations for the Company.



On behalf of the Board

Sir Aubrey Brocklebank Bt

Chairman

29 May 2008

Corporate Governance

The Directors support the relevant principles of the new Combined Code issued in June 2006, being the principles of good governance and the code of best practice, as set out in Section 1 of the FRC Combined Code.

The Board

The Company has a Board comprising three non-executive Directors. All of the Directors are independent as defined by the Combined Code issued in June 2006 except for Chris Ring as a result of his holding a Directorship of the Investment Manager. The Board considers that all Directors have sufficient experience to be able to exercise proper judgement within the meaning of the Combined Code. The Board has appointed Sir Aubrey Brocklebank as the senior independent Director. The Chairman is Sir Aubrey Brocklebank Bt. Biographical details of all Board members are shown on page 11.

David Brock is to retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. The remainder of the Board believe that he has made valuable contributions during the term of his appointment and remains committed to his role. The Board therefore recommends that shareholders re-elect David Brock at the forthcoming AGM.

Full Board meetings take place quarterly and additional meetings are held as required to address specific issues. These include considering recommendations from the Investment Manager, making all decisions concerning the acquisition or disposal of qualifying investments, and reviewing, annually, the terms of engagement of all third party advisers (including investment managers and administrators). The board has a formal schedule of matters specifically reserved for its decision.

The attendance of individual Directors at full Board meetings during the period were as follows:

	Scheduled Board meetings
Sir A T Brocklebank Bt	4/4
D M Brock	4/4
C J Ring	4/4

The Board has also established procedures whereby Directors wishing to do so in the furtherance of their duties

may take independent professional advice at the Company's expense.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary provides the Board with full information on the Company's assets and liabilities and other relevant information requested by the Chairman, in advance of each Board meeting.

The Board has not appointed a nominations committee, audit committee or remuneration committee as they consider the Board to be small and it comprises wholly non-executive Directors. Appointments of new Directors, audit matters and remuneration are dealt with by the full Board.

During the period the Board reviewed the independence of the external auditor and recommended that they be re-appointed. The Directors receive written confirmation each year of the auditor's independence. They also considered the need for an internal audit function and concluded that this function would not be an appropriate control for a venture capital trust.

The Board reviewed Directors' remuneration during the period. Details of the specific levels of remuneration to each director are set out in the Directors' Remuneration Report on page 16, and this is subject to shareholder approval.

Relations with shareholders

Shareholders have the opportunity to meet the Board at the AGM. The Board is also happy to respond to any written queries made by shareholders during the course of the year, or to meet with major shareholders if so requested. In addition to the formal business of the AGM, representatives of the management team and the Board are available to answer any questions a shareholder may have.

Separate resolutions are proposed at the AGM on each substantially separate issue. The Registrars collate proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. In order to comply with the Combined Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll

Corporate Governance continued

being called. The notice of the next AGM and proxy form are at the end of this document.

Financial Reporting

The Directors' statement of responsibilities for preparing the accounts is set out in the Directors' Report on page 15, and a statement by the auditors about their reporting responsibilities is set out in the Auditor's Report on page 19.

Internal control

The Company has adopted an Internal Control Manual ("Manual"), which has been compiled in order to comply with the Combined Code. The Manual is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, which it achieves by detailing the perceived risks and controls to mitigate them. The Board is responsible for ensuring that the procedures to be followed by the advisers and themselves are in place, and review the effectiveness of the Manual on an annual basis to ensure that the controls remain relevant and were in operation throughout the year. The Board will implement additional controls when new risks are perceived and update the Manual as appropriate.

Although the Board are ultimately responsible for safeguarding the assets of the Company, the Board has delegated, through written agreements, the day-to-day operation of the Company to the following advisers:

Administration	Shore Capital Fund Administration Services Limited
Investment Management	Shore Capital Limited

Going Concern

The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason they believe that the Company continues to be a going concern and that it is appropriate to continue to apply the going concern basis in preparing the financial statements.

Compliance statement

The Listing Rules require the Board to report on compliance with the forty-eight Combined Code provisions

throughout the accounting period. With the exception of the items outlined below, the Company has complied throughout the accounting period ended 29 February 2008 with the provisions set out in Section 1 of the Combined Code. Due to the special nature of the Company, the following provisions of the Combined Code have not been complied with:

a) Provision A1-3 – Due to the size of the Board, they feel it unnecessary to formalise procedures to appraise the Chairman's performance, as the Board deem it appropriate to address matters as they arise.

b) Provision A5-1 – New directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. Also the Company has no major shareholders so shareholders are not given the opportunity to meet any new non-executive directors at a specific meeting other than the annual general meeting.

c) Provision A6-1 – Due to the size of the Board, a formal performance evaluation of the Board, its committees and the individual Directors has not been undertaken. Specific performance issues are dealt with as they arise.

d) Provisions A4-1, B2-1, C3-1 to C3-7 – Due to the size of the Board, the Company did not have a formal nominations committee, audit committee or remuneration committee. As a consequence of the Company not having an audit committee provisions C3-1 to C3-7 of the Combined Code have not been complied with. The Directors do not consider it necessary to appoint an audit committee as the board consists entirely of 3 non-executive Directors as recommended by C3-1 of the Combined Code. The Directors consider that the role and responsibility of the audit committee as set-out in provisions C3-1 to C3-7 have been adopted by the full board. Relevant matters were dealt with by the full Board.

e) Provision A7-2 – On 20 January 2005, the non-executive Directors were appointed for a period of twelve months after which either party must give three calendar months' notice to end the contract. The recommendation is for fixed term renewable contracts.

Independent Auditor's Report to the Members of Puma VCT plc

We have audited the financial statements on pages 20 to 36. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and the auditor

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and that part of the Directors' Remuneration Report that is described as having been audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, and whether the financial statements and the part of the Directors' Remuneration Report that is described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Chairman's Statement and Investment Manager's Report that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Investment Manager's Report, the Investment Portfolio Summary, Largest Investments, Directors' Biographies and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report that is described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report that is described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 29 February 2008 and of its return for the period then ended
- the financial statements and the part of the Directors' Remuneration Report that is described as having been audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP

Registered Auditor and Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

29 May 2008

Income Statement

For the period ended 29 February 2008

	Note	Period ended 29 February 2008			For the year to 31 December 2006		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	9c	–	(584)	(584)	–	1,101	1,101
Income	2	480	–	480	306	–	306
		480	(584)	(104)	306	1,101	1,407
Investment management fees	3	92	277	369	79	236	315
Performance fees	4	46	(170)	(124)	19	175	194
Other expenses	5	148	–	148	119	–	119
		286	107	393	217	411	628
Return on ordinary activities before taxation		194	(691)	(497)	89	690	779
Tax on return on ordinary activities	6	(12)	12	–	(15)	15	–
Return on ordinary activities after tax attributable to equity shareholders		182	(679)	(497)	74	705	779
Basic and diluted return per Ordinary Share (pence)	7	1.50p	(5.61)p	(4.11)p	0.61p	5.83p	6.44p

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.

The accompanying notes on pages 24 to 36 are an integral part of these financial statements.

Balance Sheet

As at 29 February 2008

	Note	As at 29 February 2008 £'000	As at 31 December 2006 £'000
Fixed Assets			
Investments	9	12,406	12,908
Current Assets			
Debtors	10	171	76
Cash at bank and in hand		477	881
Creditors – amounts falling due within one year	11	(135)	(217)
Net Current Assets		513	740
Total Assets less Current Liabilities		12,919	13,648
Creditors – amounts falling due after more than one year (including convertible debt)			
	12	(1)	(1)
Net Assets		12,918	13,647
Capital and Reserves			
Called up share capital	13	121	121
Capital reserve – realised	14	1,092	108
Capital reserve – unrealised	14	(419)	1,243
Other reserve	14	187	311
Revenue reserve	14	11,937	11,864
Equity Shareholders' Funds		12,918	13,647
Net Asset Value per Ordinary Share	15	106.86p	112.90p
Diluted Net Asset Value per Ordinary Share	15	105.31p	110.32p

These financial statements were approved and authorised for issue by the Board of Directors on 29 May 2008 and were signed on their behalf by:

Sir Aubrey Brocklebank Bt

Chairman

29 May 2008

The accompanying notes on pages 24 to 36 are an integral part of these financial statements.

Cash Flow Statement

For the period ended 29 February 2008

	Note	Period ended 29 February 2008 £'000	For the year to 31 December 2006 £'000
Operating activities			
Investment income received		385	250
Investment management fees paid		(476)	(228)
Cash paid to Directors		(26)	(21)
Foreign exchange gain/(loss) on cash		24	(24)
Other cash payments		(135)	(89)
Net cash outflow from operating activities	16	(228)	(112)
Equity dividend paid		(109)	–
Capital expenditure and financial investment			
Purchase of investments	9 (b)	(7,434)	(6,512)
Proceeds from sale of investments	9 (b)	7,276	3,670
Decrease in trades in advance		–	494
Acquisition costs		(1)	(4)
Net realised gain on forward foreign exchange contracts		92	533
Net cash outflow from capital expenditure and financial investment		(67)	(1,819)
Outflow in the period		(404)	(1,931)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash for the period		(404)	(1,931)
Net cash at start of the period		881	2,812
Net funds at the period end		477	881

The accompanying notes on pages 24 to 36 are an integral part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

For the period ended 29 February 2008

	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	121	108	1,243	311	11,864	13,647
Total recognised gains/(losses) for the period	–	984	(1,662)	(124)	182	(620)
Equity dividend paid	–	–	–	–	(109)	(109)
At 29 February 2008	121	1,092	(419)	187	11,937	12,918

	For the year to 31 December 2006					
	Called up share capital £'000	Capital reserve- realised £'000	Capital reserve- unrealised £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
At 1 January 2006	121	(371)	1,017	117	11,790	12,674
Total recognised gains for the year	–	479	226	194	74	973
At 31 December 2006	121	108	1,243	311	11,864	13,647

The accompanying notes on pages 24 to 36 are an integral part of these financial statements.

Notes to the Accounts

For the period ended 29 February 2008

1. Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments, and in accordance with UK Generally Accepted Accounting Practice (“UK GAAP”) and the Statement of Recommended Practice, ‘Financial Statements of Investment Trust Companies’ (“SORP”) revised in 2005. Although this SORP principally applies to Investment Trusts, many of the characteristics of Investment Trusts are shared by VCTs and therefore the Company will continue to follow the SORP until its investment company status is revoked. FRS29 Financial Instruments disclosures have been adopted for the first time.

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 revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 842 Income and Corporation Taxes Act 1988.

Investments

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.

All investments have been designated as fair value through profit or loss, and recognised on the trade date and are initially measured at cost which is deemed to be 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 in accordance with a documented risk management or investment strategy. 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, listed and unlisted, are valued at their respective Net Asset Value 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”):

- Investments which have been made within the last twelve months are valued at cost except where the company's performance against plan is significantly different from expectations on which the investment was made in which case a change in its valuation is made as appropriate.
- Where a company is in the early stage of development, it will normally continue to be held at cost on the basis described above.
- Where a company is well established after one year from the date of investment the shares may be valued by applying a suitable price-earnings ratio to that company's historical post tax earnings. The ratio used is based on a comparable listed company or sector but discounted to reflect lack of marketability. Alternative methods of valuation will include cost or net asset value where such factors apply that make one of these methods more appropriate.

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 on an accruals basis.

1. Accounting Policies continued

Performance fees

Upon its inception, the Company negotiated performance fees payable to Shore Capital at 20 per cent of the aggregate excess on any amounts realised by the Company in excess of £1 per Ordinary Share. This incentive will only be payable once the holders of Ordinary Shares have received distributions of £1 per share. The payment of this performance fee will be effected through 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. The fair value of the share-based payment is calculated by reference to the fair value of the performance fees accrued at the balance sheet date.

At each balance sheet date, the Company estimates the number of shares that are expected to be issued based on its Net Asset Value per share. The Company recognises the impact of the change in shares to be issued 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 are charged through the realised capital reserve, and;
- the investment management fee, 75 per cent of which has been charged to the realised capital reserve to reflect an element which is, in the directors' opinion, attributable to the maintenance or enhancement of the value of the Company's investments.
- The performance fee which is allocated proportionally to revenue and capital based on their 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 period.

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 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 periods. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign exchange

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 in the Income Statement.

Forward contracts and hedging

The Company enters into forward contracts for the sale of foreign currencies in order to hedge its exposure to fluctuations in currency rates in respect of some of its investments. These forward contracts are recorded at fair value through profit and loss. Any foreign exchange gain or loss is recorded by the Company in the Capital Reserve – unrealised until settled. Once realised, the gain or loss is taken to the Capital Reserve – realised.

Notes to the Accounts continued

For the period ended 29 February 2008

2. Income

	Period ended 29 February 2008 £'000	Year to 31 December 2006 £'000
Income from investments		
Loan stock interest	297	149
Dividend income	87	29
Investment fee rebate	30	56
	414	234
Other income		
Bank deposit interest	66	72
Total income	480	306

The Company has invested in Puma Absolute Return Fund which is also managed by Shore Capital Limited. An arrangement is in place to avoid the double charging of management and performance fees. The Company includes investment fee rebates in income.

3. Investment Management Fees

	Period ended 29 February 2008 £'000	Year to 31 December 2006 £'000
Shore Capital Limited	369	315

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 2.0 per cent (exclusive of VAT) of the Net Asset Value of the Company payable quarterly in arrears.

4. Performance Fees

	Period ended 29 February 2008 £'000	Year to 31 December 2006 £'000
Shore Capital Limited	(124)	194

A reversal of the performance fee has arisen this year which has been credited in accordance with FRS 20 Share-Based Payment (see note 1).

5. Other expenses

	Period ended 29 February 2008 £'000	Year to 31 December 2006 £'000
Administration – Shore Capital Fund Administration Services Limited	65	55
Directors' remuneration	25	22
Auditors' remuneration for statutory audit	16	17
Insurance	3	4
Legal and professional fees	11	2
FSA, LSE and registrar fees	19	12
Custody charges	2	2
Other expenses	7	5
	148	119

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 (plus VAT), payable quarterly in arrears.

The total fees paid or payable in respect of individual Directors for the period are detailed in the Directors' Remuneration Report commencing on page 16. The Company had no employees (other than Directors) during the period.

6. Tax on Ordinary Activities

	Period ended 29 February 2008 £'000	Year to 31 December 2006 £'000
(a) UK corporation tax charge for the year	–	–
(b) Factors affecting tax charge for the year		
Revenue return on ordinary activities before taxation	194	89
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 20% (2006 – 19%)	39	17
Effects of:		
Non taxable UK dividend income	(18)	(6)
Performance fee expense	(9)	4
Capital expenses	(12)	(15)
	–	–

The income statement shows the tax charge allocated to revenue and capital.

Capital returns are not included as VCTs are exempt from tax on realised capital gains.

No provision for deferred tax has been made in the current accounting period. 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. Taxable losses available for carry forward total £436,000.

Notes to the Accounts continued

For the period ended 29 February 2008

7. Basic and diluted return per Ordinary Share

	Period ended 29 February 2008			Year ended 31 December 2006		
	Revenue	Capital	Total	Revenue	Capital	Total
Return for the period	182,000	(679,000)	(497,000)	74,000	705,000	779,000
Weighted average number of shares	12,087,700	12,087,700	12,087,700	12,087,700	12,087,700	12,087,700
Return per Ordinary Share	1.50p	(5.61)p	(4.11)p	0.61p	5.83p	6.44p

The total return per ordinary share is the sum of the revenue return and capital return.

8. Dividends

	Period ended 29 February 2008 £'000	Year to 31 December 2006 £'000
Paid in year		
2006 Final revenue dividend	109	–
Proposed		
2006 Final revenue dividend	–	109

The directors propose a final dividend payment of 1.5p per Ordinary Share (2006 final – 0.9p).

9. Investments

	Historic Cost as at 29 February 2008 £'000	Market Value as at 29 February 2008 £'000	Historic Cost as at 31 December 2006 £'000	Market Value as at 31 December 2006 £'000
(a) Summary				
Qualifying venture capital investments	9,212	8,513	3,682	3,904
Non-qualifying investments	3,448	3,893	7,684	9,004
	12,660	12,406	11,366	12,908
(b) Movements in investments		Venture capital investments £'000	Hedge funds & equity investments £'000	Total £'000
Opening book cost		3,682	7,684	11,366
Unrealised gains at 31 December 2006		222	1,320	1,542
Valuation at 31 December 2006		3,904	9,004	12,908
Purchases at cost		6,569	865	7,434
Disposals – proceeds		(1,690)	(5,586)	(7,276)
– realised net gains on disposal		653	485	1,138
Net unrealised losses on revaluation of investments		(923)	(875)	(1,798)
Valuation at 29 February 2008		8,513	3,893	12,406
Book cost at 29 February 2008		9,214	3,448	12,662
Net unrealised (losses)/gains at 29 February 2008		(701)	445	(256)
Valuation at 29 February 2008		8,513	3,893	12,406

9. Investments continued**(c) (Losses)/gains on investments**

The (losses)/gains on investments for the period shown in the Income Statement on page 20 is analysed as follows:

	Period ended 29 February 2008 £'000	Year to 31 December 2006 £'000
Realised gains on disposal	1,530	156
Acquisition costs	(1)	(4)
Foreign exchange (losses)/gains – realised	(280)	548
Foreign exchange gains/(losses) – unrealised	236	(526)
Net unrealised (losses)/gains on revaluation	(2,069)	927
	(584)	1,101

	Historic Cost as at 29 February 2008 £'000	Market Value as at 29 February 2008 £'000	Historic Cost as at 31 December 2006 £'000	Market Value as at 31 December 2006 £'000
(d) Quoted and unquoted investments				
Qualifying investments	5,596	5,322	9,248	10,401
Unquoted investments	7,064	7,084	2,118	2,507
	12,660	12,406	11,366	12,908

10. Debtors

	Period ended 29 February 2008 £'000	Year to 31 December 2006 £'000
Prepayments and accrued income	171	76

11. Creditors – amounts falling due within one year

	Period ended 29 February 2008 £'000	Year to 31 December 2006 £'000
Fair value of forward foreign exchange contracts	(52)	(12)
Accruals	(83)	(205)
	(135)	(217)

Included in creditors is the fair value of the forward foreign exchange contracts held to hedge the Company's foreign currency denominated assets (see Note 18).

	Period ended 29 February 2008		Year to 31 December 2006	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Forward foreign exchange contracts – \$ USD	–	(33)	–	(14)
Forward foreign exchange contracts – € EUR	–	(19)	2	–
	–	(52)	2	(14)

Notes to the Accounts continued

For the period ended 29 February 2008

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

	Period ended 29 February 2008 £'000	Year to 31 December 2006 £'000
Loan Notes	(1)	(1)

On 21 January, 2005, the Company issued Loan Notes in the amount of £1,000 to a nominee on behalf of the Investment Manager's group and employees of and persons related to the investment management team. The Loan Notes accrue interest of 5 per cent per annum.

Shore Capital and members of the investment management team will be entitled to a performance related incentive of 20 per cent of the aggregate excess on any amounts realised by the Company in excess of £1 per Ordinary Share, and Shareholders will be entitled to the balance. This incentive will only be payable 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 make distributions as high and as soon as possible.

In the event that distributions to the holders of Ordinary Shares totaling £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.

No performance fee is currently payable as the Ordinary Shares have not received enough distributions to date. However, as the NAV is greater than £1, a performance fee has been expensed in accordance with FRS 20 Share-based Payment. Also, a diluted NAV per share has been calculated which reflects the impact of this conversion (see page 21).

The amount of the performance fee reversal has been calculated as 20 per cent of the excess of the net asset value over £1 per issued share of the 2006 net asset value. This amount has been credited to the Income Statement and debited to other reserve within Equity Shareholder's Funds.

13. Called Up Share Capital

	Period ended 29 February 2008 £'000	Year to 31 December 2006 £'000
Authorised:		
25,000,000 ordinary shares of 1p each (2006: 25,000,000)	250	250
Allotted and fully paid:		
12,087,700 ordinary shares of 1p each (2006: 12,087,700)	121	121

The Company did not issue any shares during the period ended 29 February 2008.

14. Capital and Reserves

	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
At 1 January 2007	108	1,243	311	11,864	13,526
Net gains on realisation of investments	1,530	–	–	–	1,530
Foreign exchange losses realised	(280)	–	–	–	(280)
Net unrealised losses on revaluation of investments, forward foreign exchange contracts and cash	–	(1,832)	–	–	(1,832)
Acquisition costs	(1)	–	–	–	(1)
Management fees charged to capital	(277)	–	–	–	(277)
Performance fee credited to capital	–	170	–	–	170
Performance fee to be effected through share-based payment	–	–	(124)	–	(124)
Retained net revenue for the period	–	–	–	182	182
Taxation relief on capital expenses	12	–	–	–	12
Equity dividend paid	–	–	–	(109)	(109)
Balance at 29 February 2008	1,092	(419)	187	11,937	12,797

The other reserve represents the cumulative amount of performance fees which have been expensed since the Company's inception. Upon realisation or reversal of the performance fees, the other reserve will be reduced to nil with a corresponding entry within equity.

The Capital reserve-realised and the Revenue reserve are distributable reserves.

15. Net Asset Value per Ordinary Share

	Period ended 29 February 2008		Year to 31 December 2006	
	Basic	Diluted	Basic	Diluted
Net assets	12,918,000	12,918,000	13,647,000	13,647,000
Number of Ordinary Shares	12,087,700	12,265,681	12,087,700	12,370,395
Net Assets Value per Ordinary Share (p)	106.86p	105.31p	112.90p	110.32p

Calculation of number of shares

	Period ended 29 February 2008		Year to 31 December 2006	
	Basic	Diluted	Basic	Diluted
Number of Ordinary Shares	12,087,700	12,087,700	12,087,700	12,087,700
Dilutive effect of performance fee (see note 4)	–	177,981	–	282,695
At period/year-end	12,087,700	12,265,681	12,087,700	12,370,395

There is a dilution impact from the future issuance of additional shares to effect the performance fee payable to the Investment Manager.

Notes to the Accounts continued

For the period ended 29 February 2008

16. Reconciliation of total return before capital expenditure and financing and costs to net cash inflow from operating activities

	Period ended 29 February 2008 £'000	Year to 31 December 2006 £'000
Total return before taxation	(497)	779
Losses/(gains) on investments	584	(1,101)
Increase in debtors	(95)	(55)
(Decrease)/increase in creditors	(120)	95
Foreign exchange gain/(loss) on cash	24	(24)
Performance fee to be effected through share-based payment	(124)	194
Net cash outflow from operating activities	(228)	(112)

17. Analysis of Changes in Net Funds

	Period ended 29 February 2008 £'000	Year to 31 December 2006 £'000
Beginning of period	881	2,812
Net cash outflow	(404)	(1,931)
As at period/year-end	477	881

18. Financial Instruments

The Company's financial instruments comprise its investment portfolio, forward foreign currency contracts and cash balances. Fixed Asset investments held are valued at Bid market prices, Net Asset Value, cost or in accordance with IPEVC guidelines (see note 1). The fair value of all other financial assets and liabilities is represented by the carrying value in the Balance Sheet. The Company held the following categories of financial instruments, all of which are included in the balance sheet at fair value at 29 February 2008:

	Period ended 29 February 2008 £'000	Year to 31 December 2006 £'000
Assets at fair value through profit and loss		
Investments managed through Shore Capital Limited	12,406	12,908
Loans and receivables		
Cash at bank	477	881
Accrued income	171	76
Other financial liabilities	(136)	(218)
	12,918	13,647

Management of risk

The main risks the Company faces from its financial instruments are (i) 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, (ii) liquidity risk, and (iii) interest rate risk. The Board regularly reviews and agrees policies for managing each of these risks. The Investment Manager's policies for managing these risks are summarised below and have been applied throughout the period.

18. Financial Instruments continued

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Investment Manager has in place a monitoring procedure in respect of counterparty risk which is monitored 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:

	2008 £'000	2006 £'000
Investments in fixed interest instruments	2,596	2,062
Investments in floating rate instruments	3,825	–
Cash and cash equivalents	477	881
Interest, dividends and other receivables	171	76
	7,069	3,019

The Investment Manager evaluates credit risk on loan stock instruments prior to investment, and as part of its ongoing monitoring of investments. The loan stock instruments have a first or second charge over the assets of the investee company. Credit risk arising on fixed interest instruments is mitigated by close involvement with the management of the investee companies along with review of their trading results and the quality of the asset backing of the financial instruments.

Credit risk arising on floating rate instruments is mitigated by investing into vehicles upon which the Investment Manager, Shore Capital Limited, has board representation.

All the quoted assets of the Company are held by Pershing Securities Limited, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed or limited. The Board monitors the Company's risk by reviewing the custodian's internal control reports.

Substantially all of the cash held by the Company is held by a large double A rated U.K. bank. Bankruptcy or insolvency of the bank may cause the Company's rights with respect to the cash held to be delayed or limited. The Board monitors the Company's risk by reviewing regularly the financial position of the bank and should it deteriorate significantly the Investment Manager will move the cash holdings to another bank.

Interest, dividends and other receivables are predominantly covered by the investment management procedures.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding market positions or unquoted investments in the face of price movements, mitigated by stock selection. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to consider investment strategy.

The Company's strategy on the management of investment risk is driven by the Company's investment policy as outlined in the Report of the Directors 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.

Investments in unquoted investments pose a higher degree of risk in market 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.

Investments in AiM traded companies, by their nature, involve a higher degree of risk than investments in the main market. Some of that risk can be mitigated by diversifying the portfolio across business sectors and asset classes. The Company's overall market positions are monitored by the Board on a quarterly basis.

Notes to the Accounts continued

For the period ended 29 February 2008

18. Financial Instruments continued

Market price risk continued

Investments in hedge funds can have a perception of high market price risk. The Company's strategy in respect of hedge funds is to invest in funds that have underlying positions that are liquid and independently marked-to-market.

24 per cent of the Company's investments are traded on AiM, listed on the London Stock Exchange or other similar exchanges. 17 per cent of the Company's investments are quoted hedge funds and 55 per cent are unquoted investments.

The table below outlines the individual impact of a 5 per cent change to quoted stocks, quoted hedge funds and unquoted investments. The change outlines the potential increase or decrease in net assets attributable to the Company's shareholders and the total return for the period.

		2008 £'000	2006 £'000
Quoted stocks	+/-	154	178
Quoted hedge funds	+/-	112	342
Unquoted investments	+/-	354	125
		620	645

Liquidity risk

The unquoted holdings consisted of five equity investments and nine loan notes. 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. The portfolio of quoted hedge funds and equities is held to offset the liquidity risk. As at the period end, the Company had no borrowings other than loan notes amounting to £1,000 (see note 12).

The Company's financial instruments include investments in AiM-traded companies, which by their nature, involve a higher degree of risk than investments in the main market. As a result, the Company may not be able to liquidate quickly some of these investments at an amount close to their fair value in order to meet its liquidity requirements.

The Company's hedge funds are considered to be readily realisable as they are redeemable at monthly stated NAVs.

The Company's liquidity risk is managed on an ongoing basis by the Investment Manager in accordance with policies and procedures in place as described in the Report of the Directors. 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. At 29 February 2008 these investments were valued at £7,069,000 (2006: £11,282,000).

Fair value interest rate risk

The benchmark that determines the interest paid or received on the current account is the Bank of England base rate, which was 5.25 per cent at 29 February 2008. An interest rate of 7 per cent is receivable on the Cadbury House Hotel & Country Club plc fixed interest loan stock C Units and 11 per cent on the B Units. An interest rate of 9.0 per cent is receivable on the Stocklight Limited fixed interest loan stock and 13.33 per cent and 8.9 per cent on the D loan stock upon which interest rates decrease proportionally in accordance with the loan agreement. An interest rate of 19.05 per cent is receivable on the Lakan Investments Limited loan stock. Finally an average interest rate of 5.82 per cent is receivable on the Bond Contracting Limited and Clifford Contracting Limited loan notes and 5.5 per cent on the Albemarle Contracting Limited loan notes. All of the loan stock investments are unquoted and hence not subject to market movements as a result of interest rate movements.

At the period end and throughout the period, the Company's only liability subject to interest rate risk were the Loan Notes of £1,000 at 5.0 per cent (see note 12).

18. Financial Instruments continued

Cash flow interest rate risk

The Company has exposure to interest rate movements primarily through its cash deposit which tracks the Bank of England base rate.

Interest rate risk profile of financial assets

The Company's financial assets, other than the fixed interest loan stock investments noted above and non-interest bearing investments, are floating rate. The following analysis sets out the interest rate risk of the Company's financial assets.

	Average interest rate	Period until maturity	Period ended 29 February 2008 £'000	Year to 31 December 2006 £'000
Floating rate	5.64%		477	881
Floating rate	5.50%	10 years	700	996
Floating rate	5.82%	10 years	1,288	–
Floating rate	5.82%	10 years	1,360	–
Fixed rate	7.00%	4 years	840	–
Fixed rate	11.00%	5 years	910	–
Fixed rate	9.00%	4 years	366	–
Fixed rate	13.33%	5 months	137	700
Fixed rate	8.90%	2 years	46	366
Fixed rate	19.05%	6 months	297	–
Non-interest bearing			6,633	10,922
			13,054	13,865

The non-interest bearing assets include investments in hedge funds and equity instruments that have no fixed dividend or interest rate.

An increase of 25 basis points in UK base rate as at the reporting date would have increased the net assets attributable to the Company's shareholders and decreased the total loss for the period by £10,000 (2006: increased the net assets and profit by £7,000). A decrease of 25 basis points would have had an equal but opposite effect.

Foreign currency risk

The reporting currency of the Company is Sterling. However, the Company holds a number of U.S. Dollar denominated hedge funds and Euro denominated investments as well as U.S. Dollar and Euro cash accounts. As at the period end, the Sterling equivalent value of such foreign investments amounted to £664,000 (2006 – £3,780,000) representing 5 per cent (2006 – 28 per cent) of the Company's net assets as at that date.

The Group enters into forward contracts for the sale of foreign currencies in order to hedge its exposure to fluctuations in currency rates in respect of these holdings. These forward contracts are recorded at fair value through profit and loss and any change in value is taken to the capital account. Losses on unrealised forward contracts at period end were £52,000 (2006 – £12,000) and are recorded in the Capital Reserve – unrealised. The notional principal amounts of the outstanding forward foreign currency exchange contracts at 29 February 2008 were £602,000 (2006 – £4,076,000).

Notes to the Accounts continued

For the period ended 29 February 2008

19. Credit 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 may 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 year

20. Contingencies, Guarantees and Financial Commitments

There were no commitments, contingencies or guarantees of the Company at the period-end.

21. Controlling Party and Related Party Transactions

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

The Company has appointed Shore Capital Limited, a company of which C J Ring is a director, to provide investment management services. During the period £369,000 (2006 – £315,000) was due in respect of investment management fees. The balance owing to Shore Capital Limited at the period-end was £50,000 (2006 – £156,000).

The Company has appointed Shore Capital Fund Administration Services Limited, a related company to Shore Capital Limited, to provide accounting, secretarial and administrative services. During the period £45,000 (2006 – £55,000) was due in respect of these services. The balance owing to Shore Capital Fund Administration Services Limited at the period-end was £8,000 (2006 – £28,000).

Officers and Professional Advisers

Directors (all non-executive)

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(Chairman)
D M Brock
C J Ring, ACA

Secretary

J S Paisner

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