



SHORE CAPITAL



PUMA VCT VII PLC

INTERIM REPORT 2013

For the six months ended 30 June 2013

VCT VII
2013

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Chairman's Statement

Introduction

During the six months to 30 June 2013, the Company was active in deploying its cash resources in both qualifying and non-qualifying investments. In doing so, it focussed on its mandate to exploit the opportunities which continue as a result of tight credit markets. The Company invested just over £2.5 million during the period and has now deployed a substantial proportion of its funds in both qualifying and non-qualifying investments.

Qualifying Investments

During the period, the Company concluded the investment of £1.1 million into Saville Services Limited, a contracting company, alongside other Puma VCTs. Saville Services is currently deploying the funds providing contracting services on two projects: the construction of a private detached housing development in the countryside outside Aberdeen, under contract to Churchill Homes Limited, a longstanding Aberdeenshire developer, and the development of up to 20 apartments for supported living for psychiatric and learning disabled service users in Grimsby, North East Lincolnshire.

As reported in the Company's previous annual report, in December 2012 the Company completed a £450,000 investment (as part of a £1.5 million financing with other Puma VCTs) into Brewhouse and Kitchen Limited ("B&K"). I am pleased to report that during the period, the Company invested a further £800,000 (as part of £1.6 million across the Puma VCTs) into B&K, taking total

exposure to £1.25 million. B&K is managed by two highly experienced pub sector professionals and our funding will facilitate the acquisition of freehold pubs and install a micro brewery within the main area of each pub. The investment is largely in the form of senior debt, secured with a first charge over the business and each freehold site acquired. Funds can be utilised to a maximum 65% loan-to-value ratio, and are expected to produce a return to the Company of at least 7 per cent. per annum.

The Company's investments of £880,000 into each of two contracting companies, Frederica Trading Limited ("Frederica") and Glenmoor Trading Limited ("Glenmoor") are progressing well. As previously reported, Frederica and Glenmoor (as members of a limited liability partnership with other contracting companies) are providing contracting services in connection with five pre-let supported living developments for psychiatric and learning disabled people who are housed and given support by local authorities and other social care organisations. The developments themselves are progressing well with four in various stages of construction and we expect the investments to deliver attractive returns.

The Company previously invested £2 million into two other contracting companies, Huntly Trading Limited ("Huntly") and Jephcote Trading Limited ("Jephcote"). As reported in the Company's previous annual report,

Chairman's Statement continued

Huntly joined a limited liability partnership with other contracting companies and entered into its first contracting contract with FreshStart Living. This would provide £476,000 (as part of a £3.5 million project involving other companies backed by Puma VCTs) of project management and contracting services in connection with the development and construction by FreshStart Living of 116 apartments at a property called Trafford Press, 2 miles south east of Manchester city centre. We understand that the directors of Huntly and Jephcote are considering several other opportunities to deploy their financial resources in the short to medium term.

In March 2012, the Company invested £700,000 (as part of a £1.4 million Puma VCT financing) into SIP Communications Plc ("SIPCOM"). SIPCOM provides hosted IP telephony and unified communications products and services and is a leading hosting provider for users of Microsoft Lync – a new business version of Skype with many enhanced features allowing IP telephony, video calls, instant messaging, and online meetings and integrating with Microsoft Outlook and Office. SIPCOM had a major customer default on its contract last year and although we are secured to be prudent we have made a fair value provision against an element of our investment.

There are currently several other suitable qualifying investments in legal process. The Investment Manager therefore expects to make further qualifying investments in the second half of the year

to ensure the Company is on course to meet its HMRC qualifying target.

Non-Qualifying Investments

As reported in the Company's previous annual report, when the Company began investing in 2011, we chose a portfolio of bonds, hedge funds and hedge fund of funds. We reviewed the portfolio and liquidated a number of these during 2012 for an overall small gain. We retained a number of best performing of this portfolio throughout the year, most of which were bond funds and one residual hedge fund. At the start of 2013, we became concerned that bonds had become overvalued relative to equities. Anticipating a change in market sentiment regarding bonds and a switch into equities, we decided to take profits on all of these holdings at the start of 2013 and all the positions were liquidated during the period, a decision which seems to have been vindicated by subsequent market movements.

We have adopted a strategy for the non-qualifying portfolio of moving away from quoted investments where possible and instead investing in secured non-qualifying loans offering a good yield with hopefully limited downside risk. These loans take longer to identify and execute, but should work well for the VCT into the medium term.

During the period, the Company completed a £650,000 non-qualifying loan as part of a £1.3 million financing with other Puma VCTs to Countywide Property Holdings Limited ("CPHL"), a business

with a strong track record of acquiring greenfield and brownfield sites for residential and commercial development. The loan is secured on a 5.6 acre site, including a large house, in Brackley near Silverstone. The loan was extended on a sub-50% loan to value basis and is earning an attractive rate of interest which is being paid monthly. CPHL has exchanged contracts with one of the UK's largest house builders to sell the property, subject to planning permission being granted to develop up to 50 new homes on the site.

As reported in the Company's previous annual report, the Company extended a £881,000 loan to provide, together with other Puma VCTs, an innovative £2.5 million revolving credit facility to Organic Waste Management Trading Limited. The facility provides working capital for the purchase of used cooking oil for conversion into bio-diesel. The ultimate borrower owns a large oil refining plant in Birkenhead and is processing cooking oil to sell to petrol and diesel retailers who are obligated to include bio-fuels in their offerings. The facility is structured to mitigate risks by being capable of being drawn only once back-to-back purchase and sale contracts have been entered into with approved counterparties. The facility bears interest at a substantial rate for utilised funds and a lower rate for non-utilised funds. The facility has been performing well over the period.

The Company's £1,330,000 non-qualifying loan (as part of a £4 million

financing with other Puma VCTs) to Puma Brandenburg Finance Limited, a subsidiary of Puma Brandenburg Limited, continues to perform. The loan is secured on a portfolio of flats in the middle class area of central Berlin, Germany. Since the loan was made, the property market in this area of Berlin has been very strong, further enhancing the excellent security we have for this loan. The loan attracts a fixed interest rate at a good coupon given the security profile.

Dividends

As set out in the accounts for the period ended 31 December 2012, the Company declared a dividend of 5p per ordinary share for that period which was paid on 25 February 2013. Reflecting this recent payout, your Board is not proposing a further dividend at this interim stage but still intends to pay out a dividend of 5p per ordinary share each year as envisaged in the Company's prospectus.

Net Asset Value ('NAV')

The NAV per share at the period end was 91.37p after adding back cumulative dividends paid to date of 10p.

VCT Qualifying Status

PricewaterhouseCoopers LLP ('PwC') provides the board and the investment manager with advice on the ongoing compliance with Her Majesty's Revenue & Customs ('HMRC') rules and regulations concerning VCTs. PwC assists the Investment Manager in establishing the status of investments as qualifying holdings and has reported that the

Chairman's Statement continued

Company has met all HMRC's criteria to date. The Company has 62 per cent of its portfolio in qualifying investments, putting it well on track for the requirement to of over 70 per cent by the end of the third financial year which is on 28 February 2014.

Principal risks and uncertainties

Although the economy in the UK is showing signs of improvement, it remains fragile. The consequences of this for the Company's investment portfolio constitute the principal risk and uncertainty for the Company in the second half of 2013.

Outlook

The Investment Manager has a pipeline in legal process and many companies which are suitable for investment. There is therefore a strong flow of

further opportunities likely to lead to suitable investments. The restrictions on availability of bank credit continue to affect the terms on which target companies can raise finance. This should both increase the demand for our offering and improve the terms we can secure. There are many suitable companies which are well-managed, in good market positions, which need our finance and can offer good security. We therefore believe the Company is strongly positioned to assemble a portfolio to deliver attractive returns to shareholders in the medium to long term.

David Buchler

Chairman

30 August 2013

Income Statement (unaudited)

For the period ended 30 June 2013

	Six months ended 30 June 2013			Six months ended 30 June 2012			Year ended 31 December 2012			
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/gain on investments		–	(218)	(218)	–	119	119	–	312	312
Income		373	–	373	90	–	90	274	–	274
		373	(218)	155	90	119	209	274	312	586
Investment management fees	4	(27)	(81)	(108)	(27)	(80)	(107)	(56)	(168)	(224)
Performance fees		–	–	–	–	–	–	–	–	–
Other expenses		(61)	–	(61)	(83)	–	(83)	(239)	–	(239)
		(88)	(81)	(169)	(110)	(80)	(190)	(295)	(168)	(463)
Return/(loss) on ordinary activities before taxation		285	(299)	(14)	(20)	39	19	(21)	144	123
Tax on return on ordinary activities		–	–	–	4	(4)	–	–	–	–
Return/(loss) on ordinary activities after tax attributable to equity shareholders		285	(299)	(14)	(16)	35	19	(21)	144	123
Basic and diluted Return/(loss) per Ordinary Share (pence)	2	2.11p	(2.21p)	(0.10p)	(0.12p)	0.26p	0.14p	(0.16p)	1.07p	0.91p

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

Balance Sheet (unaudited)

As at 30 June 2013

	Note	As at 30 June 2013 £'000	As at 30 June 2012 £'000	As at 31 December 2012 £'000
Fixed Assets				
Investments	7	9,461	8,941	10,817
Current Assets				
Debtors		245	26	75
Cash		1,323	2,715	926
		1,568	2,741	1,001
Creditors – amounts falling due within one year		(36)	(103)	(135)
Net Current Assets		1,532	2,638	866
Total Assets less Current Liabilities		10,993	11,579	11,683
Creditors – amounts falling due after more than one year (including convertible debt)		(1)	(1)	(1)
Net Assets		10,992	11,578	11,682
Capital and Reserves				
Called up share capital		135	135	135
Share premium account		–	–	–
Capital reserve – realised		(528)	(403)	(718)
Capital reserve – unrealised		(210)	(145)	279
Other reserve		–	–	–
Revenue reserve		11,595	11,991	11,986
Equity Shareholders' Funds		10,992	11,578	11,682
Net Asset Value per Ordinary Share	3	81.37p	85.71p	86.48p
Diluted Net Asset Value per Ordinary Share	3	81.37p	85.71p	86.48p

Cash Flow Statement (unaudited)

For the period ended 30 June 2013

	Six months ended 30 June 2013 £'000	Six months ended 30 June 2012 £'000	Year ended 31 December 2012 £'000
Operating activities			
(Loss)/return on ordinary activities before tax	(14)	19	123
Losses/(gains) on investments	218	(119)	(312)
Increase in debtors	(170)	(13)	(61)
(Decrease)/increase in creditors	(99)	(12)	20
Net cash outflow from operating activities	(65)	(125)	(230)
Corporation tax paid	–	–	–
Capital expenditure and financial investment			
Purchase of investments	(2,550)	(4,523)	(7,434)
Proceeds from sale of investments	3,688	2,431	3,658
Net cash inflow/(outflow) from capital expenditure and financial investment	1,138	(2,092)	(3,776)
Equity dividend paid	(676)	(676)	(676)
Increase/(decrease) in cash	397	(2,893)	(4,682)
Net cash at start of the period	926	5,608	5,608
Net funds at the period end	1,323	2,715	926

Reconciliation of Movements in Shareholders' Funds (unaudited)

For the period ended 30 June 2013

	Called up share capital £'000	Share premium account £'00	Capital reserve- realised £'000	Capital reserve- unrealised £'000	Revenue reserve £'000	Total £'000
Balance as at 1 January 2012	135	–	(405)	(178)	12,683	12,235
Total recognised (losses)/gains for the period	–	–	2	33	(16)	19
Dividends paid	–	–	–	–	(676)	(676)
Balance as at 30 June 2012	135	–	(403)	(145)	11,991	11,578
Total recognised (losses)/gains for the period	–	–	(151)	260	(5)	104
Realisation of valuations from prior period	–	–	(164)	164	–	–
Balance as at 31 December 2012	135	–	(718)	279	11,986	11,682
Total recognised (losses)/gains for the period	–	–	190	(489)	285	(14)
Dividends paid	–	–	–	–	(676)	(676)
Balance as at 30 June 2013	135	–	(528)	(210)	11,595	10,992

Notes to the Interim Report

For the period ended 30 June 2013

1. Accounting Policies

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

2. Return per Ordinary Share

The total loss per share of 0.10p is based on the loss for the period of £14,000 and the weighted average number of shares in issue as at 30 June 2013 of 13,508,925.

3. Net asset value per share

	As at 30 June 2013	As at 30 June 2012	As at 31 December 2012
Net assets	10,992,000	11,578,000	11,682,000
Shares in issue	13,508,925	13,508,925	13,508,925
Net asset value per share			
Basic	81.37p	85.71p	86.48p
Diluted	81.37p	85.71p	86.48p
Cumulative dividends paid to date	10.00p	5.00p	5.00p
Basic (including dividends paid to date)	91.37p	90.71p	91.48p
Diluted (including dividends paid to date)	91.37p	90.71p	91.48p

4. Management fees

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

5. Related Party Transactions

Related party transactions are described in the 2012 Annual Report and Accounts on page 36. There were no other related party transactions during the six months ended 30 June 2013.

Notes to the Interim Report continued

For the period ended 30 June 2013

6. The financial information for the period ended 30 June 2013 has not been audited and does not comprise full financial statements within the meaning of Section 423 of the Companies Act 2006. The interim financial statements have been prepared on the same basis as will be used to prepare the annual financial statements.

7. Investment portfolio summary

As at 30 June 2013	Valuation £'000	Cost £'000	Gain/ (loss)	Valuation as a % of Net Assets
Qualifying Investment - Unquoted				
Brewhouse & Kitchen	1,250	1,250	–	11%
Frederica Trading Limited	880	880	–	8%
Glenmoor Trading Limited	880	880	–	8%
Huntly Trading Limited	1,000	1,000	–	9%
Jephcote Trading Limited	1,000	1,000	–	9%
SIPCOM Limited	490	700	(210)	4%
Saville Services Limited	1,100	1,100	–	10%
Total Qualifying Investments	6,600	6,810	(210)	59%
Non-Qualifying Investments				
Organic Waste Management Limited ¹	881	881	–	8%
Countrywide Property Holdings Limited ²	650	650	–	6%
Puma Brandenburg finance Limited	1,330	1,330	–	12%
Total Non-Qualifying investments	2,861	2,861	–	26%
Total Investments	9,461	9,671		85%
Balance of Portfolio	1,531	1,531		15%
Net Assets	10,992	11,202		100%

1. Via a loan to Buckhorn Lending Limited

2. Via a loan to Latimer Lending Limited

Copies of this Interim Statement will be posted to shareholders in due course and made available on the website:

<http://www.shorecap.gg/alternative-asset-management/puma-vcts/information>

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