SHORE CAPITAL

PUMA VCT III PLC

INTERIM REPORT 2008

VCT III 08

Contents

Highlights

- Net asset value per share of 95.25p. This represents a 0.7% decrease from year-end (adding back the 1.5p 2007 final dividend paid at the end of the period) compared to a decrease of 27.4% on the FTSE AIM Index for the same period.
- £3.9 million invested into qualifying investments in the period.
- Several large qualifying investments in the pipeline.

Vertu Motors plc

Mount Engineering plc

The Restaurant, Cadbury House Hotel & Country Club plc

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

Chairman's Statement

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

Introduction

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

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

This strategy has proven to be prudent as the AIM market fell 27.4% during the six months to 30 June 2008, suffering from the continuing economic downturn affecting global financial markets. It is likely that the value of typical unquoted equities of a kind in which VCTs can invest will have fallen by the same amount or more. In the same period the Company is reporting a fall of only 0.7% (adding back the 1.5p 2007 final dividend paid at the end of the period) in the NAV per share which now stands at 95.25p.

The fall in value is primarily attributable to the Company's AIM quoted stocks, many of which are trading at a discount to their respective net asset values. This is less to do with the quality of these companies than the continuing result of the volatility and sentiment in the stock market for smaller companies that we reported on at the year end.

New Qualifying investments

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

Bond Contracting Limited was set-up to acquire companies or to operate within the leisure sector and actively sought to enter into contracting arrangements during the period. We are pleased to report that the company has recently entered into its first significant construction contract within this space.

Both Albemarle Contracting Limited and Clifford Contracting Limited have been actively pursuing opportunities to either acquire companies or to operate within the business consultancy sector and we expect news of positive developments over the coming year.

Existing Qualifying investments

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

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

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

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

The qualifying portfolio now consists of nine investments representing approximately 47% of assets as at 30 June 2008. With several large qualifying investments expected to be made in the near-term, your board is confident that the requirement for at least 70% to be invested in qualifying companies will be met within the three year timescale.

Non-qualifying investments

The market value of the non-qualifying investment portfolio was £8,490,000 at the period end against an underlying book cost of £8,228,000. This portfolio consists of three elements, listed stocks, hedge funds and a non-qualifying private equity investment. Performance for this portfolio for the six months was relatively flat with the fall in value of the listed stocks largely off set by gains on the hedge fund holdings.

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

Results and dividends

As set-out in the 2007 accounts, a dividend of 1.5p per ordinary share was declared during the period and paid on 2 July 2008. Your Board is not proposing a dividend in relation to this interim period but reiterates the intention to distribute a large element of the available income and, if appropriate, realised capital gains in due course.

Chairman's Statement continued

Year end change

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

VAT on management fees

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

Principal risks and uncertainties

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

Outlook

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

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

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

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

Sir Aubrey Brocklebank Bt
Chairman

22 August 2008

Income Statement (unaudited)

For the six months ended 30 June 2008

	Note	**Six months ended 30 June 2008** Revenue £'000	Capital £'000	Total £'000	Six months ended 30 June 2007 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2007 Revenue £'000	Capital £'000	Total £'000
(Loss)/gains on investments		**–**	**(274)**	**(274)**	–	653	653	–	(707)	(707)
Income		**430**	**–**	**430**	191	–	191	523	–	523
		430	**(274)**	**156**	191	653	844	523	(707)	(184)
Investment management fees	4	**54**	**162**	**216**	59	178	237	116	347	463
Performance fees		**51**	**(51)**	**–**	12	95	107	45	(102)	(57)
Other expenses		**68**	**–**	**68**	71	–	71	142	–	142
		173	**111**	**284**	142	273	415	303	245	548
(Loss)/return on ordinary activities before taxation		**257**	**(385)**	**(128)**	49	380	429	220	(952)	(732)
Tax on return on ordinary activities		**(52)**	**52**	**–**	(3)	3	–	(40)	40	–
(Loss)/return on ordinary activities after tax attributable to equity shareholders		**205**	**(333)**	**(128)**	46	383	429	180	(912)	(732)
(Loss)/return per Ordinary Share (pence)	2	**1.05p**	**(1.70)p**	**(0.65)p**	0.23p	1.96p	2.19p	0.92p	(4.68)p	(3.76)p

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

Balance Sheet (unaudited)

As at 30 June 2008

	Note	As at 30 June 2008 £'000	As at 30 June 2007 £'000	As at 31 December 2007 £'000
Fixed Assets				
Investments	7	**16,390**	17,464	14,850
Current Assets				
Debtors		**376**	129	172
Cash		**2,274**	2,890	4,221
		2,650	3,019	4,393
Creditors – amounts falling due within one year		**(161)**	(151)	(236)
Dividend payable		**(293)**	–	–
Net Current Assets		**2,196**	2,868	4,157
Total Assets less Current Liabilities		**18,586**	20,332	19,007
Creditors – amounts falling due after more than one year (including convertible debt)		**(1)**	(1)	(1)
Net Assets		**18,585**	20,331	19,006
Capital and Reserves				
Called up share capital		**195**	195	195
Capital reserve – realised		**(521)**	140	(110)
Capital reserve – unrealised		**(327)**	640	(405)
Other reserve		**–**	164	–
Revenue reserve		**19,238**	19,192	19,326
Equity Shareholders' Funds		**18,585**	20,331	19,006
Net Asset Value per Ordinary Share	3	**95.25p**	104.19p	97.40p
Diluted Net Asset Value per Ordinary Share	3	**95.25p**	103.35p	97.40p

Cash Flow Statement (unaudited)

For the six months ended 30 June 2008

	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
Operating activities			
Investment income received	**242**	165	385
Investment management fees paid	**(205)**	(346)	(579)
Cash paid to directors	**(7)**	(7)	(14)
Foreign exchange gain/(loss) on cash	**(46)**	37	24
Other cash payments	**(68)**	(91)	(143)
Net cash outflow from operating activities	**(84)**	(242)	(327)
Capital expenditure and financial investment			
Purchase of investments	**(2,678)**	(5,305)	(7,370)
Proceeds from sale of investments	**923**	3,563	6,870
Acquisition costs	**–**	–	–
Net realised (loss)/gain on forward foreign exchange contracts	**(108)**	33	207
Net cash outflow from capital expenditure and financial investment	**(1,863)**	(1,709)	(293)
Management of liquid resources	**1,709**	–	(2,796)
Decrease in cash	**(238)**	(1,951)	(3,416)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash for the period	**(238)**	(1,951)	(3,416)
(Decrease)/increase in liquid resources for the period	**(1,709)**	–	2,796
Net cash at start of the period	**4,221**	4,841	4,841
Net funds at the period end	**2,274**	2,890	4,221

Reconciliation of Movements in Shareholders' Funds (unaudited)

For the six months ended 30 June 2008

	Called up share capital £'000	Capital reserve-realised £'000	Capital reserve-unrealised £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
Six months ended 30 June 2008						
Balance at 1 January 2008	195	(110)	(405)	–	19,326	19,006
Total recognised (losses)/ gains for the period	–	(411)	78	–	205	(128)
Dividends payable	–	–	–	–	(293)	(293)
Balance at 30 June 2008	**195**	**(521)**	**(327)**	**–**	**19,238**	**18,585**
Six months ended 30 June 2007						
Balance at 1 January 2007	195	288	109	57	19,146	19,795
Total recognised (losses)/ gains for the period	–	(148)	531	107	46	536
Balance at 30 June 2007	195	140	640	164	19,192	20,331
For the year ended 31 December 2007						
Balance at 1 January 2007	195	288	109	57	19,146	19,795
Total recognised (losses)/ gains for the year	–	(398)	(514)	(57)	180	(789)
Balance at 31 December 2007	195	(110)	(405)	–	19,326	19,006

Notes to the Interim Report

For the six months ended 30 June 2008

1. Accounting Policies

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

2. Return per Ordinary Share

The total loss per share of 0.65p (30 June 2007 – return of 2.19p) is based on the loss for the period of £128,000 (30 June 2007 – profit of £429,000) and the weighted average number of shares in issue as at 30 June 2008 of 19,512,692 (30 June 2007 – 19,512,692).

3. Net asset value per share

			Net Asset Value per share	
Period	Net assets	Shares in issue	Basic	Diluted
30 June 2008	**£18,585,000**	**19,512,692**	**95.25p**	**95.25p**
31 December 2007	£19,006,000	19,512,692	97.40p	97.40p
30 June 2007	£20,331,000	19,512,692	104.19p	103.35p

4. Management fees

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

5. Related Party Transactions

Related party transactions are described the 2007 Annual Report and Accounts on page 36. There were no other related party transactions during the six months ended 30 June 2008.

6. The financial information for the six months ended 30 June 2008 and 30 June 2007 has not been audited and does not comprise full financial statements within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 31 December 2007 has been extracted from the company's full financial statements for the year then ended that have been delivered to the Registrar of Companies, and on which the report of the Auditors was unqualified. The interim financial statements have been prepared on the same basis as the annual financial statements.

Notes to the Interim Report continued

For the six months ended 30 June 2008

7. Investment portfolio summary

As at 30 June 2008	Cost £'000	Valuation £'000	Gain/ (loss)	Valuation as a % of Net Assets
Qualifying investment – unquoted				
Albemarle Contracting Ltd	1,000	1,000	–	5%
Bond Contracting Ltd	1,000	1,000	–	5%
Clifford Contracting Ltd	1,890	1,890	–	10%
Cadbury House Hotel & Country Club plc	2,335	2,335	–	13%
Stocklight Limited	985	985	–	5%
Qualifying investment – quoted				
Clarity Commerce Solutions plc	230	78	(152)	1%
Mount Engineering plc	188	198	10	1%
Sport Media plc	493	106	(387)	1%
Vertu Motors plc	500	308	(192)	2%
Total qualifying investments	**8,621**	**7,900**	**(721)**	**43%**
Non-qualifying investments				
Hedge fund portfolio	5,366	5,990	624	32%
Loan stock – interest bearing	1,074	1,186	112	6%
Other quoted investments	1,788	1,314	(474)	7%
Total non-qualifying investments	**8,228**	**8,490**	**262**	**45%**
Total investments	**16,849**	**16,390**	**(459)**	**88%**
Balance of portfolio	**2,195**	**2,195**	**–**	**12%**
Net Assets	**19,044**	**18,585**	**(459)**	**100%**

Officers and Professional Advisers

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

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J S Paisner

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