



SHORE CAPITAL



# PUMA VCT IV PLC

INTERIM REPORT 2008

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# Highlights

- Net asset value per share of 93.88p. This represents a 0.7% decrease from year-end (adding back the 1.5p 2007 final dividend paid at the end of the period) compared to a decrease of 27.4% on the FTSE AIM Index for the same period.
- £3.9 million invested into qualifying investments in the period.
- Several large qualifying investments in the pipeline to be made in the near-term.



*Vertu Motors plc*



*Mount Engineering plc*



*The Restaurant, Cadbury House Hotel & Country Club plc*



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

# Chairman's Statement

This statement forms the Interim Management Report for the six months ended 30 June 2008.

## Introduction

During the six months to 30 June 2008, the investment manager's conservative approach has held Puma VCT IV plc's performance stable though the continuing turmoil inflicting the wider financial markets, resulting in a small drop in NAV.

The fund has a remit to invest in both unquoted and AIM/Plus listed equities, but the investment manager has concentrated upon investments in unquoted companies. The focus in unquoted investments is on providing secured mezzanine finance rather than taking an equity risk. The fund also holds some AIM stocks where the Investment Manager considered that the fund-raising offered good medium term value.

This strategy has proven to be prudent as the AIM market fell 27.4% during the six months to 30 June 2008, suffering from the continuing economic downturn affecting global financial markets. It is likely that the value of typical unquoted equities of a kind in which VCTs can invest will have fallen by the same amount or more. In the same period the Company is reporting a fall of only 0.7% (adding back the 1.5p 2007 final dividend paid at the end of the period) in the NAV per share which now stands at 93.88p.

The fall in value is primarily attributable to the Company's AIM quoted stocks, many of which are trading at a discount to their respective net asset values. This is less to do with the quality

of these companies than the continuing result of the volatility and sentiment in the stock market for smaller companies that we reported on at the year end.

## New Qualifying investments

The Company completed three qualifying transactions during the period totalling £3,890,000. The investments were into Bond Contracting Limited, Clifford Contracting Limited and Albemarle Contracting Limited. All three of these are private equity investments, primarily of mezzanine, under which the investment manager has a seat on the board and has direct involvement in underlying investment decisions.

Bond Contracting Limited 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.

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 year.

## Existing Qualifying investments

Of the existing unquoted stocks, the £2.3m investment in Cadbury House Hotel & Country

Club plc (Cadbury House), the leisure centre and hotel complex near Bristol, continues to trade very well and ahead of budget. Also, Cadbury House had applied for planning permission to build an extension to the hotel containing a further 58 bedrooms and the application is expected to be considered by the relevant committees over the next few months. This should generate further value to the Company's existing investment.

The Company invested £985k in Stocklight, the parent company of Bloomsbury Auctions. This investment is in mezzanine finance and is very well secured both by freehold commercial property and a well-spread inventory of rare books. Stocklight is trading profitably as a group, but the company has invested significantly in establishing a global footprint of its auction business. The auction sites in Rome and New York are taking time to generate a return, but overall our investment is secure.

The value of the quoted qualifying stocks at the period end was £690,000, compared to £927,000 at the year end and is responsible for the bulk of the fall in NAV in the period. This reflects the difficult market conditions facing all AIM stocks. However these stocks make up only 4% of the overall portfolio and we expect that at least some of the recent falls will reverse in due course.

The qualifying portfolio now consists of nine investments representing approximately 48% of assets as at 30 June 2008. With several large qualifying investments expected to be

made in the near-term, your board is confident that the requirement for at least 70% to be invested in qualifying companies will be met within the three year timescale.

### Non-qualifying investments

The market value of the non-qualifying investment portfolio was £8,432,000 at the period end against an underlying book cost of £8,229,000. This portfolio consists of three elements, listed stocks, hedge funds and a non-qualifying private equity investment. Performance for this portfolio for the six months was relatively flat with the fall in value of the listed stocks largely off set by gains on the hedge fund holdings.

The non-qualifying private equity investment is in a hotel development project on the outskirts of Winchester in the green belt. There is a large premium value for securing a planning permission in this location and we expect, in due course, to record a gain on this holding. At present we are carrying it at cost. Construction of a 120 bedroom hotel, to be a Holiday Inn Express, is expected to begin in September and to take about a year.

### Results and dividends

As set-out in the 2007 accounts, a dividend of 1.5p per ordinary share was declared during the period and paid on 2 July 2008. 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.

# Chairman's Statement continued

## Year end change

During the period the Company took the opportunity to change its financial year end from 31 December to 28 February. Puma VCT IV is now required to be 70% invested in qualifying investments by 28 February 2009. The next Annual Report will be for the period to this date.

## VAT on management fees

The Government has announced that VCTs will be exempt from paying VAT on investment management fees with effect from 1 October 2008, following a European Court of Justice judgement against the Government in a case relating to VAT payable by investment trusts. This represents a prospective annual cost saving for the Company of around £65,000. More recently, the Government has conceded that VCTs will be able to obtain a repayment of VAT paid on management fees in earlier periods (the benefit of this has not been included in the current NAV). We will report on our progress in respect of this beneficial development in due course.

## Principal risks and uncertainties

It is clear that the UK economy is turning down at present and may go into recession. The consequences of this for our investment portfolio constitute the principal risk and uncertainty for the Company in the second half of the year.

## Outlook

The Investment Manager continues to review opportunities as potential investee companies

look for alternate sources of debt finance brought about by tighter credit conditions. The VCTs offering of mezzanine and equity finance for asset-backed growing companies continues to be attractive benefiting from the ability to increase the sum offered by spreading the investment across the five Puma VCTs.

The current portfolio of private equity holdings are sustaining their strong position and limit the Company's risk exposure in qualifying investments. The AIM qualifying stocks, a small element of the portfolio, have not performed well during the period but the Investment Manager is monitoring them closely and expects at least some of current losses to reverse in due course.

The investment manager is seeking new qualifying opportunities which match the risk averse mandate of the Company. The Company has sufficient cash resources to capitalise on any opportunities which arise and the timing for making investments into mezzanine in solid private companies is now much more favourable.

I look forward to reporting the progress of the Company with the next Annual Report for the period ended 28 February 2009.

**Sir Aubrey Brocklebank Bt**  
Chairman

22 August 2008

# Income Statement (unaudited)

For the six months ended 30 June 2008

	Note	Six months ended 30 June 2008			Six months ended 30 June 2007			Year ended 31 December 2007		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/gains on investments		–	(277)	(277)	–	626	626	–	(726)	(726)
Income		421	–	421	190	–	190	515	–	515
		<b>421</b>	<b>(277)</b>	<b>144</b>	<b>190</b>	<b>626</b>	<b>816</b>	<b>515</b>	<b>(726)</b>	<b>(211)</b>
Investment management fees	4	53	159	212	57	172	229	113	339	452
Performance fees		50	(50)	–	12	91	103	46	(52)	(6)
Other expenses		68	–	68	71	–	71	141	–	141
		<b>171</b>	<b>109</b>	<b>280</b>	<b>140</b>	<b>263</b>	<b>403</b>	<b>300</b>	<b>287</b>	<b>587</b>
<b>(Loss)/return on ordinary activities before taxation</b>		<b>250</b>	<b>(386)</b>	<b>(136)</b>	<b>50</b>	<b>363</b>	<b>413</b>	<b>215</b>	<b>(1,013)</b>	<b>(798)</b>
Tax on return on ordinary activities		(51)	51	–	(3)	3	–	(40)	40	–
<b>(Loss)/return on ordinary activities after tax attributable to equity shareholders</b>		<b>199</b>	<b>(335)</b>	<b>(136)</b>	<b>47</b>	<b>366</b>	<b>413</b>	<b>175</b>	<b>(973)</b>	<b>(798)</b>
<b>(Loss)/return per Ordinary Share (pence)</b>	2	<b>1.02p</b>	<b>(1.72)p</b>	<b>(0.70)p</b>	0.24p	1.87p	2.11p	0.90p	(4.98)p	(4.08)p

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 2008

	Note	As at 30 June 2008 £'000	As at 30 June 2007 £'000	As at 31 December 2007 £'000
<b>Fixed Assets</b>				
Investments	7	16,333	17,379	14,793
<b>Current Assets</b>				
Debtors		375	129	171
Cash		2,071	2,718	4,026
		2,446	2,847	4,197
Creditors – amounts falling due within one year		(168)	(159)	(243)
Dividend payable		(293)	–	–
<b>Net Current Assets</b>		<b>1,985</b>	<b>2,688</b>	<b>3,954</b>
<b>Total Assets less Current Liabilities</b>		<b>18,318</b>	<b>20,067</b>	<b>18,747</b>
Creditors – amounts falling due after more than one year (including convertible debt)		(1)	(1)	(1)
<b>Net Assets</b>		<b>18,317</b>	<b>20,066</b>	<b>18,746</b>
<b>Capital and Reserves</b>				
Called up share capital		195	195	195
Capital reserve – realised		(615)	39	(203)
Capital reserve – unrealised		(405)	615	(482)
Other reserve		–	109	–
Revenue reserve		19,142	19,108	19,236
<b>Equity Shareholders' Funds</b>		<b>18,317</b>	<b>20,066</b>	<b>18,746</b>
<b>Net Asset Value per Ordinary Share</b>	3	<b>93.88p</b>	102.84p	96.08p
<b>Diluted Net Asset Value per Ordinary Share</b>	3	<b>93.88p</b>	102.27p	96.08p



# Cash Flow Statement (unaudited)

For the six months ended 30 June 2008

	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
<b>Operating activities</b>			
Investment income received	232	163	376
Investment management fees paid	(204)	(342)	(572)
Cash paid to directors	(7)	(7)	(14)
Foreign exchange gain/(loss) on cash	(48)	42	26
Other cash payments	(65)	(87)	(138)
<b>Net cash outflow from operating activities</b>	<b>(92)</b>	<b>(231)</b>	<b>(322)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of investments	(2,678)	(5,305)	(7,370)
Proceeds from sale of investments	923	3,555	6,845
Acquisition costs	–	–	–
Net realised (loss)/gain on forward foreign exchange contracts	(108)	31	205
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(1,863)</b>	<b>(1,719)</b>	<b>(320)</b>
<b>Management of liquid resources</b>	<b>1,907</b>	<b>–</b>	<b>(2,796)</b>
<b>Decrease in cash</b>	<b>(48)</b>	<b>(1,950)</b>	<b>(3,438)</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Decrease in cash for the period	(48)	(1,950)	(3,438)
(Decrease)/increase in liquid resources for the period	(1,907)	–	2,796
Net cash at start of the period	4,026	4,668	4,668
<b>Net funds at the period end</b>	<b>2,071</b>	<b>2,718</b>	<b>4,026</b>

# Reconciliation of Movements in Shareholders' Funds (unaudited)

For the six months ended 30 June 2008

	Six months ended 30 June 2008					
	Called up share capital	Capital reserve-realised	Capital reserve-unrealised	Other reserve	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2008	195	(203)	(482)	–	19,236	18,746
Total recognised (losses)/ gains for the period	–	(412)	77	–	199	(136)
Dividends payable	–	–	–	–	(293)	(293)
<b>Balance at 30 June 2008</b>	<b>195</b>	<b>(615)</b>	<b>(405)</b>	<b>–</b>	<b>19,142</b>	<b>18,317</b>

	Six months ended 30 June 2007					
	Called up share capital	Capital reserve-realised	Capital reserve-unrealised	Other reserve	Revenue reserve	Total
Balance at 1 January 2007	195	197	91	6	19,061	19,550
Total recognised (losses)/ gains for the period	–	(158)	524	103	47	516
<b>Balance at 30 June 2007</b>	<b>195</b>	<b>39</b>	<b>615</b>	<b>109</b>	<b>19,108</b>	<b>20,066</b>

	For the year ended 31 December 2007					
	Called up share capital	Capital reserve-realised	Capital reserve-unrealised	Other reserve	Revenue reserve	Total
Balance at 1 January 2007	195	197	91	6	19,061	19,550
Total recognised (losses)/ gains for the year	–	(400)	(573)	(6)	175	(804)
<b>Balance at 31 December 2007</b>	<b>195</b>	<b>(203)</b>	<b>(482)</b>	<b>–</b>	<b>19,236</b>	<b>18,746</b>

# Notes to the Interim Report

For the six months ended 30 June 2008

## 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 loss per share of 0.70p (30 June 2007 – 2.11p) is based on the loss for the period of £136,000 (30 June 2007 – profit of £413,000) and the weighted average number of shares in issue as at 30 June 2008 of 19,511,624 (30 June 2007 – 19,511,624).

## 3. Net asset value per share

Period	Net assets	Shares in issue	Net Asset Value per share	
			Basic	Diluted
<b>30 June 2008</b>	<b>£18,317,000</b>	<b>19,511,624</b>	<b>93.88p</b>	<b>93.88p</b>
31 December 2007	£18,746,000	19,511,624	96.08p	96.08p
30 June 2007	£20,066,000	19,511,624	102.84p	102.27p

## 4. Management fees

The Company pays the Investment Manager an annual management fee of 2% (plus VAT) 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 2007 Annual Report and Accounts on page 36. There were no other related party transactions during the six months ended 30 June 2008.

6. The financial information for the six months ended 30 June 2008 and 30 June 2007 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 31 December 2007 has been extracted from the company's full financial statements for the year 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 30 June 2008

## 7. Investment portfolio summary

As at 30 June 2008	Cost £'000	Valuation £'000	Gain/ (loss)	Valuation as a % of Net Assets
<b>Qualifying investment – unquoted</b>				
Albemarle Contracting Ltd	1,000	1,000	–	5%
Bond Contracting Ltd	1,000	1,000	–	5%
Clifford Contracting Ltd	1,890	1,890	–	10%
Cadbury House Hotel & Country Club plc	2,335	2,335	–	13%
Stocklight Limited	985	985	–	5%
<b>Qualifying investment – quoted</b>				
Clarity Commerce Solutions plc	230	78	(152)	1%
Mount Engineering plc	188	198	10	1%
Sport Media plc	493	106	(387)	1%
Vertu Motors plc	500	308	(192)	2%
<b>Total qualifying investments</b>	<b>8,621</b>	<b>7,900</b>	<b>(721)</b>	<b>43%</b>
<b>Non-qualifying investments</b>				
Hedge fund portfolio	5,367	5,945	578	32%
Loan stock – interest bearing	1,074	1,186	112	7%
Other quoted investments	1,788	1,301	(487)	7%
<b>Total non-qualifying investments</b>	<b>8,229</b>	<b>8,432</b>	<b>203</b>	<b>46%</b>
<b>Total investments</b>	<b>16,850</b>	<b>16,332</b>	<b>(518)</b>	<b>89%</b>
<b>Balance of portfolio</b>	<b>1,985</b>	<b>1,985</b>	<b>–</b>	<b>11%</b>
<b>Net Assets</b>	<b>18,835</b>	<b>18,317</b>	<b>(518)</b>	<b>100%</b>

# Officers and Professional Advisers

## Directors

Sir A T Brocklebank Bt, ACA  
(Chairman)\*  
D M Brock\*  
G Shore (Appointed 27 June 2008)  
C J Ring (Resigned 27 June 2008)

\* non-executive

## Secretary

J S Paisner

## Registered Number

05594948

## 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 UK 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 Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

## Custodian

Pershing Securities Limited  
Capstan House  
One Clove Crescent  
East India Dock  
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