



PUMA VCT ¹⁰

Calculated Excellence

INTERIM REPORT

For the period ended
31 August 2018

Officers and Professional Advisers

DIRECTORS

David Vaughan (Chairman)
Peter L R Hewitt
Graham Shore

SECRETARY

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REGISTERED NUMBER

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02 Chairman's Statement

Highlights

- φ Fund substantially invested in a diverse range of high quality businesses and projects
- φ 18p per share of dividends paid since inception, equivalent to a 8.6% per annum tax-free running yield on net investment
- φ NAV of 97.20p at the half year to August 2018 (adding back dividends paid to date)

INTRODUCTION

AS YOUR COMPANY ENTERS INTO THE FINAL YEAR OF ITS EXPECTED FIVE-YEAR LIFE, I AM PLEASED TO REPORT THAT YOUR FUNDS ARE SUBSTANTIALLY DEPLOYED IN BOTH QUALIFYING AND NON-QUALIFYING INVESTMENTS. IT CONTINUES TO MEET ITS MINIMUM QUALIFYING INVESTMENT PERCENTAGE OF 70 PER CENT AND REMAINS ON TRACK TO MEET THE NEW MINIMUM QUALIFYING INVESTMENT PERCENTAGE OF 80 PER CENT BY THE END OF THE CURRENT TAX YEAR. WE BELIEVE OUR PORTFOLIO IS WELL POSITIONED TO DELIVER RETURNS IN LINE WITH EXPECTATIONS TO SHAREHOLDERS WITHIN THE COMPANY'S REMAINING TIME HORIZON.

INVESTMENTS

QUALIFYING INVESTMENTS

Having met its minimum qualifying investment percentage and in light of its remaining planned life, the Company has not made any new qualifying investments during the period. We report as follows on its current portfolio of qualifying investments:

Growing Fingers - Children's Nursery

As previously reported, the Company has invested £1.4 million (as part of a £2.8 million investment alongside other Puma VCTs) in Growing Fingers Limited. The investment is funding the construction and launch of a new purpose-built 108 place nursery school in Wendover, Buckinghamshire, an affluent commuter town with direct links to London. Growing Fingers is a new venture headed by a

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

Welcome Health – Chain of Pharmacies

The Company had previously invested £2.5 million (as part of a £5 million investment alongside other Puma VCTs) in Welcome Health Limited. Welcome Health owns and operates a series of mature pharmacies across the North East of England. The entrepreneur behind Welcome Health has experience in this region and is focused on providing pharmaceutical services to a currently underserved and relatively deprived market.

Mini Rainbows - Children's Nursery

As reported in the Company's previous annual report, Mini Rainbows Limited (in which the Company invested £2.5 million as part of a £5 million investment alongside other Puma VCTs) acquired a mature children's day nursery in Murrayfield, an affluent part of Edinburgh. We are pleased to report that the Edinburgh nursery is performing well. During the period, Mini Rainbows acquired a second nursery in Shawlands, Glasgow, founded in 1991 and with capacity for up to 65 children. The Mini Rainbows' experienced management team are in various stages of discussions to acquire further nurseries in the coming months.

Warm Hearth – Pubs with Microbreweries

In late 2015, the Company invested £2.5 million (as part of a £5 million investment alongside other Puma VCTs) in Warm Hearth Limited, a pub business seeking to capitalise on the strong growth trends within the craft beer sub-market. As previously reported, Warm Hearth entered into a franchise agreement with Brewhouse &

Kitchen Limited ("B&K"), a strong and fast-growing national branded operator, offering craft micro-brewing activities within each of its pub units as a point of focus. Warm Hearth currently owns and operates two substantial freehold pub assets in Chester and Wilmslow. Performance of these units has been below our expectations. Management are focused on improving performance at both pubs, as well as looking at planning options on both sites which have the prospect of delivering value.

Saville Services – Construction projects

The Company's investment of £2.1 million (alongside other Puma VCTs) into Saville Services Limited continues to perform well. Saville Services has been working on a series of projects, including most recently the construction of a 77-bed, purpose-built care home in Chester. We are pleased to report that the care home project completed successfully during the period and is now generating attractive returns for Saville Services which will benefit the Company when its investment is repaid in due course. The team at Saville Services are currently working on the construction of a 9 unit supported living scheme in Bishop Auckland.

Materials Recycling Facility, Oxfordshire

As previously reported, a major fire occurred in February 2016 at the Materials Recycling Facility ("MRF") operated by Opes Industries Limited ("Opes"), into which the Company invested a total of £3.45m (as part of an £8.8m investment by Puma entities). As a result of the incident, and as reported in the Company's previous annual report, the Board made a provision of £510,000 against the carrying value of the Company's investment in Opes. Opes owned a 73 hectare site in north Oxfordshire with a MRF, including a landfill site for non-hazardous materials and an aggregates/gravel quarrying business. The Company's investment was to provide funding for the construction and equipping of the MRF and working capital during the build-up of the trade. The funding was provided in the form of equity and loan stock and our interests are covered by a first fixed and floating charge over Opes' assets. Following the incident, the Company appointed an administrator over Opes in order to protect the Company's investment. The administrator has made substantial progress in recovering the Company's investment: the site was sold and a settlement was reached with Opes' insurers. As a result, a large part of the original capital invested has been recovered. The directors have now reversed £188,000 of the original £510,000 impairment to reflect the current position. The administrator continues to pursue several other avenues to recover the balance of the Company's investment.

Sunlight Education Nucleus – Special Educational Needs Schools

In November 2017, the Company made a £1 million qualifying investment (as part of a £4.7 million investment alongside other Puma VCTs) in Sunlight Education Nucleus Limited, a company seeking to develop, own and operate a series of special educational needs schools across the United Kingdom. The team at Sunlight are progressing with plans for their first school in the West Midlands.

NON-QUALIFYING INVESTMENTS

Citrus Group

As previously reported, a series of loans had been advanced to various entities within the Citrus Group, which at the start of the period stood at £1 million (through an affiliate, Victoria Lending Limited). These loans, together with loans from other vehicles managed and advised by your Investment Manager, formed part of a series of revolving credit facilities to provide working capital to the Citrus PX business. Citrus PX operates a property part exchange service facilitating the rapid purchase of properties for developers and homeowners. We are pleased to report that, during the period, the loans were repaid in full giving a good rate of return.

Mixed Residential-Commercial Development, Bloomsbury

During the year, a £1.2 million loan (as part of a total facility of £17.97 million, increased from £17.5 million) was advanced (through an affiliate, Lothian Lending Limited) to Cudworth Limited to fund the construction of a mixed residential and commercial development in Bloomsbury, London, close to the British Museum and 600m from King's Cross station. The development includes 11 apartments, 2 houses and 11,800

square feet of B1 commercial space. The loan is secured with a first charge over the site and the development is progressing well.

Construction of Airport Hotel, Edinburgh

The £1.6 million loan advanced to Ability Hotels (Edinburgh) Limited (as part of an overall facility of £16 million, through affiliate Latimer Lending Limited) to fund the development of a new 240-room Hampton by Hilton hotel at Edinburgh Airport continues to perform. The hotel is now expected to open before the end of the year, well ahead of schedule, at which time it will be the newest and nearest hotel to the airport terminal building. The Ability Group is an experienced developer and operator of hotels and the loan is secured with a first charge over the site.

Housing Development Project, Aberdeen

As previously reported, a £474,000 loan (as part of a £2.9 million facility from other vehicles managed and advised by your Investment Manager) had been extended (through an affiliate, Valencia Lending Limited) to Churchill Homes (Culter House) Limited. Churchill Homes is a longstanding Aberdeenshire developer and the facility provided funding towards the construction of a private detached housing development in one of Aberdeen's finest residential suburbs. We are pleased to report that, during the period, the loan was repaid in full giving a good rate of return.

Care Home for the Elderly, Egham

As previously reported, a loan of £575,000 had been advanced (through an affiliate, Meadow Lending Limited) to Windsor Care (UK) LLP to fund the development and initial trading of a 68-bed purpose-built care home in Egham, Windsor. This loan, together with loans from other vehicles managed and advised by the Investment Manager totalling £7.2 million, are secured with a first charge over the site. As previously reported, construction has been behind schedule and over budget as a result of the non-performance of the original building contractor. We are pleased to report that, following a substantial injection of further equity by the developer and careful management by the construction manager, Alyth Trading, a new contractor has been appointed and the scheme is now on track to reach practical completion by January 2019. We understand that the borrowers are seeking to re-finance the scheme to enable them to repay us on completion of the construction project.

Care Home for the Elderly, Formby

The £800,000 loan to New Care (Sefton) Limited in connection with the development and initial trading of a 75-bed purpose-built care home in Formby, Merseyside, continues to perform in line with expectations. The New Care Group is an experienced developer and operator of care homes. The loan is part of an overall facility of £7.6 million, through an affiliate, Lavender Lending Limited, and is secured with a first charge over the site.

Apartment Development Project, Worthing

As previously reported, a loan of £500,000 was advanced (through an affiliate, Valencia Lending Limited) to Columbia House Development Limited. This loan, together with loans from other vehicles managed and advised by the Investment Manager totalling £5 million, facilitated the acquisition of an office block in Worthing, for which the borrower is seeking planning permission for a conversion into 144 flats. The loan is secured with a first charge over the property at an appropriate loan to current value (the site already has planning permission for a 102 flat scheme). The enhanced planning consent is taking the borrower longer than anticipated to obtain; accordingly, and in light of the borrower otherwise servicing the loans, the loans were recently extended to January 2019.

Supported Living, Wigan

During the period, loans of £2.1 million were advanced (through affiliates, Valencia Lending Limited and Lothian Lending Limited) to Enabling Homes Investments Ltd, an experienced developer of supported living homes. The loans are to fund the development of a 22-apartment supported living scheme in Wigan and are secured with a first charge over the site. Construction is progressing well and practical completion is targeted for Q2 2019. Enabling Homes Investments Ltd has agreed terms to sell the scheme immediately following practical completion which should generate sufficient proceeds to repay the loans.

To further manage liquidity, the Company had exposure to a £199,000 bond issued by Commonwealth Bank of Australia and earning 1.1%, which matured in October 2018.

RESULTS AND NET ASSET VALUE ('NAV')

The NAV per share at the period end was 79.20p, 97.20p after adding back dividends paid to date. The Company made a small loss of £95,000 in the period (representing a 0.34p per share post-tax loss). This arose partly as a result of reduced income from remunerative non-qualifying investments which as repaid were replaced with less income-focused qualifying investments. It also reflected a change in the Company's revenue recognition policy whereby income expected from dividends from investee companies is now only recognised on remittance to the VCT.

DIVIDENDS

As reported in the Company's annual report, the Company declared a dividend of 6p per ordinary share in February 2018. Reflecting this recent pay-out, your Board is not proposing a further dividend at this interim stage but still intends to pay out a dividend of 6p per ordinary share each year as envisaged in the Company's prospectus.

VCT QUALIFYING STATUS

PricewaterhouseCoopers LLP ("PwC") provides the Board and the Investment Manager with advice on the ongoing compliance with HMRC rules and regulations concerning VCTs and has reported no issues in this regard for the Company to date. PwC also assists the Investment Manager in establishing the status of investments as qualifying holdings and will continue to assist the Investment Manager in monitoring rule compliance.

PRINCIPAL RISKS AND UNCERTAINTIES

Although the economy in the UK continues to improve, it remains fragile, especially in light of the ongoing Brexit negotiations. The consequences of this for the Company's investment portfolio constitute the principal risk and uncertainty for the Company in the second half of the year.

LIFE OF COMPANY

The Company was established with the intention that it would have a limited life. The Prospectus stated that after five years the Board would propose a resolution to shareholders for an orderly liquidation of the Company's assets. Your Board currently intends to propose this resolution within a year of this report.

OUTLOOK

The Company's net assets are substantially deployed in a diverse range of high quality businesses and projects which should offer the prospect of further growth in net assets per share. Whilst there may be some further changes in the composition of the portfolio to ensure that the Company continues to satisfy its HMRC qualifying targets, the Board expects to concentrate in the future primarily on the monitoring of our existing investments and considering the options for exits.

David Vaughan
Chairman
30 November 2018

08 Income Statement (unaudited)

FOR THE PERIOD ENDED 31 AUGUST 2018

	Note	Six months ended 31 August 2018			Six months ended 31 August 2017			Year ended 28 February 2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/gain on investments		-	(1)	(1)	-	(51)	(51)	-	190	190
Income		228	-	228	487	-	487	644	-	644
		228	(1)	227	487	(51)	436	644	190	834
Investment management fees	4	(55)	(165)	(220)	(59)	(175)	(234)	(117)	(351)	(468)
Other expenses		(118)	-	(118)	(122)	-	(122)	(263)	-	(263)
		(173)	(165)	(338)	(181)	(175)	(356)	(380)	(351)	(731)
Profit/(loss) on ordinary activities before taxation		55	(166)	(111)	306	(226)	81	264	(161)	103
Tax on profit on ordinary activities		(8)	24	16	(61)	47	(14)	(50)	66	16
Profit/(loss) and total comprehensive income for the period		47	(142)	(95)	245	(179)	67	214	(95)	119
Basic and diluted return/(loss) per Ordinary Share (pence)	2	0.17p	(0.51p)	(0.34p)	0.88p	(0.64p)	0.24p	0.77p	(0.34p)	0.43p

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

Balance Sheet (unaudited)

AS AT 31 AUGUST 2018

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	Note	As at 31 August 2018 £'000	As at 31 August 2017 £'000	As at 28 February 2018 £'000
Fixed Assets				
Investments	6	19,729	22,360	20,313
Current Assets				
Debtors		1,879	1,463	1,725
Cash		392	99	90
		2,271	1,562	1,815
Creditors – amounts falling due within one year		(115)	(338)	(149)
Net Current Assets		2,156	1,224	1,666
Total Assets less Current Liabilities		21,885	23,584	21,979
Net Assets		21,885	23,584	21,979
Capital and Reserves				
Called up share capital		17	17	17
Share premium account		15,624	15,624	15,624
Capital reserve – realised		(1,307)	(1,061)	(1,166)
Capital reserve – unrealised		(322)	(510)	(321)
Revenue reserve		7,873	9,514	7,825
Equity Shareholders' Funds		21,885	23,584	21,979
Net Asset Value per Ordinary Share	3	79.20p	85.35p	79.54p
Diluted Net Asset Value per Ordinary Share	3	79.20p	85.35p	79.54p

10 Cash Flow Statement (unaudited)

FOR THE PERIOD ENDED 31 AUGUST 2018

	Six months ended 31 August 2018 £'000	Six months ended 31 August 2017 £'000	Year ended 28 February 2018 £'000
(Loss)/profit after tax	(95)	67	119
Taxation	(16)	14	(16)
Loss/(gains) on investments	1	50	(190)
Increase in debtors	(154)	(376)	(576)
(Decrease)/increase in creditors	(17)	121	(4)
Tax paid	-	-	(95)
Net cash (used in)/generated from operating activities	(281)	(124)	(762)
Cash flow from investing activities			
Purchase of investments	-	(420)	(2,067)
Proceeds from sale of investments	583	400	4,334
Net cash generated from/(used in) investing activities	583	(20)	2,267
Cash flow from financing activities			
Dividends paid	-	-	(1,658)
Net cash used in financing activities	-	-	(1,658)
Net increase/(decrease) in cash and cash equivalents	302	(144)	(153)
Cash and cash equivalents at the beginning of the period	90	243	243
Cash and cash equivalents at the end of the period	392	99	90

Statement of Changes in Equity

(unaudited)

FOR THE PERIOD ENDED 31 AUGUST 2018

	Called up share capital £'000	Share premium account £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000	Total £'000
Balance as at 1 March 2017	17	15,624	(933)	(459)	9,268	23,517
Realised gain from prior period	-	-	51	(51)	-	-
Total recognised (losses)/gains for the period	-	-	(179)	-	246	67
Balance as at 31 August 2017	17	15,624	(1,061)	(510)	9,514	23,584
Realised gain in the period	-	-	(1)	1	-	-
Total recognised (losses)/gains for the period	-	-	(104)	188	(32)	52
Dividends paid	-	-	-	-	(1,657)	(1,657)
Balance as at 28 February 2018	17	15,624	(1,166)	(321)	7,825	21,979
Total recognised (losses)/gains for the period	-	-	(141)	(1)	47	(95)
Balance as at 31 August 2018	17	15,624	(1,307)	(322)	7,873	21,885

12 Notes to the Interim Report

FOR THE PERIOD ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES

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

2. RETURN PER ORDINARY SHARE

The total loss per share of 0.34p is based on the loss for the period of £95,000 and the weighted average number of shares in issue as at 31 August 2018 of 27,633,222.

3. NET ASSET VALUE PER SHARE

	As at 31 August 2018	As at 31 August 2017	As at 28 February 2018
Net assets	21,885,000	23,584,000	21,979,000
Shares in issue	27,633,222	27,633,222	27,633,222
Net asset value per share			
Basic	79.20p*	85.35p	79.54p
Diluted	79.20p*	85.35p	79.54p

* This is net of 18p of dividends paid to date

4. MANAGEMENT FEES

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

5. FINANCIAL INFORMATION PROVIDED

The financial information for the period ended 31 August 2018 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.

Notes to the Interim Report

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FOR THE PERIOD ENDED 31 AUGUST 2018

6. INVESTMENT PORTFOLIO SUMMARY

	Valuation £'000	Cost £'000	Gain/(loss) £'000	Valuation HMRC basis ¹ £'000	Valuation HMRC basis as a % of Net Assets
Qualifying Investment – Unquoted					
Opes Industries Limited	2,628	2,950	(322)	2,950	14%
Warm Hearth Limited	2,500	2,500	-	2,500	12%
Mini Rainbows Limited	2,500	2,500	-	2,500	12%
Welcome Health Limited	2,500	2,500	-	2,500	12%
Saville Services Limited	2,139	2,139	-	3,739	16%
Growing Fingers Limited	1,400	1,400	-	1,400	6%
Sunlight Education Nucleus Limited	1,000	1,000	-	1,000	5%
Total Qualifying Investments¹	14,667	14,989	(322)	16,589	77%
Non-Qualifying Investments					
Valencia Lending Limited	901	901	-	901	4%
Lothian Lending Limited	1,266	1,266	-	1,266	6%
Latimer Lending Limited	822	822	-	822	4%
Lavender Lending Limited	800	800	-	800	4%
Victoria Lending Limited	500	500	-	500	2%
Meadow Lending Limited	575	575	-	575	2%
Total Non-Qualifying Investments	4,864	4,864	-	4,864	22%
Liquidity Management					
Commonwealth Bank of Australia bond	198	199	(1)	199	1%
Total Liquidity Management Investments	198	199	(1)	199	1%
Total Investments¹	19,729	20,052	(323)	21,652	100%
Balance of Portfolio	2,156	2,156	-	-	0%
Net Assets	21,885	22,208	(323)	21,652	100%

¹ The HMRC valuation differs from FRS102, because FRS102 requires changes to reflect current market valuations whereas HMRC requires such changes when further securities of the same company are bought or sold by the VCT. It also omits the items shown as 'Balance of Portfolio'.

Of the investments held at 31 August 2018, all are incorporated in England and Wales with the exception of the liquidity management holdings.

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

www.pumainvestments.co.uk/pages/view/investors-information-vcts





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Puma Investments is a trading name of
Puma Investment Management Limited which
is authorised and regulated by the Financial
Conduct Authority, FCA Number 590919