



SHORE CAPITAL



# PUMA VCT PLC

INTERIM REPORT 2009

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# Chairman's Statement

## Highlights

- Undiluted net asset value per share of 102.71p. This represents a 7.6% increase from year-end.
- Fully diluted net asset value per share of 101.69p. This represents a 6.5% increase from year-end.
- Significant gains made on the AiM listed portfolio reflecting a recovering market.

### Introduction

During the six months to 31 August 2009 the Company has seen a significant recovery of its holdings both in the qualifying and non-qualifying portfolios as the AiM quoted stocks recovered. In addition to the increase in value of the existing listed holdings the Investment Manager has been able to take advantage of new opportunities presented as the markets have shown signs of recovery. The Company's net asset value grew by 7.6% during the period, before accrued performance fees.

The gain in value is primarily attributable to the Company's AiM quoted stocks, however some of these continue to trade

at a discount to their respective net asset values and the Investment Manager hopes that the Company will continue to see a recovery in the values of these holdings in the second half.

### Qualifying investments

The six months to 31 August 2009 have seen progress for the Company's qualifying investments.

In May 2009 Cadbury House Limited, the leisure centre and hotel complex near Bristol, was granted planning permission to build an extension to the hotel containing a further 48 bedrooms. The construction is expected to commence in the next few months.

## Chairman's Statement continued

As announced at the year end, the Company's holding in Clifford Contracting Limited of £1,513,000 has been sold in the period to Telford Homes plc in exchange for new shares and secured loan notes. This investment continues to be qualifying for VCT purposes and the exit has been targeted to coincide with the expected wind-up timetable of the VCT.

Bond Contracting Limited (in which the Company has invested £1.5m) is in the final stages of constructing a 141 bed Hotel on the outskirts of Winchester. It is on target to complete the construction in the current year and be operational in early 2010.

At 31 August 2009 the listed holdings within the Company's qualifying portfolio were valued at £1,319,000. This represents an unrealised gain of £477,000 over the value of £842,000 as at the year end.

### **Non-qualifying investments**

The Investment Manager has taken advantage of new opportunities presented as the markets have shown

signs of recovery, focusing on corporate bonds and other bond funds. This strategy has generated £58,000 in bond interest during the period, together with profits of £36,000 from disposals of bonds.

Just subsequent to the period end the Company fully realised its fixed rate loan stock holding in Lakan investments. The loan was put in place in November 2007 and has generated an IRR of over 21% during its life.

The VCT also exited from Puma Brandenburg (in which it had originally invested into at £1) as a result of its takeover at 60p per share by Shore Capital Group plc. The 60p exit price represented a premium of approximately 40 per cent. to the closing price on 10 June 2009, being the last practicable business day before the takeover was announced.

During the period VCT and VCT II invested in £500,000 secured loan notes of INVU plc of which £296,000 was for this VCT. These loan notes bear

an attractive coupon and the term coincides with the expected VCT wind-up strategy.

### Results and dividends

As set-out in the accounts for the period ended 28 February 2009, a dividend of 2.75p per ordinary share was declared during the period and paid on 16 September 2009. Your Board is not proposing a dividend in relation to this interim period but reiterates the intention to distribute a large element of the available income and, if appropriate, realised capital gains in due course.

### Principal risks and uncertainties

Although the UK economy has shown some limited signs of a recovery so far this year, economic risks remain. The consequences of this for our investment portfolio represent one of the principal risks and uncertainties for the Company in the second half of the year.

### Outlook

Despite the strong performance in the period we also remain cautious of the risk

of a further downturn in stock markets. Our existing private equity investments are largely in the form of secured loans and limit the Company's risk exposure. The quoted holdings have performed well during the period but the values of these still reflect the prospects for a long period of economic uncertainty and reduced liquidity in small cap stocks. However, liquidity has improved in the larger more successful holdings.

### Realisations and end of VCT life

We are now focused on improving the liquidity of the portfolio wherever possible whilst maintaining an appropriate risk/return. The full realisations of Lakan Investments and Puma Brandenburg Ltd in the period go some way towards this. The new investments in INVU plc and Telford Homes plc have been structured consistent with the objective of achieving an orderly winding up of the VCT assets at the end of its life.

As we draw near to the end of its life we are reviewing how we wind up the Fund and manage its assets in line with this

## Chairman's Statement continued

requirement. To meet VCT rules, the process of formal winding up cannot begin until 1 June 2010, 5 years on from the closing of the two VCTs' flotations. However if significant capital is realised before this point, it is the intention of the Board to distribute it.

### **Recent Net Asset Value**

The fully diluted net asset value per share as at 30 September 2009 was 99.46p

after the payment of the 2.75p dividend mentioned above.

I look forward to reporting the progress of the Company with the next Annual Report for the year ended 28 February 2010.

**Sir Aubrey Brocklebank Bt**

Chairman

30 October 2009

# Income Statement (unaudited)

For the six months ended 31 August 2009

	Note	Six months ended 31 August 2009			Six months ended 31 August 2008			Year ended 28 February 2009		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses)										
on investments		–	731	731	–	(578)	(578)	–	(1,412)	(1,412)
Income		228	–	228	282	–	282	584	–	584
		<b>228</b>	<b>731</b>	<b>959</b>	<b>282</b>	<b>(578)</b>	<b>(296)</b>	<b>584</b>	<b>(1,412)</b>	<b>(828)</b>
Investment management fees	4	13	40	53	36	108	144	63	189	252
Performance fees		21	102	123	31	(131)	(100)	(75)	(112)	(187)
Other expenses		34	–	34	61	–	61	114	–	114
		<b>68</b>	<b>142</b>	<b>210</b>	<b>128</b>	<b>(23)</b>	<b>105</b>	<b>102</b>	<b>77</b>	<b>179</b>
<b>Return/(loss) on ordinary activities before taxation</b>		<b>160</b>	<b>589</b>	<b>749</b>	<b>154</b>	<b>(555)</b>	<b>(401)</b>	<b>482</b>	<b>(1,489)</b>	<b>(1,007)</b>
Tax on return on ordinary activities		(33)	33	–	(29)	29	–	(72)	72	–
<b>Return/(loss) on ordinary activities after tax attributable to equity shareholders</b>		<b>127</b>	<b>622</b>	<b>749</b>	<b>125</b>	<b>(526)</b>	<b>(401)</b>	<b>410</b>	<b>(1,417)</b>	<b>(1,007)</b>
<b>Return/(loss) per Ordinary Share (pence)</b>	2	<b>1.05p</b>	<b>5.15p</b>	<b>6.20p</b>	<b>1.03p</b>	<b>(4.35)p</b>	<b>(3.32)p</b>	<b>3.39p</b>	<b>(11.72)p</b>	<b>(8.33)p</b>

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 2009

	Note	As at 31 August 2009 £'000	As at 31 August 2008 £'000	As at 28 February 2009 £'000
<b>Fixed Assets</b>				
Investments	7	11,662	11,638	9,368
<b>Current Assets</b>				
Debtors		231	233	134
Cash at bank and in hand		585	465	2,113
		816	698	2,247
<b>Creditors – amounts falling due within one year</b>		<b>(62)</b>	<b>(99)</b>	<b>(71)</b>
<b>Net Current Assets</b>		<b>754</b>	<b>599</b>	<b>2,176</b>
<b>Total Assets less Current Liabilities</b>		<b>12,416</b>	<b>12,237</b>	<b>11,544</b>
<b>Creditors – amounts falling due after more than one year (including convertible debt)</b>				
		<b>(1)</b>	<b>(1)</b>	<b>(1)</b>
<b>Net Assets</b>		<b>12,415</b>	<b>12,236</b>	<b>11,543</b>
<b>Capital and Reserves</b>				
Called up share capital		121	121	121
Capital reserve – realised		1,004	891	1,016
Capital reserve – unrealised		(1,126)	(744)	(1,760)
Other reserve		123	87	–
Revenue reserve		12,293	11,881	12,166
<b>Equity Shareholders' Funds</b>		<b>12,415</b>	<b>12,236</b>	<b>11,543</b>
<b>Net Asset Value per Ordinary Share</b>	3	<b>102.71p</b>	101.21p	95.49p
<b>Diluted Net Asset Value per Ordinary Share</b>	3	<b>101.69p</b>	100.49p	95.49p



# Cash Flow Statement (unaudited)

For the six months ended 31 August 2009

	Six months ended 31 August 2009 £'000	Six months ended 31 August 2008 £'000	Year ended 28 February 2009 £'000
<b>Operating activities</b>			
Investment income received	220	221	625
Investment management fees paid	(127)	(145)	(264)
Cash paid to directors	(11)	(11)	(22)
Foreign exchange loss on cash	–	(2)	–
Other cash payments	(51)	(63)	(92)
<b>Net cash inflow from operating activities</b>	<b>31</b>	<b>–</b>	<b>247</b>
<b>Equity dividend paid</b>	<b>–</b>	<b>(181)</b>	<b>(181)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of investments	(3,973)	(269)	(562)
Proceeds from sale of investments	2,410	500	2,236
Net realised gain/(loss) on forward foreign exchange contracts	4	(62)	(104)
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>	<b>(1,559)</b>	<b>169</b>	<b>1,570</b>
<b>(Decrease)/increase in cash</b>	<b>(1,528)</b>	<b>(12)</b>	<b>1,636</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Decrease/increase in cash for the period	(1,528)	(12)	1,636
Net cash at start of the period	2,113	477	477
<b>Net funds at the period end</b>	<b>585</b>	<b>465</b>	<b>2,113</b>

# Reconciliation of Movements in Shareholders' Funds (unaudited)

For the six months ended 31 August 2009

	Called up share capital £'000	Capital reserve- realised £'000	Capital reserve- unrealised £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
Six months ended 31 August 2009						
Balance at 1 March 2009	121	1,016	(1,760)	–	12,166	11,543
Total recognised (losses)/gains for the period	–	(12)	634	123	127	872
<b>Balance at 31 August 2009</b>	<b>121</b>	<b>1,004</b>	<b>(1,126)</b>	<b>123</b>	<b>12,293</b>	<b>12,415</b>

	Six months ended 31 August 2008					
Balance at 1 March 2008	121	1,092	(419)	187	11,937	12,918
Total recognised (losses)/gains for the period	–	(201)	(325)	(100)	125	(501)
Equity dividend paid	–	–	–	–	(181)	(181)
<b>Balance at 31 August 2008</b>	<b>121</b>	<b>891</b>	<b>(744)</b>	<b>87</b>	<b>11,881</b>	<b>12,236</b>

	For the year ended 28 February 2009					
Balance at 1 March 2008	121	1,092	(419)	187	11,937	12,918
Total recognised (losses)/gains for the period	–	(76)	(1,341)	(187)	410	(1,194)
Equity dividend paid	–	–	–	–	(181)	(181)
<b>Balance at 28 February 2009</b>	<b>121</b>	<b>1,016</b>	<b>(1,760)</b>	<b>–</b>	<b>12,166</b>	<b>11,543</b>

# Notes to the Interim Report

For the six months ended 31 August 2009

## 1. Accounting Policies

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

## 2. Return per Ordinary Share

The total return per share of 6.20p (31 August 2008 – loss of 3.32p) is based on the profit for the period of £749,000 (31 August 2008 – loss of £401,000) and the weighted average number of shares in issue as at 31 August 2009 of 12,087,700 (31 August 2008 – 12,087,700).

## 3. Net asset value per share

Period	Net assets	Shares in issue	Net Asset Value per share	
			Basic	Diluted
<b>31 August 2009</b>	<b>£12,415,000</b>	<b>12,087,700</b>	<b>102.71p</b>	<b>101.69p</b>
28 February 2009	£11,543,000	12,087,700	95.49p	95.49p
31 August 2008	£12,236,000	12,087,700	101.21p	100.49p

## 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 the 2009 Annual Report and Accounts on page 38. There were no other related party transactions during the six months ended 31 August 2009.

6. The financial information for the six months ended 31 August 2009 and 31 August 2008 has not been audited and does not comprise full financial statements within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 28 February 2009 has been extracted from the company's full financial statements for the period then ended that have been delivered to the Registrar of Companies, and on which the report of the Auditors was unqualified. The interim financial statements have been prepared on the same basis as the annual financial statements.

# Notes to the Interim Report continued

For the six months ended 31 August 2009

## 7. Investment portfolio summary

As at 31 August 2009	Cost £'000	Valuation £'000	Gain/ (loss)	Valuation as a % of Net Assets
<b>Qualifying investment – unquoted</b>				
Albemarle Contracting Limited	1,000	1,000	–	8%
Bond Contracting Limited	1,532	1,532	–	12%
Cadbury House Hotel & Country Club plc	2,110	2,110	–	17%
Stocklight Limited	610	610	–	5%
Telford Homes Limited	1,513	1,513	–	12%
<b>Qualifying investment – quoted</b>				
@UK plc	415	1	(414)	0%
Alterian plc	19	24	5	0%
Clarity Commerce Solutions plc	142	105	(37)	1%
I-Design Group plc	59	11	(48)	0%
INVU plc	119	9	(110)	0%
Mount Engineering plc	223	165	(58)	1%
Patsystems plc	311	520	209	4%
Sport Media plc	305	19	(286)	0%
Universe Group plc	174	69	(105)	1%
Vertu Motors plc	593	396	(197)	3%
<b>Total qualifying investments</b>	<b>9,125</b>	<b>8,084</b>	<b>(1,041)</b>	<b>65%</b>

## 7. Investment portfolio summary continued

As at 31 August 2009	Cost £'000	Valuation £'000	Gain/ (loss)	Valuation as a % of Net Assets
<b>Brought forward from previous page</b>	<b>9,125</b>	<b>8,084</b>	<b>(1,041)</b>	<b>65%</b>
<b>Non-qualifying investments – unquoted</b>				
INVU plc	296	296	–	2%
Lakan Investments Limited	85	104	19	1%
<b>Non-qualifying investments – quoted</b>				
Anglo American Bonds	237	240	3	2%
Artemis Strategic Bonds	149	181	32	1%
Blackrock UK Emerging Cos Hedge Fund Limited	552	719	167	6%
Brevan Howard Macro	249	269	20	2%
Cazenove Strategic Bond Fund	297	338	41	3%
Cazenove UK Dynamic Absolute UK	250	265	15	2%
Jupiter Strategic Bonds	297	372	75	3%
Puma Brandenburg Limited	578	329	(249)	3%
Rio Tinto Finance Plc Bonds	155	156	1	1%
The Hotel Corporation plc	413	309	(104)	2%
<b>Total non-qualifying investments</b>	<b>3,558</b>	<b>3,578</b>	<b>20</b>	<b>29%</b>
<b>Total investments</b>	<b>12,683</b>	<b>11,662</b>	<b>(1,021)</b>	<b>94%</b>
<b>Balance of portfolio</b>	<b>753</b>	<b>753</b>		<b>6%</b>
<b>Net Assets</b>	<b>13,436</b>	<b>12,415</b>	<b>(1,021)</b>	<b>100%</b>

# Officers and Professional Advisers

## Directors

Sir A T Brocklebank Bt, ACA  
(Chairman)\*

D M Brock\*

G Shore\*

\* non-executive

## Secretary

E C Kaye

## Registered Number

05279077

## Registered Office

Bond Street House  
14 Clifford Street  
London W1S 4JU

## Investment Manager

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

## Registrar

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## Administrator

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

## Auditors

Baker Tilly Audit LLP  
2 Bloomsbury Street  
London WC1B 3ST

## Sponsors and Solicitors

Howard Kennedy  
19 Cavendish Square  
London W1A 2AW

## Bankers

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

## VCT Tax Advisor

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

## Custodian

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



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

Tel: 020 7408 4050  
Fax: 020 7408 4051