

Puma VCT plc 5279077
Annual report and accounts 2006



Officers and Professional Advisers

Directors (all non-executive)

Sir A T Brocklebank Bt, ACA (Chairman)
D M Brock
C J Ring, ACA

Secretary

J S Paisner

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 UK Audit LLP
Chartered Accountants
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

Bank of Scotland

New Ubertior House
11 Earl Grey Street
Edinburgh EH3 9BN

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

Chairman's Statement

The year to 31 December 2006 has shown satisfactory progress with a number of qualifying and non qualifying investments contributing well to performance. I am pleased to report that at the year end the Company's net asset value per share ("NAV"), after deducting performance fees, stood at 110.32p. This is a rise of 6.44p, or 6.2% over the year and a rise of 12.32p, or 12.6% since inception. Progress to date in 2007 has also been pleasing with the unaudited NAV after performance as at 28 February 2007 standing at 115.29p, an increase of 4.5% since the year end.

Puma VCT plc and Puma VCT II plc have jointly invested in proportion to their respective fundraising throughout the year.

Venture capital investments

The Company completed four new qualifying investments (Clarity Commerce Solutions plc, Interactive World plc, Stocklight Limited and Vertu Motors plc) and provided follow on financing into an existing investment, Cadbury House Hotel & Country Club during the year. The Company also remains invested in Patsystems and @UK, both qualifying holdings.

Puma VCT plc's first two investments of 2006 were both in AIM listed companies. Clarity Commerce Solutions Plc is a leading supplier of software and services to the leisure and hospitality sectors. This was followed by an investment in Interactive World Plc, which distributes digital media content to mobile phones via the internet.

We have seen impressive progress in Cadbury House Hotel & Country Club plc. This was Puma VCT plc's first qualifying investment, completed in June 2005. The development has been going to plan and budget and the business has been performing very strongly. Puma VCT Plc took the opportunity to invest a further £1 million in October as part of a refinancing of their £12 million loan facility.

Towards the end of 2006, Puma VCT plc invested in Stocklight Limited, also an unquoted company. Stocklight is the parent of Bloomsbury Auctions Limited, Europe's largest specialist book auctioneer. The cash will be used as development capital.

Puma VCT plc's final investment of 2006 was in Vertu Motors Plc. Vertu's strategy is to acquire and consolidate motor dealerships. To pursue this aim it raised an initial £25 million from VCTs and institutions.

Aside from Cadbury House, the Company's other qualifying investments at 31 December 2005, were @UK and Patsystems. The companies, both listed on AIM, delivered mixed performances during 2006. This is discussed further in the Investment Manager's report.

At 31 December 2006, the Company's qualifying portfolio had a total cost of £3,682,000 and was valued at £3,904,000 resulting in an unrealised gain of £222,000. Further details are set out in the Investment Manager's Report and the Largest Investments on pages 5 to 11.

Non-qualifying investments

The Investment Manager has continued to invest the non-qualifying investments on an absolute return basis. We are extremely pleased with the appreciation in the non-qualifying portfolio. The market value was £9,004,000 as at 31 December 2006 against an underlying book cost of £7,684,000.

Results and dividend

The total return for the period was £1,407,000 and the net total return for the year was £779,000. Gross revenue for the period was £306,000 and net revenue return after taxation was £74,000. The Board proposes a final revenue dividend of 0.9p per ordinary share for the year. The ex-dividend date will be 02 May 2007 and the record date 04 May 2007. Payment will be made to shareholders by 01 June 2007.

Chairman's Statement (continued)

Annual General Meeting

The Annual General Meeting of the Company will be held at Bond Street House, 14 Clifford Street, London, W1S 4JU on 17 May 2007. Notice of the Annual General Meeting and Form of Proxy have been sent separately to the annual accounts.

Outlook

We continue to look for qualifying opportunities that meet our criteria to ensure that we meet the minimum targets for qualifying investments of 70%. In the meantime, we are confident in the prospects for our existing portfolio of companies.



Sir Aubrey Brocklebank Bt
Chairman
3 May 2007

Investment Manager's Report

Overall Performance

In its second year, the Company has continued to deliver strong returns with the net asset value per share of your Company having increased by 7.7 per cent (6.2 per cent net of performance fees) in the year. This compares very favourably to the FTSE AIM index which rose by 0.8 per cent. This performance puts the Company well on track to deliver the net 120 pence to investors targeted at launch, which would be a post-tax return of 14.9 per cent p.a. on the 60p net cost to investors. Subsequent to the year end, the Company's investments have continued to perform well, resulting in an NAV at 28 February 2007 of 115.29p.

This strong performance has been achieved by a combination of gains in the qualifying portfolio and strong delivery from the manager's innovative approach to the non-qualifying investments where the manager's hedge fund strategy made a significant contribution out-performing their benchmark indices. The hedge fund returns have been achieved with low volatility (a normal measure of risk) in keeping with the manager's focus on relatively lower risk opportunities. AIM listed property related investments also performed well for the non-qualifying portfolio with investments in The Hotel Corporation plc, Puma Brandenburg Limited and Dawnay Day Treveria plc showing strong gains.

The performance since launch demonstrates the benefits of our strategy and positioning.

Activity

The Company completed five qualifying investments during the year. This included four new investments and a follow-on investment in Cadbury House Hotel & Country Club plc. We retained the qualifying investment in Patsystems and @UK but sold our small holding in Debts.co.uk plc profitably.

In our report for the year ending 31 December 2005 we expressed our concerns about the valuations of many of the VCT qualifying AIM IPOs, which we considered to be too high. In 2006, although our focus was still on identifying private companies, which fitted our lower risk investment mandate, we also invested in two AIM IPOs and an AIM placing where we felt valuations were more realistic and risk was lower. Having the ability to structure deals to invest in private companies and also participate in AIM issues widens the net of potential investments in addition to providing a better balance of risks within the qualifying portfolio.

Puma VCT plc and Puma VCT II plc jointly invest in proportion to their respective fundraising and along with Puma VCT III plc and Puma VCT IV plc which raised funds in the first quarter of 2006 have also generally co-invested together. We have found that having the ability to syndicate larger investments within the Puma VCT family makes our offering more attractive for potential private equity investments.

Puma VCT plc invested in three AIM quoted companies during the year: Clarity Commerce Solutions plc, Interactive World plc and Vertu Motors plc, discussed further below.

The Company made its first investment of 2006 in Clarity Commerce Solutions Plc. Clarity is an AIM quoted supplier of business management software focused on the leisure industry (pubs, hotels, cinemas, restaurants etc). Puma VCT plc invested £142,000 in April 2006 on the back of the company winning some significant contracts, providing a high level of recurring revenues. Although the share price performance has been a little disappointing, we believe that the underlying business is sound and we expect share price appreciation going forward as long as management execute to plan. Related to this last point, in April 2007, a number of shareholders requisitioned an Extraordinary General Meeting to effect a change in management. We expect further developments in the near future and are hopeful that this will be positive for the company.

Puma VCT plc invested £103,000 in Interactive World Plc in May as part of its fundraising on admission to AIM. Interactive World is a digital content provider, principally to mobile phone handsets. It has an exclusive agreement with the Sports Group and therefore differentiates itself from other content aggregators and distributors. In addition, the business is highly cash flow generative and the offer was at an attractive valuation. The company trades on an attractive yield and we expect further share price appreciation.

Investment Manager's Report (continued)

The Company's third AiM investment of 2006 was Vertu Motors plc. Puma VCT plc invested £593,000 as part of the £25 million fundraising in December. Vertu is pursuing a buy and build strategy in the motor dealership industry. It was an attractive opportunity for Puma VCT plc as we were backing a highly experienced management team to consolidate a fragmented industry which will be supported by substantial property assets. Vertu's first acquisition of Bristol Street Motors (after the year end) required an additional £26 million fundraising at a 25% premium to our entry price. We believe this will underpin our investment whilst providing a solid base for further acquisitions.

Puma VCT plc made two investments in private companies, Cadbury House & Country Club plc and Stocklight Limited.

In June 2005 Puma VCT plc participated in a £4 million equity investment in Cadbury House & Country Club plc. Since then the company has performed well. The health club opened on time in May 2006 and impressively grew its membership from 1,600 to over 3,000 at the year end (ahead of forecasts). The banqueting and conferencing facilities were also developed to budget in time for a busy summer of weddings, which led to a successful Christmas period. The last stage in the development is the hotel which should be open for business in May 2007. The hotel will now be 72 rooms (from 63) and fitted out to a four star standard. We have revalued upwards our original investment in Cadbury House based on an independent professional valuation of the revised development which reflects the increase in rooms and improved rating. Given the progress made we welcomed the opportunity to invest an additional £1 million in October, as part of a £12 million refinancing of bank debt. Although this investment will not participate in the valuation uplifts we are seeing in the original investment it enabled us to invest in a business which we know well and where we have strong security.

Stocklight Limited is the parent company of Bloomsbury Auctions, a fast growing auction house. Puma VCT plc invested £407,000 as part of a £2 million fundraising together with Puma VCT II plc, Puma VCT III plc and Puma VCT IV plc to fund the further expansion of Bloomsbury Auctions. Growth is expected to come from increasing the number of specialist departments and being able to attract bigger and higher value lots by offering advances to potential vendors. The company is also expanding into overseas markets. Although the growth prospects of Bloomsbury Auctions were an attraction, primarily we liked the deal as it was structured to provide good security on the investment.

Puma VCT plc retained two investments in its qualifying portfolio, completed during 2005. @UK plc and Patsystems plc. Patsystems continued to perform well during the year, picking up new clients and generally meeting market expectations. They have carved out a strong niche for themselves, providing software within the derivatives trading market, and have grown on the back of strong growth within this industry. High levels of recurring revenues should underpin the price and make it a potentially attractive acquisition target. Unfortunately @UK has proved disappointing. Despite an initial uplift following its IPO on AiM, in December 2005, the company struggled to meet its initial forecasts and its share price has reflected this failure. We believe the worst of the news is now behind it and with a new CEO the company has a reasonably robust platform to meet its more conservative forecasts.

Outlook

We are pleased with the performance of the Company over the year and believe that we now have a good spread of qualifying companies. We also expect the portfolio of non qualifying investments to continue to do well in the year ahead. 2007 will see an increase in the rate and size of investments in qualifying investments and we are confident that we will be able to identify both private and AiM quoted companies which will satisfy Puma VCT plc's investment mandate.

Shore Capital Limited

Shore Capital Limited
3 May 2007

Investment Portfolio Summary

As at 31 December 2006

Investment	Valuation £'000	Original Cost £'000	Gain/(Loss) £'000	Valuation as % of NAV
Qualifying Investments - Unquoted				
Cadbury House Hotel and Country Club plc	2,100	1,711	389	15%
Stocklight Limited	407	407	-	3%
Qualifying Investments - Quoted				
@UK plc	157	415	(258)	1%
Clarity Commerce Solutions plc	116	142	(26)	1%
Interactive World plc	109	103	6	1%
Patsystems plc	353	311	42	3%
Vertu Motors Plc	662	593	69	5%
Total Qualifying Investments	3,904	3,682	222	29%
Non - Qualifying Investments				
Alphagen Crucis Fund Limited	558	559	(1)	4%
Caxton Global Investments Class E	493	485	8	4%
Highbridge Capital Corp Class A	548	472	76	4%
JPMF European Dynamic Long Short	464	332	132	3%
M-Invest	661	570	91	5%
Puma Absolute Return Fund Limited Class B	2,082	1,746	336	15%
Puma Brandenburg Limited	627	578	49	5%
The Hotel Corporation plc	892	413	479	7%
Other hedge funds and equity investments	2,679	2,529	150	19%
Total Non - Qualifying Investments	9,004	7,684	1,320	66%
Total investments	12,908	11,366	1,542	95%
Cash and other net assets	739	739	-	5%
	13,647	12,105	1,542	100%

Largest Investments

Cadbury House Hotel & Country Club plc

www.cadburyhouse.com

Cost (£'000)	1,711	Source of financial data - Last audited accounts	31/03/06
Investment comprises			
Ordinary shares – Class A (£'000)	71		
Ordinary shares – Class C (£'000)	300	Turnover (£'000)	1,324
Convertible Loan Stock (£'000)	640	Loss before tax (£'000)	(871)
Mezzanine Loan (£'000)	700	Retained loss (£'000)	(1,006)
Valuation method	Directors' Valuation	Net assets (£'000)	536
Valuation (£'000)	2,100	Proportion of equity held	7.0%

Cadbury House Hotel & Country Club plc 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

Vertu Motors Plc

www.vertumotors.com

Cost (£'000)	593	Source of financial data - Last audited accounts	1
Investment comprises		Turnover (£'000)	1
Ordinary shares (£'000)	593	Profit before tax (£'000)	1
		Retained loss (£'000)	1
Valuation method	Bid Market Price	Net assets (£'000)	1
Valuation (£'000)	662	Proportion of equity held	2.4%

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

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

Stocklight Limited

www.shapero.com

Cost (£'000)	407	Source of financial data - Last audited accounts	31/12/05
Investment comprises		Turnover (£'000)	9,743
Ordinary shares (£'000)	41	Profit before tax (£'000)	18
Debt (£'000)	366	Retained profit (£'000)	893
Valuation method	Directors' Valuation	Net assets (£'000)	3,534
Valuation (£'000)	407	Proportion of equity held	0.4%

Stocklight Limited owns 100% 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.

Largest Investments (continued)

Patsystems plc

www.patsystems.com

Cost (£'000)	311	Source of financial data -	
Investment comprises		Last audited accounts	31/12/06
Ordinary shares (£'000)	311	Turnover (£'000)	15,255
		Profit before tax (£'000)	1,626
		Retained loss (£'000)	(8,948)
Valuation method	Bid Market Price	Net assets (£'000)	13,732
Valuation (£'000)	353	Proportion of equity held	1.3%

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

@UK PLC

www.uk-plc.net

Cost (£'000)	415	Source of financial data -	
Investment comprises		Last audited accounts	31/12/05
Ordinary shares (£'000)	415	Turnover (£'000)	1,454
		Loss before tax (£'000)	(1,684)
		Retained loss (£'000)	(3,245)
Valuation method	Bid Market Price	Net assets (£'000)	7,826
Valuation (£'000)	157	Proportion of equity held	2.5%

@UK provides an e-enablement service to suppliers of a number of Local Authorities throughout the UK, including suppliers to schools and central council departments

Puma Absolute Return Fund Limited

Cost (£'000)	1,746	Source of financial data -	
Investment comprises		Last audited accounts	30/04/06
Ordinary shares (£'000)	1,746	Turnover (\$'000)	73
		Profit before tax (\$'000)	9,536
		Retained profit (\$'000)	n/a
Valuation method	NAV per share	Net assets (\$'000)	82,237
Valuation (£'000)	2,082	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.

The Hotel Corporation plc

www.paramount-hotels.co.uk

Cost (£'000)	413	Source of financial data -	
Investment comprises		Last audited accounts	31/12/05
Ordinary shares (£'000)	413	Turnover (£'000)	1,986
		Profit before tax (£'000)	11,514
		Retained profit (£'000)	16,062
Valuation method	Bid Market Price	Net assets (£'000)	51,101
Valuation (£'000)	892	Proportion of equity held	0.9%

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

Largest Investments (continued)

M-Invest

Cost (£'000)	570	Source of financial data -	
Investment comprises		Last audited accounts	31/12/05
Ordinary shares (£'000)	570	Turnover (\$'000)	9,174
		Profit before tax (\$'000)	30,652
		Retained profit (\$'000)	n/a
Valuation method	NAV per share	Net assets (\$'000)	350,050
Valuation (£'000)	661	Proportion of equity held	0.3%

M-Invest is a hedge fund with an equity market neutral strategy. It has stock selection strategies that are implemented to maintain an even balance between longs and shorts, and hence immunise the portfolio from market fluctuations.

Puma Brandenburg Limited

Cost (£'000)	578	Source of financial data -	
Investment comprises		Last audited accounts	1
Ordinary shares (£'000)	578	Turnover (€'000)	1
		Profit before tax (€'000)	1
		Retained profit (€'000)	1
Valuation method	Bid price	Net assets (€'000)	1
Valuation (£'000)	627	Proportion of equity held	0.3%

Puma Brandenburg Limited invests in German residential 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.

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

The AlphaGen Crucis Fund Limited

Cost (£'000)	559	Source of financial data -	
Investment comprises		Last audited accounts	31/01/06
Ordinary shares (£'000)	559	Turnover (\$'000)	15,805
		Profit before tax (\$'000)	9,278
		Retained profit (\$'000)	n/a
Valuation method	NAV per share	Net assets (\$'000)	138,112
Valuation (£'000)	558	Proportion of equity held	0.3%

The AlphaGen Crucis Fund Limited is a hedge fund with an equity market neutral strategy. It has stock selection strategies that are implemented to maintain an even balance between longs and shorts, and hence immunise the portfolio from market fluctuations.

Highbridge Capital Corp Class A

Cost (£'000)	472	Source of financial data -	
Investment comprises		Last audited accounts	31/12/05
Ordinary shares (£'000)	472	Turnover (\$'000)	501,621
		Profit before tax (\$'000)	274,383
		Retained profit (\$'000)	n/a
Valuation method	NAV per share	Net assets (\$'000)	5,376,187
Valuation (£'000)	548	Proportion of equity held	0.01%

Highbridge Capital Corp Class A is a hedge fund with a multi-strategy arbitrage investment strategy. This fund has a flexible and opportunistic allocation of capital across a broad range of arbitrage or relative value opportunities.

Largest Investments (continued)

Caxton Global Investments Class E

Cost (£'000)	485	Source of financial data -	
Investment comprises		Last audited accounts	31/12/05
Ordinary shares (£'000)	485	Turnover (\$'000)	(1,160,260)
		Profit before tax (\$'000)	568,396
		Retained profit (\$'000)	n/a
Valuation method	NAV per share	Net assets (\$'000)	7 139,319
Valuation (£'000)	493	Proportion of equity held	0.01%

Caxton Global Investments Class E is a hedge fund with a macro investment strategy. This strategy involves directional investing in major currencies, equity markets, government bonds and commodities based on fundamental views of the global economy.

JPMF European Dynamic Long Short

Cost (£'000)	332	Source of financial data -	
Investment comprises		Last audited accounts	30/09/05
Ordinary shares (£'000)	332	Turnover (€'000)	821
		Profit before tax (€'000)	3,842
		Retained profit (€'000)	n/a
Valuation method	NAV per share	Net assets (€'000)	26,124
Valuation (£'000)	464	Proportion of equity held	0.2%

JPMF European Dynamic Long Short is a hedge fund with a long/short equity investment strategy. It benefits from stock selection strategies to profit from rising share prices on the long picks and falling share prices from shorts. Market exposure is variable.

Directors' Biographies

Sir Aubrey Brocklebank Bt, ACA (Chairman) (55)

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 VC FIs, the AIM Distribution Trust plc (as chairman), Keydata AIM VCI 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 (57)

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) Ltd, Phase Eight Ltd, Episys Limited, Ossain Retail Group plc, Elderstreet VCT plc and Americana International Limited and a non-executive director of Blackstar Investors plc.

Christopher John Ring, ACA (52)

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 year to 31 December 2006

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 year ended 31 December 2006. 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.

The Company's business during the period is reviewed in the Chairman's Statement and the Investment Manager's Report.

Results and dividends

The results for the financial period are set out on page 22. The Directors propose a final dividend of 0.90p per Ordinary Share. 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. An explanation of these risks and how they are managed are contained in note 19 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 year 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 their 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 year to 31 December 2006 the Company issued no shares.

The authorised and issued share capital of the Company is detailed in note 14 of these accounts.

Report of the Directors (continued)

Directors

The Directors of the Company during the year and their beneficial interests in the issued ordinary shares of the Company at 31 December 2006 were as follows

	31 December 2006	1p ordinary shares 1 January 2006
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 year 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 year ended 31 December 2006, are set out in note 3 of the financial statements.

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 year, 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 note 4 and 13).

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.

Report of the Directors (continued)

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 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 19. 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 31 December 2006 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 17 May 2007. Notice of the Annual General Meeting and Form of Proxy have been sent separately.

Auditors

The Directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, 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 Auditors

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 auditors are 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.

Report of the Directors (continued)

Statement of Directors' responsibilities

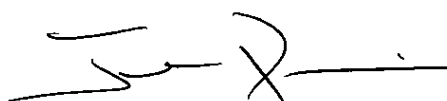
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. 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
3 May 2007

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 year totaled £33,000 in aggregate for Puma VCT plc and Puma VCT II plc of which £22,000 (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 £	Audited 2006 £
Sir A T Brocklebank Bt, ACA (Chairman)	11,000	11,000
D M Brock	9,000	9,000
C J Ring, ACA	-	-
	<u>20,000</u>	<u>20,000</u>

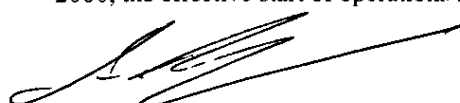
The remuneration levels for the forthcoming year are expected to be at the annual levels shown in the table above.

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 31 December 2006 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 2006, the effective start of operations for the Company.



On behalf of the Board
Sir Aubrey Brocklebank Bt
Chairman
3 May 2007

Corporate Governance

The Directors support the relevant principles of the new Combined Code issued in July 2003, 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 July 2003 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. Biographical details of all Board members are shown on page 12.

Chris Ring 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 remain committed to his role. The Board therefore recommends that shareholders re-elect Chris Ring 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, periodically, 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 year 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 year the Board reviewed the independence of the external auditors and recommended that they be re-appointed. The Directors receive written confirmation each year of the auditors' 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 year. Details of the specific levels of remuneration to each director are set out in the Directors' Remuneration Report on page 17 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 being called. The notice of the next AGM and proxy form have been posted separately to these financial statements.

Corporate Governance (continued)

Financial Reporting

The Directors' statement of responsibilities for preparing the accounts are set out in the Directors' Report on page 16, and a statement by the auditors about their reporting responsibilities are set out in the Auditors Report on page 20

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 31 December 2006 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) Provision A4-1, B-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 of 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 Auditors' Report to the Members of Puma VCT plc

We have audited the financial statements on pages 22 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 auditors

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 2003 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 31 December 2006 and of its return for the year 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

BAKER TILLY UK AUDIT LLP

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST
3 May 2007

Income Statement

For the year ended 31 December 2006

	Note	Year ended 31 December 2006			For the period 5 November 2004 to 31 December 2005		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	9 (c)	-	1,101	1,101	-	887	887
Income	2	306	-	306	259	-	259
		<u>306</u>	<u>1,101</u>	<u>1,407</u>	<u>259</u>	<u>887</u>	<u>1,146</u>
Investment management fees	3	79	236	315	54	162	216
Performance fees	4	19	175	194	10	107	117
Other expenses	5	119	-	119	102	-	102
		<u>217</u>	<u>411</u>	<u>628</u>	<u>166</u>	<u>269</u>	<u>435</u>
Return on ordinary activities before taxation		89	690	779	93	618	711
Tax on return on ordinary activities	6	(15)	15	-	(28)	28	-
Return on ordinary activities after tax attributable to equity shareholders		<u>74</u>	<u>705</u>	<u>779</u>	<u>65</u>	<u>646</u>	<u>711</u>
Basic and diluted return per Ordinary Share (pence)	7	<u>0 61p</u>	<u>5 83p</u>	<u>6.44p</u>	<u>0 58p</u>	<u>5 78p</u>	<u>6 36p</u>

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

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 26 to 36 are an integral part of the financial statements.

Balance Sheet

As at 31 December 2006

	Note	As at 31 December 2006 £'000	As at 31 December 2005 £'000
Fixed Assets			
Investments	9	<u>12,908</u>	<u>9,482</u>
Current Assets			
Trades in advance	10	-	494
Debtors	11	76	21
Cash at bank and in hand		<u>881</u>	<u>2,812</u>
		957	3,327
Creditors - amounts falling due within one year	12	<u>(217)</u>	<u>(134)</u>
Net Current Assets		<u>740</u>	<u>3,193</u>
Total Assets less Current Liabilities		<u>13,648</u>	<u>12,675</u>
Creditors - amounts falling due after more than one year (including convertible debt)	13	<u>(1)</u>	<u>(1)</u>
Net Assets		<u>13,647</u>	<u>12,674</u>
Capital and Reserves			
Called up share capital	14	121	121
Capital reserve – realised	15	108	(371)
Capital reserve – unrealised	15	1,243	1,017
Other reserve	15	311	117
Revenue reserve	15	<u>11,864</u>	<u>11,790</u>
Equity Shareholders' Funds		<u>13,647</u>	<u>12,674</u>
Net Asset Value per Ordinary Share	16	<u>112 90p</u>	<u>104 85p</u>
Diluted Net Asset Value per Ordinary Share	16	<u>110.32p</u>	<u>103 88p</u>

The financial statements were approved and authorised for issue by the Board of Directors on 3 May 2007 and were signed on their behalf by



Sir Aubrey Brocklebank Bt
Chairman

3 May 2007

The accompanying notes on pages 26 to 36 are an integral part of the financial statements

Cash Flow Statement**For the year ended 31 December 2006**

		Year ended 31 December 2006	For the period 5 November 2004 to 31 December 2005
	Note	£'000	£'000
Operating activities			
Investment income received		250	238
Investment management fees paid		(228)	(147)
Cash paid to Directors		(21)	(15)
Foreign exchange (loss)/gain on cash		(24)	23
Other cash payments		(89)	(46)
Net cash (outflow)/inflow from operating activities	17	(112)	53
Capital expenditure and financial investment			
Purchase of investments	9 (b)	(6,512)	(9,812)
Proceeds from sale of investments	9 (b)	3,670	1,502
Decrease/(increase) in trades in advance		494	(494)
Acquisition costs		(4)	-
Net realised gain/(loss) on forward foreign exchange contracts		533	(284)
Net cash outflow from capital expenditure and financial investment		(1,819)	(9,088)
Financing			
Proceeds received from issue of ordinary share capital		-	12,088
Expenses paid for issue of share capital		-	(242)
Proceeds received from issue of redeemable preference shares		-	50
Redemption of redeemable preference shares		-	(50)
Proceeds received from issue of convertible loan notes		-	1
Net cash inflow from financing		-	11,847
Cash (outflow)/inflow in the year		(1,931)	2,812
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash for the period		(1,931)	2,812
Net cash at start of the period		2,812	-
Net funds at the period end		881	2,812

The accompanying notes on pages 26 to 36 are an integral part of the financial statements.

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 December 2006

For the year ended 31 December 2006

	Called up share capital £'000	Share premium account £'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

For the period 5 November 2004 to 31 December 2005

	Called up share capital £'000	Share premium account £'000	Capital reserve- realised £'000	Capital reserve- unrealised £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
Share issues in the period	121	11,967	-	-	-	-	12,088
Expenses of share issues	-	(242)	-	-	-	-	(242)
Total recognised gains/(losses) for the period	-	-	(371)	1,017	117	65	828
Capital reconstruction	-	(11,725)	-	-	-	11,725	-
At 31 December 2005	121	-	(371)	1,017	117	11,790	12,674

The accompanying notes on pages 26 to 36 are an integral part of the financial statements

Notes to the Accounts

For the year ended 31 December 2006

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 with 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 therefore the Company will continue to follow the SORP until its investment company status is revoked.

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.

Change in accounting policies

With effect from 1 January 2006, the Company adopted the new Financial Reporting Standards ("FRS") 21-26, that have been issued by the Accounting Standards Board as part of the convergence process between United Kingdom Generally Accepted Accounting Practice with International Financial Reporting Standards ("IFRS"). The adoption of these policies has not resulted in any restatements of prior year figures.

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 recognized on the trade date and are initially measured at cost. 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 provision against cost or net asset value where such factors apply that make one of these methods more appropriate.

Notes to the Accounts

For the year ended 31 December 2006

1. Accounting Policies (continued)

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.

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% 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 year.

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.

Notes to the Accounts

For the year ended 31 December 2006

1. Accounting Policies (continued)

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.

Forwards/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.

Comparative period

The prior period comparative figures include the period from 5 November 2004 to 31 December 2005.

2. Income

	2006 £'000	2005 £'000
Income from investments		
Loan stock interest	149	19
Dividend income	29	7
Investment fee rebate	56	-
	<u>234</u>	<u>26</u>
Other income		
Bank deposit interest	72	233
	<u>72</u>	<u>233</u>
Total income	<u>306</u>	<u>259</u>

The Company has invested in Puma Absolute Return Fund which is also managed by Shore Capital. An arrangement is in place to avoid the double charging of management and performance fees. In 2006, the Company included investment fee rebates in income. In 2005 the Company deducted £18,000 of rebates from the investment management fee.

3. Investment Management Fees

	2006 £'000	2005 £'000
Shore Capital Limited	<u>315</u>	<u>216</u>

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. 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 relevant Company payable quarterly in arrears.

4. Performance Fees

	2006 £'000	2005 £'000
Shore Capital Limited	<u>194</u>	<u>117</u>

The performance fee has been expensed in accordance with FRS 20 Share-based Payment (see note 13).

Notes to the Accounts

For the year ended 31 December 2006

5. Other expenses

	2006 £'000	2005 £'000
Administration - Shore Capital Fund Administration Services Limited	55	41
Directors' remuneration	22	18
Auditors' remuneration for statutory audit	17	10
Insurance	4	4
Legal and professional fees	2	12
FSA, LSE and registrar fees	12	8
Custody charges	2	-
Other expenses	5	9
	<u>119</u>	<u>102</u>

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 is detailed in the Director's Remuneration Report commencing on page 17. The Company had no employees (other than Directors) during the period.

6. Tax on Ordinary Activities

	2006 £'000	2005 £'000
(a) UK corporation tax charge for the year	<u>-</u>	<u>-</u>
(b) Factors affecting tax charge for the year		
Revenue return on ordinary activities before taxation	<u>89</u>	<u>93</u>
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 19% (2005: 30%)	17	28
Effects of		
Non-taxable UK dividend income	(6)	(2)
Performance fee expense	4	3
Capital expenses	<u>(15)</u>	<u>(29)</u>
	<u>-</u>	<u>-</u>

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

Capital returns are not included as VCFs 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 £161,000.

Notes to the Accounts

For the year ended 31 December 2006

7. Basic and diluted return per Ordinary Share

	Year ended 31 December 2006			For the period 5 November 2004 to 31 December 2005		
	Revenue	Capital	Total	Revenue	Capital	Total
Return for the period	74,000	705,000	779,000	65,000	646,000	711,000
Weighted average number of shares	12,087,700	12,087,700	12,087,700	11,185,546	11,185,546	11,185,546
Return per Ordinary Share	<u>0 61p</u>	<u>5 83p</u>	<u>6 44p</u>	<u>0.58p</u>	<u>5 78p</u>	<u>6 36p</u>

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

8. Dividends

	2006 £'000	2005 £'000
Paid in year		
2006 Interim dividend	<u>-</u>	<u>-</u>
Proposed		
2006 Final revenue dividend	<u>109</u>	<u>-</u>

The directors propose a final revenue dividend of 0 90p per Ordinary Share

9. Investments

(a) Summary	2006 Historic Cost £'000	2006 Market Value £'000	2005 Historic Cost £'000	2005 Market Value £'000
Qualifying venture capital investments	3,682	3,904	1,438	1,917
Hedge funds & listed equity investments	<u>7,684</u>	<u>9,004</u>	<u>6,902</u>	<u>7,565</u>
	<u>11,366</u>	<u>12,908</u>	<u>8,340</u>	<u>9,482</u>

(b) Movements in investments	Venture capital investments	Hedge funds & equity investments	Total £'000
Opening book cost	1,438	6,902	8,340
Unrealised gains at 31 December 2005	<u>479</u>	<u>663</u>	<u>1,142</u>
Valuation at 31 December 2005	<u>1,917</u>	<u>7,565</u>	<u>9,482</u>
Purchases at cost	2,305	4,207	6,512
Disposals – proceeds	(67)	(3,603)	(3,670)
- realised net gains on disposal	6	179	185
Net unrealised gains/(losses) on revaluation of investments	<u>(257)</u>	<u>656</u>	<u>399</u>
Valuation at 31 December 2006	<u>3,904</u>	<u>9,004</u>	<u>12,908</u>
Book cost at 31 December 2006	3,682	7,684	11,366
Net unrealised gains at 31 December 2006	<u>222</u>	<u>1,320</u>	<u>1,542</u>
Valuation at 31 December 2006	<u>3,904</u>	<u>9,004</u>	<u>12,908</u>

Notes to the Accounts

For the year ended 31 December 2006

9. Investments (continued)

(c) Gains on investments

The gains on investments for the period shown in the Income Statement on page 22 is analysed as follows

	2006 £'000	2005 £'000
Realised gains on disposal	156	30
Acquisition costs	(4)	-
Foreign exchange gains/(losses) - realised	548	(267)
Foreign exchange (losses)/gains - unrealised	(526)	240
Net unrealised gains on revaluation	927	884
	<u>1,101</u>	<u>887</u>

Included in the net unrealised gain on revaluation is a revaluation increase to the unquoted holding in Cadbury House Hotel & Country Club plc (Cadbury). The holding has been revalued to £2,100,000 from a cost of £1,711,000, representing an increase of £389,000 or 23% of cost. This revaluation was done with reference to an independent valuation of the property carried out during the year and reflects an increase in the number of hotel rooms from 50 to 72.

	2006 Historic Cost £'000	2006 Market Value £'000	2005 Historic Cost £'000	2005 Market Value £'000
(d) Quoted and unquoted investments				
Quoted investments	9,248	10,401	4,608	5,300
Unquoted investments	2,118	2,507	3,732	4,182
	<u>11,366</u>	<u>12,908</u>	<u>8,340</u>	<u>9,482</u>

10. Trades in advance

	2006 £'000	2005 £'000
Trades in advance	-	494

Included in trades in advance are two payments to third party administrators for hedge funds purchased on 3 January, 2006.

11. Debtors

	2006 £'000	2005 £'000
Prepayments and accrued income	76	21

Included in prepayments and accrued income is £64,000 (2005 - £19,000) interest receivable after one year.

Notes to the Accounts

For the year ended 31 December 2006

12. Creditors – amounts falling due within one year

	2006 £'000	2005 £'000
Unrealised loss on forward foreign exchange contracts	12	24
Accruals	205	110
	<u>217</u>	<u>134</u>

Included in creditors is the fair value of the forward foreign exchange contracts held to hedge the Company's foreign denominated assets (see Note 19)

	2006		2005	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts – \$ USD	-	14	-	24
Forward foreign exchange contracts – € EUR	2	-	-	-
	<u>2</u>	<u>14</u>	<u>-</u>	<u>24</u>

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

	2006 £'000	2005 £'000
Loan Notes	<u>1</u>	<u>1</u>

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 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 received no 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 note 16).

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

Notes to the Accounts

For the year ended 31 December 2006

14. Called Up Share Capital

	2006 £'000	2005 £'000
Authorised		
25,000,000 ordinary shares of 1p each (2005 25,000,000)	250	250
Allotted and fully paid:		
12,087,700 ordinary shares of 1p each (2005 12,087,700)	121	121

The Company did not issue any shares during the year to 31 December 2006

15. Capital and Reserves

	Capital reserve- realised £'000	Capital reserve- unrealised £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
At 1 January 2006	(371)	1,017	117	11,790	12,553
Net gains on realisation of investments	156	-	-	-	156
Foreign exchange gains realised	548	-	-	-	548
Net unrealised gain on revaluation of investments, forward foreign exchange contracts and cash	-	401	-	-	401
Acquisition costs	(4)	-	-	-	(4)
Management fees charged to capital	(236)	-	-	-	(236)
Performance fee charged to capital	-	(175)	-	-	(175)
Performance fee to be effected through share- based payment	-	-	194	-	194
Retained net revenue for the period	-	-	-	74	74
Taxation relief on capital expenses	15	-	-	-	15
Balance at 31 December 2006	108	1,243	311	11,864	13,526

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.

16. Net Asset Value per Ordinary Share

	2006		2005	
	Basic	Diluted	Basic	Diluted
Net assets	13,647,000	13,647,000	12,674,000	12,674,000
Number of Ordinary Shares	12,087,700	12,370,395	12,087,700	12,200,735
Net Assets Value per Ordinary Share (pence)	112.90p	110.32p	104.85p	103.88p

	2006		2005	
	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 13)	-	282,695	-	113,035
At 31 December	12,087,700	12,370,395	12,087,700	12,200,735

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

For the year ended 31 December 2006

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

	2006	2005
	£'000	£'000
Total return before taxation	779	711
Gains on investments	(1,101)	(887)
Increase in debtors	(55)	(21)
Increase in creditors	95	110
Foreign exchange (loss)/gain on cash	(24)	23
Performance fee to be effected through share-based payment	194	117
Net cash (outflow) /inflow from operating activities	(112)	53

18. Analysis of Changes in Net Funds

	2006	2005
	£'000	£'000
Beginning of period	2,812	-
Net cash (outflow)/inflow	(1,931)	2,812
As at year-end	881	2,812

19. 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.

Management of risk

The main risk 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 policy for managing these risks are summarised below and have been applied throughout the period. The numerical disclosures exclude short-term debtors and creditors.

Credit risk

The 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.

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.

Liquidity risk

The funds raised since incorporation are currently used to fund the Company's interim objective of investing in quoted hedge funds and other equity investments. Approximately 66% of the Net Asset Value are utilised in this investment strategy. The only unquoted holdings are two qualifying venture capital investments. By their nature, unquoted investments may not be readily realisable. The portfolio of quoted hedge funds and equities is held to offset the liquidity risk. As at the year end, the Company had no borrowings other than loan notes amounting to £1,000 (see note 13).

Notes to the Accounts

For the year ended 31 December 2006

19. Financial Instruments (continued)

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% at 31 December 2006. An interest rate of 5.0% is receivable on the Cadbury House Hotel & Country Club plc fixed interest loan stock and 7.0% on the Cadbury House Hotel & Country Club plc Class C fixed interest loan stock. An interest rate of 9.0% is receivable on the Stocklight Ltd fixed interest loan stock. 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% (see note 13).

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	2006 £'000	2005 £'000
Floating rate	5.2%		881	2,812
Fixed rate	5.0%	3.5 years	996	954
Fixed rate	7.0%	5 years	700	-
Fixed rate	9.0%	5 years	366	-
Non-interest bearing	-		10,922	9,043
			<u>13,865</u>	<u>12,809</u>

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

Foreign currency risk

The reporting currency of the Company is Sterling. However, the Company holds a number of US Dollar denominated hedge funds and Euro denominated investments as well as US Dollar and Euro cash accounts. As at the period end, the Sterling equivalent value of such foreign investments amounted to £4,591,000 representing 34% 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. Any profit or loss on unrealised forward contracts at year-end are recorded in the Capital Reserve – unrealised. The notional principal amounts of the outstanding forward foreign currency exchange contracts at 31 December 2006 were £4,076,000 (2005 - £4,666,000).

Notes to the Accounts

For the year ended 31 December 2006

20. Contingencies, Guarantees and Financial Commitments

There were no commitments, contingencies or guarantees of the Company at the year-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 year £315,000 (2005- £216,000) was due in respect of investment management fees. The balance owing to Shore Capital Limited at year-end was £156,000 (2005 - £69,000)

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 year £55,000 (2005 – £41,000) was due in respect of these services. The balance owing to Shore Capital Fund Administration Services Limited at year-end was £28,000 (2005 - £13,000)