

**Puma High Income VCT plc**  
**Annual report and accounts 2013**

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COMPANIES HOUSE

## **Officers and Professional Advisers**

### **Directors**

Raymond Pierce (Chairman)  
Harold Paisner  
Jonathan Morton Smith  
Graham Shore

### **Secretary**

Eliot Kaye

### **Registered Number**

07036487

### **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**

SLC Registrars  
Thames House  
Portsmouth Road  
Esher  
Surrey KT10 9AD

### **Administrator**

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

### **Auditor**

Baker Tilly UK Audit LLP  
Chartered Accountants  
25 Farringdon Street  
London EC4A 4AB

### **Sponsors and Solicitors**

Howard Kennedy Corporate Services LLP  
19 Cavendish Square  
London W1A 2AW

### **Bankers**

The Royal Bank of Scotland plc  
London City Office  
PO Box 412  
62-63 Threadneedle Street  
London EC2R 8LA

### **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

## **HIGHLIGHTS**

- Eleven investments made during the period, totalling £9.4 million, including two non-qualifying secured loans made, offering a higher yield than most quoted secured bonds or deposits.
- Qualifying investments now exceed 70% on an HMRC basis
- 21p per share of dividends paid since inception, 14p during the period, equivalent to a 10% per annum tax-free running yield on net investment
- Gain in NAV (adding back dividends) of 0.34p per share during the period

## **CHAIRMAN'S STATEMENT**

### **Introduction**

I am pleased to present the Company's third Annual Report which, reflecting the change of accounting year end to 31 March, represents a 15 month period ended 31 March 2013

As envisaged in the Company's prospectus, the Company has for the third calendar year in succession paid a dividend of 7p per ordinary share, equivalent to a 10% tax-free running yield on shareholder's net investment. The fully diluted net asset value per share ("NAV") at 31 March 2013 was 72.26p (equivalent to 93.26p after adding back the 21p of dividends paid to date) resulting in a gain in NAV (after adding back dividends) of 0.34p per share during the period.

### **VCT qualifying investments**

During the period of fifteen months the Company pursued an active investment policy. It completed eight VCT-qualifying investments, deploying a total of just over £7 million. Details of these investments can be found in the Investment Manager's report below.

During the period, the Company met its minimum qualifying investment percentage of 70 per cent.

### **Non-qualifying investments**

As indicated in the interim report for the first six months of the period, the Investment Manager made several changes to the non-qualifying portfolio to re-position it in light of current conditions in securities markets. During the period ended 31 March 2013, the Investment Manager disposed of all the Company's holdings in absolute return funds and bond funds, resulting in an overall total return to the Company (including income and capital) of 5% from the funds.

During the period, the Company also completed two non-qualifying secured loans for a total of £2.1 million. Details of these can be found in the Investment Manager's report below.

### **VCT qualifying status**

PricewaterhouseCoopers LLP ("PwC") provides the Board and the Investment Manager with advice on the ongoing compliance with HMRC rules and regulations concerning VCTs.

PwC also assists the Investment Manager in establishing the status of investments as qualifying holdings

### **Results and dividends**

The Company reported a profit of £46,000 for the period. Two interim dividends, each of 7p per Ordinary Share, were paid during the period (which represents a 15 month period to 31 March 2013), taking the total of dividends paid to date to 21p per Ordinary Share, equivalent to a 10% per annum tax-free running yield on the net investment by shareholders

### **Outlook**

The lack of availability of bank credit has enabled the Company to assemble a portfolio of investments on attractive terms. In addition to deploying funds in non-qualifying loans, the Company achieved its 70% qualifying status in the current financial period. As a result the Board expect to concentrate in the future on the monitoring of our existing investments and considering the options for exits.

**Ray Pierce**  
**Chairman**  
29 July 2013

## **INVESTMENT MANAGER'S REPORT**

### **Introduction**

As set out in the Chairman's Statement, the ongoing effects of the credit crisis mean that small and medium sized businesses (SMEs) are continuing to find it difficult to access the funding they need from the traditional banks. As a consequence, we have been able to make a number of attractive investments, both qualifying and non-qualifying, to established companies on a secured basis.

### **VCT qualifying investments**

Our investment of £860,000 in Mirfield Contracting Limited ("MCL") is progressing well as indicated in the Company's previous interim report. MCL is a contracting services company providing project management services to a £3.8 million development of town houses in Mirfield (near Wakefield) West Yorkshire. The development itself is progressing well with the first of three phases complete and sold, and the second phase almost complete. The developer has recently been approved for the Government-backed Help to Buy Scheme.

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

As indicated in the Company's previous interim report, the Company invested £880,000 into each of two contracting companies, Frederica Trading Limited ("Frederica") and Glenmoor Trading Limited ("Glenmoor"), committing £1.76 million in total. As members of a limited liability partnership with other contracting companies, Frederica and Glenmoor are providing contracting services in connection with five pre-let supported living developments for psychiatric and learning disabled people who are housed and given support by local authorities and other social care organisations. The developments themselves are progressing well with four in various stages of construction and we expect the projects to deliver attractive returns.

In the Company's previous interim report, we reported that the Company had invested a total of £1.4 million into Huntly Trading Limited ("Huntly") and Isaacs Trading Limited ("Isaacs"), two qualifying services companies which were actively pursuing opportunities to develop their businesses. We are pleased to report that, in November 2012, Huntly and Isaacs joined a limited liability partnership with other contracting companies and have entered into their first contracting contract with FreshStart Living. These companies will provide £668,000 (as part of a £3.5 million project involving other companies backed by Puma VCTs) of project management and contracting services. These services will be provided in connection with the development and construction by FreshStart Living of 116 apartments (all of which were pre-sold when the contract was entered into) at a property called Trafford Press, 2 miles south east of Manchester city centre.

In December 2012, the Company completed a £600,000 investment (as part of a £1.5 million financing with other Puma VCTs) into Brewhouse and Kitchen Limited, which is managed by two highly experienced pub sector professionals, to facilitate the acquisition of freehold pubs and install a micro brewery within the main area of each pub. The investment is largely in the form of senior debt, secured with a first charge over the business and each freehold site acquired. Funds can be utilised to a maximum 65% loan-to-value ratio, and are expected to produce a return to the Company of at least 7 per cent per annum. In March 2013, the Company invested a further £320,000 (as part of £1.6 million across the Puma VCTs) into Brewhouse and Kitchen, taking total exposure to £920,000. This further investment, again largely in the form of senior debt, is to be used to purchase further pubs, subject to our approval of each purchase. The terms are similar to the first loan to this company.

Most recently, the Company concluded another qualifying transaction, by investing £1.4 million into Saville Services Limited, a contracting company, alongside other Puma VCTs. Saville Services is deploying the funds to provide contracting services in relation to the construction of a private detached housing development in the countryside outside Aberdeen, under contract to Churchill Homes Limited, a longstanding Aberdeenshire developer.

### **Non-Qualifying Investments**

When the fund began investing in 2010, we chose a portfolio of bonds, hedge funds and hedge funds of funds. We reviewed the portfolio and liquidated several of these during 2012 for an overall small gain.

We retained a number of the best performing investments of this portfolio throughout the period, most of which were bond funds and one residual hedge fund. At the start of 2013, we became concerned that bonds had become overvalued relative to equities. Anticipating a change in market sentiment regarding bonds and a switch into equities, we decided to take profits on all of these holdings at the start of 2013, a decision which seems to have been vindicated by subsequent market movements.

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

The first of these was made in August 2012, when the Company completed a £1,250,000 non-qualifying loan. This was as part of a £4 million financing with other Puma VCTs to Puma Brandenburg Finance Limited, a subsidiary of Puma Brandenburg Holdings Limited. It is secured on a portfolio of flats in the middle class area of central Berlin, Germany. The facility attracts a fixed interest rate of 5% per annum. Since the loan was made, the property market in this area of Berlin has been very strong, further enhancing the excellent security we have for this loan.

In December 2012, the Company completed a second non-qualifying loan of £860,000. This was to provide, together with other Puma VCTs, an innovative £2.5 million revolving credit facility to Organic Waste Management Trading Limited (effected via a loan to Buckhorn Lending Limited, which on-lent the money). The facility provides working capital for the purchase of used cooking oil for conversion into bio-diesel. The ultimate borrower owns a large oil refining plant in Birkenhead and is processing cooking oil to sell to obligated off-take parties (petrol and diesel retailers). The facility is structured to mitigate risks by being

capable of being drawn only once approved back-to-back purchase and sale contracts have been entered into with approved counterparties. The facility bears interest at 1.5% per month with a 5% per annum non-utilisation rate.

### **Outlook**

We are pleased now to have invested a substantial proportion of the funds raised by the Company in secured loans, both qualifying and non-qualifying. We remain focused on generating strong returns for the Company in both the qualifying and non-qualifying portfolios whilst balancing these returns with maintaining an appropriate risk exposure. In accordance with the HMRC VCT rules the Company had three years to invest 70 per cent of the portfolio (on an HMRC basis) into qualifying investments. Having now achieved this 70% qualifying status, we are now primarily focusing on the monitoring of our existing investments and considering the options for exits.

**Shore Capital Limited**

29 July 2013

# Investment Portfolio Summary

As at 31 March 2013

	Valuation £'000	Cost £'000	Gain/(loss) £'000	Valuation as a % of Net Assets
<b>As at 31 March 2013</b>				
<b>Qualifying Investment - Unquoted</b>				
Brewhouse & Kitchen Limited	920	920	-	9%
Saville Services Limited	1,400	1,400	-	14%
SIP Communications plc	490	700	(210)	5%
Mirfield Contracting Limited	860	860	-	9%
Huntly Trading Limited	700	700	-	7%
Isaacs Trading Limited	700	700	-	7%
Frederica Trading Limited	880	880	-	9%
Glenmoor Trading Limited	880	880	-	9%
<b>Total Qualifying Investments</b>	<b>6,830</b>	<b>7,040</b>	<b>(210)</b>	<b>69%</b>
<b>Non-Qualifying Investments</b>				
Buckhorn Lending Limited	860	860	-	9%
Puma Brandenburg Finance Limited	1,250	1,250	-	13%
<b>Total Non-Qualifying investments</b>	<b>2,110</b>	<b>2,110</b>	<b>-</b>	<b>22%</b>
<b>Total Investments</b>	<b>8,940</b>	<b>9,150</b>	<b>-</b>	<b>91%</b>
<b>Balance of Portfolio</b>	<b>939</b>	<b>939</b>	<b>-</b>	<b>9%</b>
<b>Net Assets</b>	<b>9,879</b>	<b>10,089</b>	<b>-</b>	<b>100%</b>

Of the investments held at 31 March 2013, 86 per cent are incorporated in England and Wales and 14 per cent incorporated in Guernsey. Percentages have been calculated on the valuation of the assets at the reporting date.



## Significant investments

### **Brewhouse & Kitchen Limited**

Cost (£'000)	920
Investment comprises	
Ordinary shares	644
Debt	276
Valuation method	Price of recent investment
Valuation (£'000)	920
Income recognised by the Company from this holding in the period (£'000)	6

abbreviated accounts for year ended  
30/09/2012

Source of financial data	
Turnover (£'000)	-
Profit before tax (£'000)	-
Retained Profit (£'000)	-
Net assets (£'000)	477
Earnings per share (p)	-
Dividends per share (p)	-
Proportion of equity held	15%
Equity managed by Shore Capital Ltd	49%

Brewhouse and Kitchen is a pub business seeking to build up a portfolio of freehold assets across the South of England. A microbrewery will be installed within the public area of each of the sites. Beer production, tastings, and demonstrations are a key attraction of the brand.

### **Frederica Trading Limited**

Cost (£'000)	880
Investment comprises	
Ordinary shares	264
Debt	616
Valuation method	* Net assets
Valuation (£'000)	880
Income recognised by the Company from this holding in the period (£'000)	54

#### Source of financial data\*

Turnover (£'000)	-
Profit before tax (£'000)	-
Retained Profit (£'000)	-
Net assets (£'000)	-
Earnings per share (p)	-
Dividends per share (p)	-
Proportion of equity held	47%
Equity managed by Shore Capital Ltd	94%

\* the Company is yet to file accounts

Frederica Trading Limited was incorporated in April 2012 and entered into DEFG Trading LLP with a number of other companies to provide contracting services in connection with the development of supported living services accommodation.

## Significant investments continued

### **Glenmoor Trading Limited**

Cost (£'000)	880
Investment comprises	
Ordinary shares	264
Debt	616
Valuation method	Net assets
Valuation (£'000)	880
Income recognised by the Company from this holding in the period (£'000)	54
Source of financial data*	
Turnover (£'000)	-
Profit before tax (£'000)	-
Retained Profit (£'000)	-
Net assets (£'000)	-
Earnings per share (p)	-
Dividends per share (p)	-
Proportion of equity held	47%
Equity managed by Shore Capital Ltd	94%

\* the Company is yet to file accounts

Glenmoor Trading Limited was incorporated in April 2012 and entered into DEFG Trading LLP with a number of other companies to provide contracting services in connection with the development of supported living services accommodation

### **Huntly Trading Limited**

Cost (£'000)	700
Investment comprises	
Ordinary shares	210
Debt	490
Valuation method	Net assets
Valuation (£'000)	700
Income recognised by the Company from this holding in the period (£'000)	17
Source of financial data*	
Turnover (£'000)	-
Profit before tax (£'000)	-
Retained Profit (£'000)	-
Net assets (£'000)	-
Earnings per share (p)	-
Dividends per share (p)	-
Proportion of equity held	47%
Equity managed by Shore Capital Ltd	94%

\* the Company is yet to file accounts

Huntly Trading Limited was incorporated in April 2012 and has been actively pursuing opportunities for significant qualifying business. On 28 November 2012 Huntly Trading Limited entered into SKPB Services LLP along with number of other companies to provide contracting services in connection with the development of apartments in Manchester. Voting rights are *passu* to the equity held.

## Significant investments continued

### Isaacs Trading Limited

Cost (£'000)	700
Investment comprises	
Ordinary B shares	490
Debt	210
Valuation method	Net assets
Valuation (£'000)	700
Income recognised by the Company from this holding in the period (£'000)	16

### Source of financial data\*

Turnover (£'000)	-
Profit before tax (£'000)	-
Retained Profit (£'000)	-
Net assets (£'000)	-
Earnings per share (p)	-
Dividends per share (p)	-
Proportion of equity held	48%
Equity managed by Shore Capital Ltd	95%

\* the Company is yet to file accounts

Isaacs Trading Limited was incorporated in April 2012 and has been actively pursuing opportunities for significant qualifying business. On 28 November 2012 Isaacs Trading Limited entered into SKPB Services LLP along with number of other companies to provide contracting services in connection with the development of apartments in Manchester. Voting rights are *pari passu* to the equity held.

### Buckhorn Lending Limited

Cost (£'000)	860
Investment comprises	
Ordinary shares	-
Debt	860
Valuation method	Price of recent investment
Valuation (£'000)	860
Income recognised by the Company from this holding in the period (£'000)	20

### Source of financial data\*

Turnover (£'000)	-
Profit before tax (£'000)	-
Retained Profit (£'000)	-
Net assets (£'000)	-
Earnings per share (p)	-
Dividends per share (p)	-
Proportion of equity held	33%
Equity managed by Shore Capital Ltd	100%

\* the Company is yet to file accounts

Buckhorn Lending Limited was incorporated in December 2012, its business is the provision of financial instruments. On 12 December 2012, Buckhorn Lending Limited entered into a facility agreement to provide up to £2.5m to Organic Waste Management Limited.

## Significant investments continued

### **Puma Brandenburg Finance Limited**

Cost (£'000)	1,250
Investment comprises	
Ordinary shares	-
Debt	1,250
Valuation method	Price of recent investment
Valuation (£'000)	1,250
Income recognised by the Company from this holding in the period (£'000)	52

#### Source of financial data\*

Turnover (£'000)	-
Profit before tax (£'000)	-
Retained Profit (£'000)	-
Net assets (£'000)	-
Earnings per share (p)	-
Dividends per share (p)	-
Proportion of equity held	0%
Equity managed by Shore Capital Ltd	0%

\* the Company is yet to file accounts

Puma Brandenburg Finance Limited was incorporated in 9 July 2012, its business is the provision of financial instruments

### **SIP Communications plc**

Cost (£'000)	700
Investment comprises	
Ordinary shares	210
Debt	490
Valuation method	Net assets
Valuation (£'000)	490
Income recognised by the Company from this holding in the period (£'000)	99

#### Source of financial data

Accounts for y/e 31/03/2012

Turnover (£ 000)	2,184
Loss before tax (£'000)	670
Retained Loss (£'000)	486
Net assets (£'000)	158
Earnings per share (p)	Not disclosed
Dividends per share (p)	Not disclosed
Proportion of equity held	5%
Equity managed by Shore Capital Ltd	9%

SIP Communications PLC is a Company involved in general telecommunications

## Significant investments continued

### **Mirfield Contracting Limited**

Cost (£'000)	860
Investment comprises	
Ordinary B shares	258
Debt	602
Valuation method	Price of recent investment
Valuation (£'000)	860
Income recognised by the Company from this holding in the period (£'000)	38

Dormant accounts for year ended  
28/02/2012

Source of financial data	28/02/2012
Turnover (£'000)	-
Profit before tax (£'000)	-
Retained Profit (£'000)	-
Net assets (£'000)	-
Earnings per share (p)	-
Dividends per share (p)	-
Proportion of equity held	50%
Equity managed by Shore Capital Ltd	50%

Mirfield Contracting Limited was incorporated in July 2011 and has been actively pursuing opportunities for significant qualifying business

### **Saville Services Limited**

Cost (£'000)	1,400
Investment comprises	
Ordinary B shares	980
Debt	420
Valuation method	Price of recent investment
Valuation (£'000)	1,400
Income recognised by the Company from this holding in the period (£ 000)	-

Dormant accounts for the year ended  
28/02/2012

Source of financial data	28/02/2012
Turnover (£'000)	-
Profit before tax (£'000)	-
Retained Profit (£'000)	-
Net assets (£'000)	-
Earnings per share (p)	-
Dividends per share (p)	-
Proportion of equity held	23%
Equity managed by Shore Capital Ltd	90%

Saville Services Limited is a contracting services company. It was previously a member of SKPB LLP but left the partnership on 22 March 2013 to pursue its own goals. On 18 April 2013 Saville Services Limited entered into a contract to provide contracting services in connection with the development of housing in the countryside outside Aberdeen.

## **Directors' Biographies**

### **Ray Pierce (Chairman)**

Ray has substantial non-executive experience with private and quoted companies, both FTSE and AIM, as well as with mutuals and charities. His early career was in economic and management consulting, and he has since spent nearly 30 years in the financial services industry and related sectors. He was formerly the managing director of Guardian Insurance and a main board director of Guardian Royal Exchange Plc, then a FTSE 100 company. He also held senior positions at American Express Europe and Robson Rhodes, where he was chief executive. Ray was Chairman of Crown Sports Plc from 2003 until its sale in 2006, and was Chairman of Engage Mutual Assurance from July 1999 until May 2009. He is currently Chairman of Optionis Group Limited, and of Succession Advisory Services Limited. Since May 2009 he has been a Board Member of Tesco Bank, and is currently Chairman of Tesco Underwriting, which is a joint venture between Tesco Bank and Ageas Insurance UK. He is also Chairman of the Board of Trustees of the National Motor Museum at Beaulieu.

### **Harold Paisner**

Harold is the Senior Partner of Berwin Leighton Paisner LLP, a leading city law firm. He is a member of his firm's corporate finance group, with a portfolio of international clients particularly in the retail, manufacturing and insurance sectors, and is involved generally with the firm's international strategy. He is UK National President of the Union Internationale des Avocats and is a member of the International Issues Committee of the Law Society. He is also a member of the International Bar Association, the British Baltic Lawyers Association and various other organisations. Harold is a non executive director of FIBI Bank (UK) Plc, Think London (London's official inward investment agency) and Interface Inc, the world's largest manufacturer of modular carpet, and is involved with a number of charitable organisations.

### **Jonathan Morton Smith**

Jon is a banking and finance consultant specialising in private debt investment and mid-sized corporate real estate businesses. Having worked for Midland Bank since 1969 he moved to London in 1982 to focus on real estate lending where he was Corporate Banking Director in 1991 and Area Manager/Property Industry Advisor in 1994. Jon left this role to start his own consultancy business in 1998. He then joined AXA Investment Managers with a £1 billion mandate to start a new private debt investment portfolio. Having successfully invested £650 million, changing investment attitudes within AXA resulted in Jon resigning to continue his private consultancy in 2004. AXA remain one of his major clients and Jon represents them in their UK private equity infrastructure investments. He also works closely with Saur SAS where he is PFI Consultant.

### **Graham Shore**

Graham is a former partner of Touche Ross (now Deloitte LLP) and was responsible for the London practice advising the telecommunications and new media industries. At Touche Ross he undertook strategic and economic assignments for a wide range of clients including appraisals of venture capital opportunities. In 1990, Graham joined Shore Capital as Managing Director, and has been involved in managing Shore Capital-promoted investment funds Puma I, the JellyWorks portfolio, Puma II and the Puma VCTs. This has involved the evaluation of new deals and representing the funds with investee companies. Graham has been involved with AIM since its inception as both a corporate financier and investor and with private equity for more than 20 years.

## **Report of the Directors**

The Directors present their annual report and the audited financial statements of the Company for the 15 month period ended 31 March 2013

### **Principal Activities and Status**

The principal activity of the Company is the making of investments in qualifying and non-qualifying holdings of shares or securities. The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company has been granted provisional approval by the Inland Revenue under Section 274 of the Income Tax Act 2007 as a Venture Capital Trust for the period ended 31 March 2013. The Directors have managed, and continue to manage, the Company's affairs in such a manner as to comply with Section 274 of the Income Tax Act 2007.

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 1 June 2010.

### **Investment Policy**

Puma High Income VCT plc seeks to achieve its overall investment objective (of proactively managing the assets of the fund with an emphasis on realising gains in the medium term) to maximise distributions from capital gains and income generated from the Company's assets. It intends to do so whilst maintaining its qualifying status as a VCT, by pursuing the following Investment Policy:

The Company may invest in a mix of qualifying and non-qualifying assets. The qualifying investments may be quoted on AIM or a similar market or be unquoted companies. The Company may invest in a diversified portfolio of growth oriented qualifying companies which seek to raise new capital on flotation or by way of a secondary issue. The Company has the ability to structure deals to invest in private companies with an asset-backed focus to reduce potential capital loss. Since 31 March 2013 the Company must have in excess of 70% of its assets invested in qualifying investments as defined for VCT purposes.

The portfolio of non-qualifying investments will be managed with the intention of generating a positive return. Subject to the Board and Investment Manager's view from time to time of desirable asset allocation, it will comprise quoted and unquoted investments (direct or indirect) in cash or cash equivalents, bonds, equities, vehicles investing in property and a portfolio of hedge funds.

A full text of the Company's investment policy can be found within the Company's prospectus at [www.shorecap.gg](http://www.shorecap.gg)

### **Principal risks and uncertainties**

The principal risks facing the Company relate to its investment activities and include market price risk, interest rate risk, credit risk and liquidity risk. An explanation of these risks and how they are managed is contained in note 14 to the financial statements. Additional risks faced by the company are as follows:

*Investment Risk* – Inappropriate stock selection leading to underperformance in absolute and relative terms is a risk which the Investment Manager and the Board mitigate by reviewing performance throughout the period and formally at Board meetings. There is also a regular review by the board of the investment mandate and long term investment strategy and monitoring of whether the Company should change its investment strategy.

*Regulatory Risk* - the Company operates in a complex regulatory environment and faces a number of related risks. A breach of s274 of the Income Tax Act 2007 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 2006 could lead to suspension from the Stock Exchange. The board receives quarterly reports in order to monitor compliance with regulations.

### **Risk management**

The Company's investment policy allows for a large proportion of the Company's assets to be held in unquoted investments. These investments are not publicly traded and there may not be a liquid market for them, and therefore these investments may be difficult to realise.

The Company manages its investment risk within the restrictions of maintaining its qualifying VCT status by using the following methods:

- the active monitoring of its investments by the Investment Manager and the Board,
- seeking Board representation associated with each investment, if possible,
- seeking to hold larger investment stakes by co-investing with other companies managed by the Investment Manager, so as to gain more influence over the investment,
- ensuring a spread of investments is achieved

## **Report of the Directors (continued)**

### **Gearing**

The Company has the authority to borrow up to 25% of the amount received on the issued share capital but there are currently no plans to take advantage of this authority

### **Results and dividends**

The results for the financial period are set out on page 26. The Directors do not propose a final dividend. An interim dividend of 7p per Ordinary Share was paid on both 27 February 2012 and 19 February 2013 in respect of the 2011 and 2012 years respectively. 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 Future Developments**

The Company's business review and future developments are set out in the Chairman's Statement and the Investment Manager's Report on pages 2 to 6.

### **Key performance indicators**

At each board meeting, the Directors consider a number of performance measures to assess the Company's success in meeting its objectives. The Board believes the Company's key performance indicators are movement in NAV, Total Return and dividends per share. The Board considers that the Company has no non-financial key performance indicators. In addition, the Board considers the Company's compliance with the Venture Capital Trust Regulations to ensure that it will maintain its VCT status. The performance of the Company's portfolios and specific investments is discussed in the Chairman's Statement and Investment Manager's Report on pages 2 to 6.

### **Environmental and social policy**

As a VCT the Company is a pure investment company and therefore has no trading activities. Due to this the Company does not have a policy on either environmental or social and community issues.

### **Capital Structure**

The issued share capital of the Company is detailed in note 12 of these accounts.

### **Repurchase of Ordinary shares**

Although the Ordinary Shares are traded on the London Stock Exchange, there is likely to be an illiquid market and in such circumstances Shareholders may find it difficult to sell their Ordinary Shares in the market. In order to try to improve the liquidity in the Ordinary Shares, the Board may establish a buy back policy whereby the Company will purchase Ordinary Shares for cancellation. However, there are currently no plans to establish such a policy.

### **Directors**

The Directors of the Company during the period and their beneficial interests in the issued ordinary shares of the Company at 31 March 2013 were as follows:

	<b>1p ordinary shares 31 March 2013</b>	<b>1p ordinary shares 31 December 2011</b>
Raymond Pierce (Chairman)	18,000	18,000
Harold Paisner	60,600	60,600
Jonathan Morton-Smith	5,000	5,000
Graham Shore	200,000	200,000

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 period end.

Graham Shore is also a director of Puma VCT V plc, Puma VCT VII plc, Puma VCT 8 plc and Puma VCT 9 plc, VCTs to which Shore Capital Limited is also the Investment Manager.



## Report of the Directors (continued)

### Investment management, administration and performance fees

The Company has delegated the investment management of the portfolio to Shore Capital Limited (Shore Capital). The principal terms of the Company's management agreement with Shore Capital, are set out in note 3 of the financial statements.

The annual running costs of the Company are subject to a cap of 3.5 per cent of the Company's net assets at the period end. The Company has delegated company secretarial and other accounting and administrative support to Shore Capital Fund Administration Services Limited for an aggregate annual fee of 0.35 per cent of the Net Asset Value of the Fund at each quarter end, payable quarterly in arrears.

Shore Capital 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 exercisable 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 ensure that the Company performs well, enabling the Board to approve 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.

It is the Directors' opinion that the continued appointment of the Investment Manager, Shore Capital, on the terms agreed is in the best interest of the shareholders as a whole. The Investment Manager has a proven track record in VCT management and currently manages over £50 million of VCT funds and has a strong network within the industry.

### 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.

Compliance with the VCT regulations (as described in the Investment Policy) for the period under review is summarised as follows:

	Position at 31 March 2013
1. The Company holds at least 70% of its investments in qualifying companies,	Complied
2. At least 30% of the Company's qualifying investments are held in eligible shares for monies raised prior to 6 April 2012,	Complied
3. No investment constitutes more than 15% of the Company's portfolio at time of investment,	Complied
4. The Company's income for each financial period is derived wholly or mainly from shares and securities,	Complied
5. The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained, and	Complied
6. A maximum unit size of £5 million (£1 million limit to 16 July 2012) in each VCT qualifying investment (per tax year)	Complied

### 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 March 2013 there were nil days' billing from the suppliers of services outstanding.

### Going concern

After making enquiries the Directors believe that it is appropriate to continue to apply the going concern basis in preparing the financial statements. This is appropriate as cash reserves are greater than the anticipated average annual running costs of the Company. The directors have considered a period of 12 months from the date of this report for the purposes of determining the company's going concern status which has been assessed in accordance with the guidance issued by the Financial Reporting Council.

## **Report of the Directors (continued)**

### **Financial Instruments**

The material risks arising from the Company's financial instruments are market price risk, credit risk, liquidity risk, and interest rate risk. The Board reviews and agrees policies for managing each of these risks and these are summarised in note 14. These policies have remained unchanged since the beginning of the financial period. 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 March 2013 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.

### **Third Party Indemnity Provision for Directors**

Qualifying third party indemnity provision was in place for the benefit of all directors of the Company.

### **Annual General Meeting**

The Annual General Meeting of the Company will be held at Bond Street House, 14 Clifford Street, London, W1S 4JU on 19 September 2013 at 2.00pm. Notice of the Annual General Meeting and Form of Proxy are inserted within this document.

### **Auditor**

The Directors resolved that Baker Tilly UK Audit LLP be re-appointed as auditor in accordance with the provisions of the Companies Act 2006, s489. Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

### **Statement as to Disclosure of Information to the Auditor**

The Directors in office at the date of this report have confirmed that, as far as they are aware, there is no relevant information of which the auditor is unaware. Each of the Directors has 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.

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Report of the Directors, the Directors' Remuneration Report, the separate Corporate Governance Statement and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring the Annual Report includes information required by the Listing and Disclosure and Transparency Rules of the Financial Conduct Authority.

Company law and the Disclosure and Transparency Rules require 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). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 accounting 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Shore Capital website, [www.shorecap.gg](http://www.shorecap.gg).

Each of the Directors, whose names and functions are listed in the Directors' Biographies on page 13, confirms that, to the best of each person's knowledge

- a the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and return of the Company, and
- b the Chairman's Statement, Investment Manager's Report and Report of the Directors include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

## **Report of the Directors (continued)**

### **Electronic publication**

The financial statements are published on [www.shorecapgg.com](http://www.shorecapgg.com), a website maintained by the investment manager, Shore Capital. Legislation in the United Kingdom regulating the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for ensuring the Report of the Directors and other information included in the Annual Report include information required by the Listing Rules of the Financial Conduct Authority.

By order of the Board

**Eliot Kaye**  
Company Secretary  
29 July 2013

## Directors' Remuneration Report

This report is prepared in accordance with Schedule 420-422 of the Companies Act 2006. A resolution to approve this report will be put to the members at the Annual General Meeting to be held on 19 September 2013.

### Directors' Remuneration Policy

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 period totalled £80,000 as set out in note 4.

The Directors' contracts are discussed in point (e) in the Corporate Governance Statement on page 23.

### Directors' Remuneration

The Directors received emoluments as detailed below:

	Unaudited Current Annual Fee 12 months £	Audited period ended 31 March 2013 £	Audited year ended 31 December 2011 £
Raymond Pierce (Chairman)	18,000	23,000	18,000
Harold Paisner	15,000	19,000	15,000
Jonathan Morton-Smith	15,000	19,000	15,000
Graham Shore	15,000	19,000	15,000
	<u>63,000</u>	<u>80,000</u>	<u>63,000</u>

These are the total emoluments; there is no pension or share option scheme.

Brief biographical notes on the directors are given on page 13.

### 2014 Remuneration

The remuneration levels for the forthcoming year are expected to be at the annual levels shown in the table above. The Directors shall be paid by the Company all travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

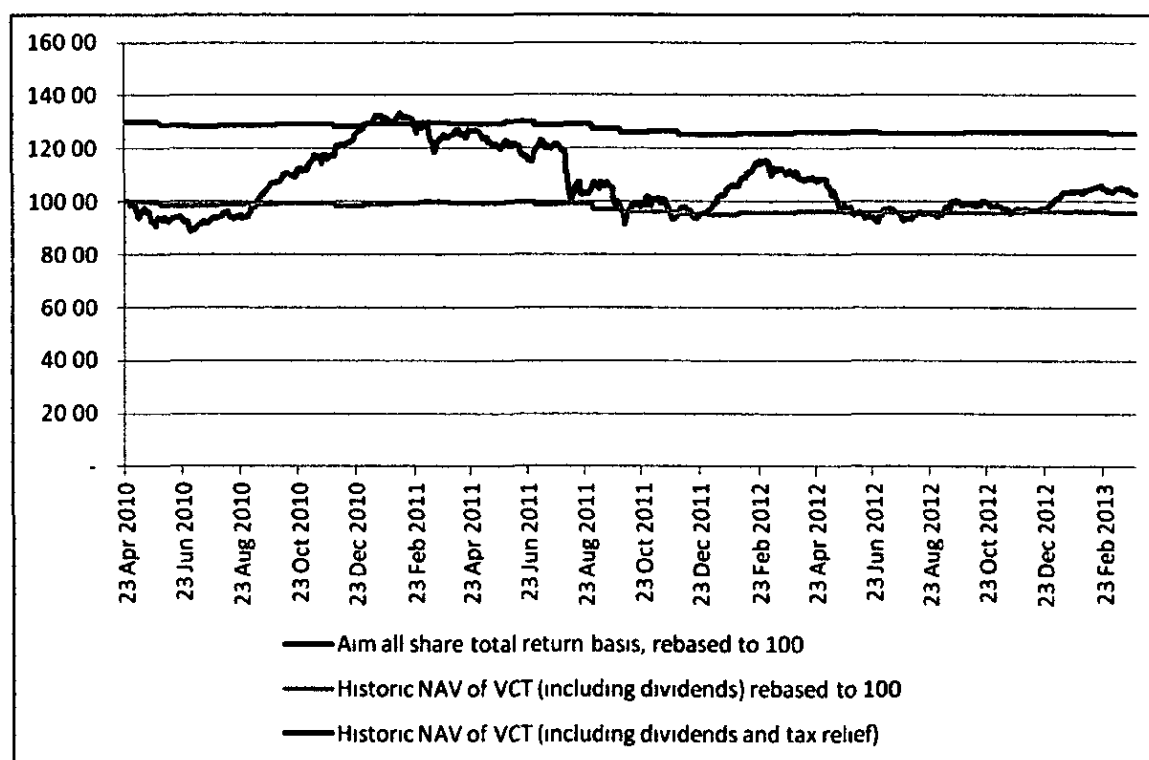
Directors' and Officers liability insurance cover is held by the Company in respect of the Directors.

On 11 November 2009, 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.

## Directors' Remuneration Report (continued)

### Performance Graph

The following chart represents the Company's performance from inception to 31 March 2013 and compares the rebased Net Asset Value to a rebased FTSE AIM Allshare Index. This index is considered to be the most appropriate equity market against which investors can measure the relative performance of the Company. This has been rebased to 100 at 23 April 2010, the effective start of operations for the Company.



On behalf of the Board

*R.F. Pierce*

**Raymond Pierce**  
Chairman  
29 July 2013

## Corporate Governance Statement

The Directors support the relevant principles of the UK Corporate Governance Code issued in June 2010 and published on the Financial Reporting Council's Website ([www.frc.org.uk](http://www.frc.org.uk)), being the principles of good governance and the code of best practice. Due to the VCT being a limited life vehicle some areas of the Code have not been complied with, these are set out in the Compliance Statement below.

### The Board

The Company has a Board comprising four non-executive Directors. All of the Directors are independent as defined by the UK Corporate Governance Code except for Graham Shore 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 UK Corporate Governance Code. The Board has appointed Raymond Pierce as the senior independent Director and he is also the Chairman. Biographical details of all Board members are shown on page 13.

All four directors are to retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. The Board believe that they have made valuable contributions during the term of their appointment and remain committed to the role. The Board therefore recommends that shareholders re-elect all four directors at the forthcoming AGM.

Full Board meetings take place quarterly and additional meetings are held as required to address specific issues. The Board has a formal schedule of matters specifically reserved for its decision. These include:

- considering recommendations from the Investment Manager,
- making all decisions concerning the acquisition or disposal of qualifying investments, and
- reviewing, annually, the terms of engagement of all third party advisers (including investment manager and administrator)

The attendance of individual Directors at full Board meetings during the period were as follows:

	Scheduled Board meetings
Raymond Pierce	5/5
Harold Paisner	5/5
Jonathan Morton-Smith	5/5
Graham Shore	5/5

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 or remuneration committee as they consider the Board to be small and it comprises wholly of non-executive Directors. Appointments of new Directors and Directors' remuneration are dealt with by the full Board.

The Board reviewed Directors' remuneration during the period. Details of the specific levels of remuneration to each director are set out in the Directors' Remuneration Report on page 19, and this is subject to shareholder approval.

### Audit Committee

The audit committee is composed of the entire board with the exception of Graham Shore. The audit committee meets annually with the external auditor prior to approval of the Company's financial statements. The audit committee monitors the external auditor's independence, the effectiveness of the audit process and other relevant matters.

During the period the Board reviewed the independence of the external auditor and recommended that the auditor be re-appointed. The Board receives written confirmation each year of the auditor's independence. The Board 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.

### Relations with shareholders

Shareholders have the opportunity to meet representatives of the Investment Management team and 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 shareholders if so requested. In addition to the formal business of the AGM, representatives of the Investment 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 UK Corporate Governance 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 are at the end of this document.

## **Corporate Governance Statement (continued)**

### **Financial Reporting**

The Directors' statement of responsibilities for preparing the accounts is set out in the Report of the Directors on page 17, and a statement by the auditor about their reporting responsibilities is set out in the Auditor's Report on page 24

### **Internal control**

The Company has adopted an Internal Control Manual ( 'Manual' ), which has been compiled in order to comply with the UK Corporate Governance 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 period. 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:

<i>Administration</i>	Shore Capital Fund Administration Services Limited
<i>Investment Management</i>	Shore Capital Limited

Shore Capital Limited identifies investment opportunities and monitors the portfolio of investments and makes recommendations to the Board in terms of suggested disposals and further acquisitions.

Shore Capital Fund Administration Services Limited is engaged to carry out the accounting function and manages the retention of physical custody of the documents of title relating to unquoted investments. Quoted investments are held in Crest. Shore Capital Fund Administration Services Limited regularly reconciles the client asset register with the physical documents.

The Directors confirm that they have established a continuing process throughout the period and up to the date of this report for identifying, evaluating and managing the significant potential risks faced by the Company, and have reviewed the effectiveness of the internal control systems. As part of this process, an annual review of the internal control systems is carried out in accordance with the Financial Reporting Council guidelines for internal control.

Internal control systems include production and review of monthly management accounts. All outflows made from the VCT's bank accounts require the authority of two signatories from Shore Capital, the Investment Manager. The Investment Manager is subject to regular review by the Shore Capital Compliance Department.

### **Share capital, rights attaching to the shares and restrictions on voting and transfer**

Ordinary shares are freely transferable in both certificated and uncertificated form and can be transferred by means of the CREST system. There are no restrictions on the transfer of any fully paid up share. With respect to voting rights the shares rank *pari passu* as to rights to attend and vote at any general meeting of the Company. The Company's shareholders do not have differing voting rights. Full details of the rights and restrictions attached to the share capital as required by the Takeover Directive are contained within the Company's prospectus which can be found at [www.shorecap.gg](http://www.shorecap.gg)

## **Corporate Governance Statement (continued)**

### **Compliance statement**

The Listing Rules require the Board to report on compliance with the UK Corporate Governance Code provisions throughout the accounting period. With the exception of the items outlined below, the Company has complied throughout the period ended 31 March 2013 with the provisions set out in the UK Corporate Governance Code. Due to the special nature of the Company being a VCT, the following provisions of the UK Corporate Governance Code have not been complied with:

- a) Provision A4-2 and B6-3 - 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 B4-1, B4-2 and E1-1 - New directors do not receive a full, formal and tailored induction on joining the Board and the chairman does not review and agree with each director their training and development needs because 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 B6-1 and B7-2 - 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) Provisions B2-1, B2-2, B2-4, D2-1 & D2-2 - Due to the size of the Board and because there are no executive Directors or senior management, the Company does not have a formal nominations committee or remuneration committee. Since appointment there have been no changes to the Board of the Directors.
- e) Provision B2-3 - On 11 November 2009 the 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 of the UK Corporate Governance Code is for fixed term renewable contracts. This is deemed unnecessary by the Board because all Directors were subject to re-election at the first AGM and from that point forward by rotation at least every three years.
- f) Provision A4-1 - Due to the size of the Board, the role of the Chairman and Senior Independent Director are both performed by Ray Pierce. The recommendation is for the Senior Independent Director and Chairman to be separate positions on the Board. The Board believes that Ray Pierce's experience allows him to exercise proper judgment in distinguishing between the roles.
- g) Provisions C3-2 to C3-6 - Due to the size of the Board and as the majority of the Board are independent non-executive Directors, the audit committee does not have formal written terms of reference. The relevant matters from the provisions C3-2 to C3-6 are either dealt with by the full Board or by the three independent non-executive Directors.



## **Independent Auditor's Report to the Members of Puma High IncomeVCT plc**

We have audited the financial statements on pages 26 to 44 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor**

As more fully explained in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/our-work/codes-standards/audit-and-assurance/standards-and-guidance/standard-and-guidance-for-auditors/scope-of-audit/UK-private-sector-entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/our-work/codes-standards/audit-and-assurance/standards-and-guidance/standard-and-guidance-for-auditors/scope-of-audit/UK-private-sector-entity-(issued-1-December-2010).aspx)

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006,
- the information given in the Report of the Directors for the financial period for which the financial statements are prepared is consistent with the financial statements, and
- the information given in the Corporate Governance Statement set out on page 21 to 23 in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Conduct Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- a Corporate Governance Statement has not been prepared by the company

**Independent Auditor's Report**  
**to the Members of Puma High Income VCT plc (continued)**

Under the Listing Rules we are required to review

- the directors' statement, set out on page 16, in relation to going concern,
- the part of the Corporate Governance Statement on pages 21 to 23 relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on directors' remuneration

*Baker Tilly UK Audit LLP*

RICHARD COATES (Senior Statutory Auditor)  
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London EC4A 4AB

30 July 2013

# Income Statement

For the period ended 31 March 2013

	Note	Period from 1 January 2012 to 31 March 2013			Year ended 31 December 2011		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain/(loss) on investments	8 (c)	-	49	49	-	(376)	(376)
Income	2	481	-	481	222	-	22
		481	49	530	222	(376)	(154)
Investment management fees	3	(58)	(174)	(232)	(54)	(163)	(217)
Other expenses	4	(252)	-	(252)	(173)	-	(173)
		(310)	(174)	(484)	(227)	(163)	(390)
Return/(loss) on ordinary activities before taxation		171	(125)	46	(5)	(539)	(544)
Tax on return on ordinary activities	5	-	-	-	-	-	-
Return/(loss) on ordinary activities after tax attributable to equity shareholders		171	(125)	46	(5)	(539)	(544)
Basic and diluted Return/(loss) per Ordinary Share (pence)	6	1 25p	(0 91p)	0 34p	(0 04p)	(3 94p)	(3 98p)

The total column represents the profit and loss account and the revenue and capital columns are supplementary information

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

No separate Statement of Total Recognised Gains and Losses is presented as all gains and losses are included in the Income Statement.

# Balance Sheet

As at 31 March 2013

Registered No: 07036487

	Note	As at 31 March 2013 £'000	As at 31 December 2011 £'000
<b>Fixed Assets</b>			
Investments	8	8,940	7,608
<b>Current Assets</b>			
Debtors	9	236	17
Cash at bank and in hand		813	4,243
<b>Creditors - amounts falling due within one year</b>	10	1,049 (109)	4,260 (120)
<b>Net Current Assets</b>		940	4,140
<b>Total Assets less Current Liabilities</b>		9,880	11,748
<b>Creditors - amounts falling due after more than one year (including convertible debt)</b>	11	(1)	(1)
<b>Net Assets</b>		9,879	11,747
<b>Capital and Reserves</b>			
Called up share capital	12	137	137
Capital reserve – realised		(549)	(584)
Capital reserve – unrealised		(210)	(50)
Revenue reserve		10,501	12,244
<b>Shareholders' Funds</b>		9,879	11,747
<b>Net Asset Value per Ordinary Share</b>	13	72 26p	85 92p
<b>Diluted Net Asset Value per Ordinary Share</b>	13	72 26p	85 92p

The financial statements were approved and authorised for issue by the Board of Directors on 29 July 2013 and were signed on their behalf by

*R.F. Pierce*

Raymond Pierce  
Chairman  
29 July 2013

## Cash Flow Statement

For the period ended 31 March 2013

	Period from 1 January 2012 to 31 March 2013 £'000	Year ended 31 December 2011 £'000
Profit/(loss) on ordinary activities before taxation	46	(544)
(Loss)/gain on investments	(49)	376
(Increase)/decrease in debtors	(219)	51
Decrease in creditors	(11)	(14)
Foreign exchange gain on cash	-	1
<b>Net cash outflow from operating activities</b>	<b>(233)</b>	<b>(130)</b>
<b>Capital expenditure and financial investment</b>		
Purchase of investments	(9,400)	(4,577)
Proceeds from sale of investments	8,117	7,546
Acquisition costs	-	(13)
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>	<b>(1,283)</b>	<b>2,956</b>
Equity dividend paid	(1,914)	(957)
<b>Net cash (outflow)/inflow before financing</b>	<b>(3,430)</b>	<b>1,869</b>
<b>(Decrease)/increase in cash in the period</b>	<b>(3,430)</b>	<b>1,869</b>
<b>Reconciliation of net cashflow to movement in net funds</b>		
(Decrease)/increase in cash in the period	(3,430)	1,869
Net funds at start of period	4,243	2,374
Net funds at end of period	813	4,243

# **Reconciliation of Movements in Shareholders' Funds** **For the period ended 31 March 2013**

	Called up share capital £'000	Share Premium account £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000	Total £'000
Balance as at 1 January 2011	137	13,264	(110)	17	(58)	13,250
Capital reconstruction	-	(13,264)	-	-	13,264	-
Loss after taxation attributable to equity shareholders	-	-	(474)	(67)	(5)	(546)
Dividends paid	-	-	-	-	(957)	(957)
Balance as at 31 December 2011	137	-	(584)	(50)	12,244	11,747
Return after taxation attributable to equity shareholders	-	-	(85)	(210)	171	46
Transfer	-	-	(50)	50	-	-
Dividends paid	-	-	-	-	(1,914)	(1,914)
<b>Balance as at 31 March 2013</b>	<b>137</b>	<b>-</b>	<b>(549)</b>	<b>(210)</b>	<b>10,501</b>	<b>9,879</b>

Distributable reserves comprise Capital reserve-realised, Capital reserve-unrealised and the Revenue reserve. At the period end distributable reserves totalled £9,742,000 (2011 £11,610,000)

The Capital reserve-realised shows gains/losses that have been realised in the period due to the sale of investments, and related costs. The Capital reserve-unrealised shows the gains/losses on investments still held by the company not yet realised by an asset sale.

## **Notes to the Accounts**

**For the period ended 31 March 2013**

### **1. Accounting Policies**

#### **Basis of Accounting**

Puma High Income VCT plc ("the Company") was incorporated and is domiciled in England & Wales. The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments held at fair value, and in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("SORP") revised in 2009.

#### **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 return of £46,000 as per the Income Statement on page 26 is the measure that the Directors believe is appropriate in assessing the Company's compliance with certain requirements set out in s274 of the Income Tax Act 2007.

#### **Investments**

All investments have been designated as fair value through profit or loss, and are initially measured at cost which is the best estimate of fair value. A financial asset is designated in this category if acquired to be both managed and its performance is evaluated on a fair value basis with a view to selling after a period of time in accordance with a documented risk management or investment strategy. All investments held by the Company have been managed in accordance with the investment policy set out on page 12. 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 are valued at their respective quoted Net Asset Values 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") and in accordance with FRS26 "Financial Instruments Measurement".

- Investments which have been made within the last twelve months or where the investee company is in the early stage of development will usually be valued at the price of recent investment except where the company's performance against plan is significantly different from expectations on which the investment was made in which case a different valuation methodology will be adopted.
- Investments 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 include net asset value where such factors apply that make this or alternative methods more appropriate.

Realised surpluses or deficits on the disposal of investments are taken to realised capital reserves, and unrealised surpluses and deficits on the revaluation of investments are taken to unrealised capital reserves.

It is not the Company's policy to exercise control over investee companies. Therefore the results of the companies are not incorporated into the revenue account except to the extent of any income accrued.

#### **Cash at bank and in hand**

Cash at bank and in hand comprises of cash on hand and demand deposits.

#### **Equity instruments**

Equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at proceeds received net of issue costs.

## **Notes to the Accounts**

**For the period ended 31 March 2013**

### **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 wholly as a revenue item on an accruals basis.

#### **Performance fees**

Upon its inception, the Company negotiated performance fees payable to the Investment Manager, Shore Capital Limited at 20 per cent of the aggregate excess over £1 per Ordinary Share returned to Ordinary shareholders. This incentive will only be exercisable once the holders of Ordinary Shares have received distributions of £1 per share. The performance fee is accounted for as 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.

At each balance sheet date, the Company estimates that fair value by reference to any excess of the net asset value, adjusted for dividends paid, over £1 per share. Any change in fair value in the period is recognised 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 which are charged to capital, and
- the investment management fee, 75 per cent of which has been charged to capital to reflect an element which is, in the directors' opinion, attributable to the maintenance or enhancement of the value of the Company's investments in accordance with the Board's expected long-term split of return, and
- the performance fee which is allocated proportionally to revenue and capital based on the 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 period. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue return on the marginal basis as recommended by the SORP.

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 taxable 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 years. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years 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 period ended 31 March 2013

### 1. Accounting Policies (continued)

#### Reserves

Realised losses and gains on investments and foreign exchange transactions, transaction costs, the capital element of the management fee and taxation are taken through the Income Statement and recognised in the Capital Reserve – Realised on the Balance sheet. Unrealised losses and gains on investments and foreign exchange transactions and the capital element of the performance fee are also taken through the Income Statement and recognised in the Capital Reserve – Unrealised. The performance fee to be effected through share-based payment is taken to the Other Reserve and the total revenue gain or loss on the Income Statement is taken to the Revenue Reserve.

#### Foreign exchange

The functional and presentational currency of the Company is Sterling. 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 and taken to the Income Statement.

#### Debtors

Debtors include accrued income which is recognised at amortised cost, equivalent to the fair value of the expected balance receivable.

#### Dividends

Final dividends payable are recognised as distributions in the financial statements when the Company's liability to make payment has been established. The liability is established when the dividends proposed by the Board are approved by the Shareholders. Interim dividends are recognised when paid.

#### Change in reporting date

The Company has changed its reporting date to 31 March 2013 during the year and so the accounts are for the 15 month period ended 31 March 2013.

### 2. Income

	Period from 1 January 2012 to 31 March 2013 £'000	Year ended 31 December 2011 £'000
<b>Income from investments</b>		
Income from investments	439	148
Arrangement fees	16	-
	<hr/> 455	<hr/> 148
<b>Other income</b>		
Bank deposit income	26	74
	<hr/> 481	<hr/> 222

## Notes to the Accounts

For the period ended 31 March 2013

### 3. Investment Management Fees

	Period from 1 January 2012 to 31 March 2013 £'000	Year ended 31 December 2011 £'000
Shore Capital Limited	232	242
Fee rebate	-	(25)
	<u>232</u>	<u>217</u>

Shore Capital Limited (Shore Capital) was 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. The board is satisfied with the performance of the Investment Manager. Under the terms of this agreement Shore Capital will be paid an annual fee of 2 per cent of the Net Asset Value payable quarterly in arrears calculated on the relevant quarter end NAV of the Company. These fees are capped, the Investment Manager having agreed to reduce its fee (if necessary to nothing) to contain total annual costs (excluding performance fee and trail commission) to within 3.5 per cent of Net Asset Value. The breach of the fee cap is adjusted for in the current period resulting in a credit of £28,000 to reduce total annual running costs for this year to 3.5% of Net Asset Value. Total annual costs this year were 3.5% of the year end Net Asset Value (2011: 3.3%).

### 4. Other expenses

	Period from 1 January 2012 to 31 March 2013 £'000	Year ended 31 December 2011 £'000
Administration - Shore Capital Fund		
Administration Services Limited	46	42
Directors' Remuneration	80	56
Social security costs	7	4
Auditor's remuneration for statutory audit	17	17
Insurance	2	4
Legal and professional fees	(13)	14
FSA, LSE and registrar fees	28	17
Trail commission	52	-
Other expenses	33	19
	<u>252</u>	<u>173</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, payable quarterly in arrears.

The total fees paid or payable (excluding VAT and employers NIC) in respect of individual Directors for the period are detailed in the Directors' Remuneration Report commencing on page 17. The Company had no employees (other than Directors) during the period. The average number of non-executive Directors during the year was four (2011: four).

The Auditor's remuneration of £14,000 (2011: £14,000) has been grossed up in the table above to be inclusive of VAT.

# Notes to the Accounts

For the period ended 31 March 2013

## 5. Tax on Ordinary Activities

	Period from 1 January 2012 to 31 March 2013 £'000	Year ended 31 December 2011 £'000
UK corporation tax charged to revenue	-	-
UK corporation tax charged to capital	-	-
<b>UK corporation tax charge for the period</b>	<b>-</b>	<b>-</b>
<b>Factors affecting tax charge for the period</b>		
Return/(loss) on ordinary activities before taxation	46	(544)
Tax charge calculated on return/(loss) on ordinary activities before taxation at the applicable rate of 20%	9	(109)
Non taxable capital income	25	108
Tax losses carried forward	-	1
Utilisation of tax losses brought forward	(44)	-
Non deductible expenses	10	-
	-	-

The income statement shows the tax charge allocated to revenue and capital. Capital returns are not taxable as VCTs are exempt from tax on realised capital gains subject to continuing compliance with the VCT regulations.

No provision for deferred tax has been made in the accounts. 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.

## Notes to the Accounts

For the period ended 31 March 2013

### 6. Basic and diluted return per Ordinary Share

	Period from 1 January 2012 to 31 March 2013		
	Revenue £'000	Capital £'000	Total £'000
Return for the period	171	(125)	46
Weighted average number of shares	13,671,870	13,671,870	13,671,870
Return per share	1 25p	(0 91p)	0 34p

	Year ended 31 December 2011		
	Revenue £'000	Capital £'000	Total £'000
Loss for the period	(5)	(539)	(544)
Weighted average number of shares	13,671,870	13,671,870	13,671,870
Loss per share	(0 04)p	(3 94)p	(3 98)p

The total return/(loss) per ordinary share is the sum of the revenue return and capital return

### 7. Dividends

The directors do not propose a final dividend in relation to the period ended 31 March 2013 (year ended 31 December 2011 nil) Interim dividends of 7p per Ordinary Share each were paid on 27 February 2012 and 19 February 2013. Each dividend payment totalled £957,000.

# Notes to the Accounts

For the period ended 31 March 2013

## 8. Investments

	Historic cost as at 31 March 2013 £'000	Market value as at 31 March 2013 £'000	Historic cost as at 31 December 2011 £'000	Market value as at 31 December 2011 £'000
(a) Summary				
Qualifying venture capital investments	7,040	6,830	-	-
Non qualifying investments	2,110	2,110	7,659	7,608
	9,150	8,940	7,659	7,608

	Qualifying venture capital investments £'000	Non qualifying investments £'000	Total £'000
(b) Movements in investments			
Opening value at 1 January 2012	-	7,608	7,608
Purchases at cost	7,040	2,360	9,400
Disposals			
Proceeds	-	(8,117)	(8,117)
Realised net gains/(losses) on disposals	-	259	259
Net unrealised loss	(210)	-	(210)
Valuation at 31 March 2013	6,830	2,110	8,940
Book cost at 31 March 2013	7,040	2,110	9,150
Net unrealised gains/(losses) at 31 March 2013	(210)	-	(210)
Valuation at 31 March 2013	6,830	2,110	8,940

## (c) Gains/(losses) on investments

The gains/(losses) on investments for the period shown in the Income Statement on page 26 is analysed as follows

	Period from 1 January 2012 to 31 March 2013 £'000	Year ended 31 December 2011 £'000
Realised gains/(losses) on disposal	259	(297)
Net unrealised losses on revaluation in respect of investments held at the period end	-	(67)
Transaction costs	-	(12)
Net unrealised losses on revaluation in respect of investments held at the period end	(210)	-
	49	(376)

## Notes to the Accounts

For the period ended 31 March 2013

### 8. Investments - continued

	Historic cost as at 31 March 2013 £'000	Market value as at 31 March 2013 £'000
<b>(d) Quoted and unquoted investments</b>		
Quoted investments	-	-
Unquoted investments	9,150	8,940
	<u>9,150</u>	<u>8,940</u>

#### (e) Significant interests

As at 31 March 2013, the Company held more than 20% of the equity of the following undertakings. These holdings are included within the unquoted investments disclosed above and are held as part of the Company's investment portfolio.

Investee Company	Percentage of equity directly held in Investee Company	Fair value of Company's investment as at 31 March 2013 £'000
Saville Services Limited	23%	1,400
Mirfield Contracting Limited	50%	860
Huntly Trading Limited	47%	700
Isaacs Trading Limited	48%	700
Frederica Trading Limited	47%	880
Glenmoor Trading Limited	47%	880
Buckhorn Trading Limited	33%	860
		<u>6,280</u>

Graham Shore, a director of the Company, is also a director of Mirfield Contracting Limited, Huntly Trading Limited, Isaacs Trading Limited, Frederica Trading Limited, Glenmoor Trading Limited, Buckhorn Trading Limited and Saville Services Limited. The Company is able to exercise significant influence over all of the above-named investee companies.

These investments have not been accounted for as associates or joint ventures since FRS 9 Associates and Joint Ventures and the SORP require that Investment Companies treat all investments held as part of their investment portfolio in the same way, even those over which the Company has significant influence.

Further details of these investments are disclosed in the Investment Portfolio Summary on pages 8 to 12 of the Annual Report.

## Notes to the Accounts

For the period ended 31 March 2013

### 9. Debtors

	As at 31 March 2013 £'000	As at 31 December 2011 £'000
Accrued income	236	17

### 10. Creditors – amounts falling due within one year

	As at 31 March 2013 £'000	As at 31 December 2011 £'000
Accruals and deferred income	109	120

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

	As at 31 March 2013 £'000	As at 31 December 2011 £'000
Loan notes	1	1

On 11 November, 2009, the Company issued Loan Notes in the amount of £1,000 to a nominee on behalf of the Investment Manager. The Loan Notes accrue interest of 5 per cent per annum.

As holders of the Loan Notes Share Capital 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 to be effected through the issue of shares in the Company 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 ensure that the Company performs well, enabling the Board to approve distributions as high and as soon as possible.

In the event that distributions to the holders of Ordinary Shares totalling £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 not received enough distributions to date. However, when the total return is greater than £1, a performance fee will be expensed in accordance with FRS 20 Share-based Payment.

The amount of the performance fee will be calculated as 20 per cent of the excess of the net asset value over £1 per issued share. This amount will be debited to the Income Statement and credited to other reserve within Equity Shareholder's Funds.

# Notes to the Accounts

For the period ended 31 March 2013

## 12. Called Up Share Capital

	As at 31 March 2013 £'000	As at 31 December 2011 £'000
13,671,870 ordinary shares of 1p each	137	137

## 13. Net Asset Value per Ordinary Share

	As at 31 March 2013	As at 31 December 2011
Net assets	9,879,000	11,747,000
Shares in issue	13,671,870	13,671,870
Dilutive effect of performance fee	-	-
	13,671,870	13,671,870
<b>Net asset value per ordinary share</b>		
Basic	72 26p	85 92p
Diluted	72 26p	85 92p

## 14. Financial Instruments

The Company's financial instruments comprise its investments, cash balances, debtors and certain creditors. The fair value of all of the Company's financial assets and liabilities is represented by the carrying value in the Balance Sheet. The Company held the following categories of financial instruments:

	As at 31 March 2013 £'000	As at 31 December 2011 £'000
<b>Assets at fair value through profit or loss</b>		
Investments managed through Shore Capital Limited	8,940	7,608
<b>Loans and receivables</b>		
Cash at bank and in hand	813	4,243
Interest, dividends and other receivables	236	17
<b>Other financial liabilities</b>		
Financial liabilities measured at amortised cost	(110)	(121)
	9,879	11,747



# Notes to the Accounts

For the period ended 31 March 2013

## 14. Financial Instruments (continued)

### Management of risk

The main risk the Company faces from its financial instruments is 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, liquidity risk, credit risk, and interest rate risk. The Board regularly reviews and agrees policies for managing each of these risks. The Board's policies for managing these risks are summarised below and have been applied throughout the year.

### Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Investment Manager monitors counterparty risk on an ongoing basis. The carrying amounts of financial assets best represents the maximum credit risk exposure at the balance sheet date. The Company's financial assets maximum exposure to credit risk is as follows:

	As at 31 March 2013 £'000	As at 31 December 2011 £'000
Investments in loans and loan notes	5,830	-
Cash at bank and in hand	813	4,243
Interest, dividends and other receivables	236	17
	<u>6,879</u>	<u>4,260</u>

The majority of the cash held by the Company at the period end is split between an A rated U.K. bank and a BBB rated South African bank. Bankruptcy or insolvency of either bank may cause the Company's rights with respect to the receipt of cash held to be delayed or limited. The Board monitors the Company's risk by reviewing regularly the financial position of the banks and should it deteriorate significantly the Investment Manager will, on instruction of the Board, move the cash holdings to another bank.

Credit risk associated with interest, dividends and other receivables are predominantly covered by the investment management procedures.

Investments in loan and loan notes and bonds comprise a fundamental part of the Company's venture capital investments, therefore credit risk in respect of these assets is managed within the Company's main investment management procedures.

### Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held by the Company. It represents the potential loss the Company might suffer through holding investments in the face of price movements. The Investment Manager actively monitors market prices throughout the period and reports to the Board, which meets regularly in order to consider investment strategy.

The Company's strategy on the management of market price risk is driven by the Company's investment policy as outlined in the Report of the Directors on page 14. The management of market price risk is part of the investment management process. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders.

## **Notes to the Accounts**

**For the period ended 31 March 2013**

### **14. Financial Instruments (continued)**

Holdings in unquoted investments may pose higher price risk than quoted investments. Some of that risk can be mitigated by close involvement with the management of the investee companies along with review of their trading results.

100 per cent of the Company's investments at 31 March 2013 are unquoted investments.

#### **Liquidity risk**

Details of the Company's unquoted investments are provided in the Investment Portfolio summary on page 7. By their nature, unquoted investments may not be readily realisable, the Board regularly considers exit strategies for these investments. As at the period end, the Company had no borrowings other than loan notes amounting to £1,000 (2011: £1,000) (see note 11).

The Company's liquidity risk associated with investments is managed on an ongoing basis by the Investment Manager in conjunction with the Directors and in accordance with policies and procedures in place as described in the Report of the Directors. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses.

# Notes to the Accounts

For the period ended 31 March 2013

## 14. Financial Instruments (continued)

### Cash flow interest rate risk

The Company has exposure to interest rate movements primarily through its cash deposits and loan notes which track either the Bank of England base rate or LIBOR

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 per cent (see note 11)

### Interest rate risk profile of financial assets

The following analysis sets out the interest rate risk of the Company's financial assets

	Rate status	Average interest rate	Period until maturity	31 March 2013 £'000	31 December 2011 £'000
Brewhouse & Kitchen Limited	Floating	11 3%	Five years	276	-
Saville Services Limited	Floating	5 5%	Six years	420	-
SIP Communications plc	Fixed	11 1%	Four years	490	-
Mirfield Contracting Limited	Floating	2 5%	Nine years	602	-
Huntly Trading Limited	Floating	2 5%	Nine years	490	-
Isaacs Trading Limited	Floating	5 5%	Nine years	210	-
Frederica Trading Limited	Floating	2 5%	Nine years	616	-
Glenmoor Trading Limited	Floating	2 5%	Nine years	616	-
Buckhorn Lending Limited	Floating	8 6%	Five years	860	-
Puma Brandenburg Finance Limited	Fixed	5 0%	Two years	1,250	-
Cash at bank	Floating	0 9%		670	3,133
Cash at bank	Floating	0 9%	32 days notice	128	1,087
Cash at bank	Floating	0 9%		15	15
Balance of financial assets	Non-interest bearing			3,346	7,512
				9,989	11,747

The non-interest bearing assets include investments in equity instruments that have no fixed dividend rate

An increase in 1% in Bank of England base rate would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £49,000 (2011: £42,000). A decrease of 1% would have had an equal but opposite effect.

None of the loan stocks held by the Company are convertible

# Notes to the Accounts

For the period ended 31 March 2013

## 14. Financial Instruments (continued)

### Fair value hierarchy

Fair values have been measured at the end of the reporting period as follows -

As at 31 March 2013	Level 1 'Quoted prices'	Level 2 'Observable inputs'	Level 3 'Unobservable inputs'	Total
At fair value through profit and loss	-	-	8,940	8,940
As at 31 December 2011	Level 1 'Quoted prices'	Level 2 'Observable inputs'	Level 3 'Unobservable inputs'	Total
At fair value through profit and loss	6,355	1,253	-	7,608

Financial assets measured at fair value are disclosed using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements, as follows -

- Level 1 – Unadjusted quoted prices in active markets for identical assets ('quoted prices'),
- Level 2 – Inputs (other than quoted prices in active markets for identical assets) that are directly or indirectly observable for the asset ('observable inputs'), or
- Level 3 – Inputs that are not based on observable market data ('unobservable inputs')

The Level 3 investments have been valued at the price of recent investment in line with the Company's accounting policies and IPEVC guidelines. Further details are provided in the significant investments section on pages 7 to 9 of the annual report.

Reconciliation of fair value for level 3 financial instruments held at the year end

	Unquoted shares £'000	Loan notes £'000	Total £'000
<i>Movements in the income statement</i>			
Balance as at 1 January 2012	-	-	-
Unrealised losses in the income statement	(210)	-	(210)
Realised gains in the income statement	-	-	-
	(210)	-	(210)
Purchases at cost	3,320	5,830	9,150
Sales proceeds	-	-	-
Balance as at 31 March 2013	3,110	5,830	8,940

## **Notes to the Accounts**

**For the period ended 31 March 2013**

### **15. Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to provide an adequate return to shareholders by allocating its capital to assets commensurate with the level of risk

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed

The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern

The Board has the opportunity to consider levels of gearing, however there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the level of liabilities is small and the management of the liabilities is not directly related to managing the return to shareholders. There has been no change in this approach from the previous period

### **16. Contingencies, Guarantees and Financial Commitments**

There were no commitments, contingencies or guarantees of the Company at the period-end

### **17. 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 Graham Shore is a director, to provide investment management services. During the period £232,000 (2011 £217,000) was due in respect of investment management fees. The balance owing to Shore Capital Limited at the period-end was £21,000 (2011 £60,000)

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 period £46,000 (2011 £42,000) was due in respect of these services. The balance owing to Shore Capital Fund Administration Services Limited at the period-end was £9,000 (2011 £10,000)