SHORE CAPITAL

PUMA VCT III PLC

INTERIM REPORT 2007

VCT III 07

Contents

Highlights

- Undiluted net asset value per share of 104.19p, a 2.7% increase from year-end. Fully diluted net asset value of 103.35p, an increase of 2.2%
- Continued growth from alternative asset investments with qualifying investments now contributing
- Two qualifying investments made in the period
- Larger qualifying investments in pipeline expected to complete in coming months

Sir Aubrey Brocklebank Bt of Puma VCT III plc said:
"In the six months to 30 June 2007, the Company continued to grow the net asset value. The Investment Manager currently has a pipeline of interesting qualifying opportunities in private equity deals. We also expect the VCT's offering of growth mezzanine and equity capital for asset-backed growing companies to be increasingly attractive in a climate of tightening terms for conventional credit."

Chairman's Statement

Introduction

During the six months to 30 June 2007, the Company continued to grow the net asset value. The growth came from the qualifying company investments, which have been selected as lower risk, and the non-qualifying investments with their lower volatility, absolute return approach.

The Company made two qualifying investments during the first half of the year. There is a pipeline, including signed term sheets, representing significant potential investments, which the Company's Investment Manager, Shore Capital, hopes to complete in the coming months. The current turmoil in the credit markets and consequent more cautious bank lending should also give rise to more opportunities to provide growth capital on attractive terms. As a result, demand should grow for the VCT's offering of mezzanine loans and equity to asset backed companies.

Net asset value

The Company made a good start to 2007 with net asset value up 2.7% to 104.19p. The diluted net asset value is up 2.2% to 103.35p after accruing for potential performance fees. The increase derives from a combination of continuing performance from the hedge fund portfolio and other non-qualifying listed investments and the qualifying investments starting to deliver.

The total return for the six month period to 30 June 2007 was 2.19p, comprising a revenue return of 0.23p and a capital return of 1.96p.

Dividends

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 the medium term.

Qualifying investments

During the six months a total of £1,188,000 was invested in the following companies:

- Cadbury House Hotel & Country Club Ltd (£1,000,000): the second instalment of our refinancing of the hotel, leisure club and conferencing development, described in the 2006 year end accounts.
- Mediasurface Plc (£188,000): a web-content management software provider to the private and public sector; which raised new equity to finance the acquisition of a smaller competitor.

The Company's largest investment, Cadbury House Hotel & Country Club, has had a strong first half to the year. The 72 bed hotel wing was opened in June and has subsequently exceeded all expectations in terms of occupancy and room rates achieved. In addition, the leisure club continues to operate at full capacity. A planned extension will enable the membership to grow further.

The Company's second largest holding is in Stocklight Limited, which is the parent of Bloomsbury Auctions, a fast growing specialist auctioneer. Bloomsbury Auctions is finalising its new auction rooms, to be opened later in the year and we expect further good news flow which should underpin its growth strategy.

Vertu Motors Plc is the third largest holding for Puma VCT III plc. The company is executing on its buy-and-build strategy in the motor dealership sector, having completed a £40m acquisition of the Bristol Street Group in February and three further smaller deals later on in the year. Although its share price has come down from the highs seen at in the first months of the year, it is still comfortably above our entry price.

The investment climate on AIM in the period under review for VCT qualifying companies remained buoyant. As a result the Investment Manager has had to pass on numerous opportunities due to unrealistically high valuations and more generally a lack of sufficient downside protection. The Investment Manager therefore continued to also focus on identifying unquoted companies with a defined exit strategy. Such deals take longer to complete but the amounts invested are substantially higher.

The qualifying portfolio now consists of six investments and represents approximately 19% of assets as at 30 June 2007. With some large qualifying investments to be made in the near-term, your Board is confident the requirement for at least 70% to be invested in qualifying companies after three years will be met within the timescale.

Non-qualifying investments

The Investment Manager's non-qualifying portfolio performed strongly in the six months to 30 June 2007 adding approximately 3.1p to the net asset value per share. However, since the end of the period, the non-qualifying portfolio has dropped reflecting the difficult markets and reduced the net asset value per share to 31 August 2007 by 2.3p.

Chairman's Statement continued

Outlook

The Investment Manager currently has a pipeline of interesting qualifying opportunities in private equity deals. In addition, subsequent to the date of these accounts, the Company has made a follow-on investment in Interactive World Plc, an AIM listed company, of £164,000.

Despite the recent volatility in the equity markets the quoted investments in the Company's portfolio have generally held their value. We are hopeful, that once calm is restored, further AIM opportunities should come forward at more realistic valuations. We also expect the VCT's offering of growth mezzanine and equity capital for asset-backed growing companies to be increasingly attractive in a climate of tightening terms for conventional credit.

I look forward to reporting the progress of the Company with the next Annual Report. In the meantime, shareholders should note that the Company publishes its net asset value per share each month over the London Stock Exchange's electronic system as well as Shore Capital's website, www.shorecap.co.uk/investor-information-puma.php.

Sir Aubrey Brocklebank Bt
Chairman

27 September 2007

Income Statement (unaudited)

For the six months ended 30 June 2007

	Note	1 Jan 2007 to 30 Jun 2007 Revenue £'000	1 Jan 2007 to 30 Jun 2007 Capital £'000	1 Jan 2007 to 30 Jun 2007 Total £'000	17 Oct 2005 to 30 Jun 2006 Revenue £'000	17 Oct 2005 to 30 Jun 2006 Capital £'000	17 Oct 2005 to 30 Jun 2006 Total £'000	17 Oct 2005 to 31 Dec 2006 Revenue £'000	17 Oct 2005 to 31 Dec 2006 Capital £'000	17 Oct 2005 to 31 Dec 2006 Total £'000
Gains on investments		–	653	653	–	73	73	–	661	661
Income		191	–	191	205	–	205	507	–	507
		191	653	844	205	73	278	507	661	1,168
Investment management fees	4	59	178	237	34	102	136	94	280	374
Performance fees		12	95	107	–	–	–	22	35	57
Other expenses		71	–	71	49	–	49	121	–	121
		142	273	415	83	102	185	237	315	552
Return on ordinary activities before taxation		49	380	429	122	(29)	93	270	346	616
Tax on return on ordinary activities		(3)	3	–	(37)	37	–	(51)	51	–
Return on ordinary activities after tax attributable to equity shareholders		46	383	429	85	8	93	219	397	616
Return per Ordinary Share (pence)	2	0.23p	1.96p	2.19p	0.62p	0.06p	0.68p	1.27p	2.30p	3.57p

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 2007

	Note	As at 30 June 2007 £'000	As at 30 June 2006 £'000	As at 31 December 2006 £'000
Fixed Assets				
Investments	6	**17,464**	11,455	15,227
Current Assets				
Debtors		**129**	72	34
Cash		**2,890**	7,902	4,841
		3,019	7,974	4,875
Creditors – amounts falling due within one year		**(151)**	(213)	(306)
Net Current Assets		**2,868**	7,761	4,569
Total Assets less Current Liabilities		**20,332**	19,216	19,796
Creditors – amounts falling due after more than one year (including convertible debt)		**(1)**	(1)	(1)
Net Assets		**20,331**	19,215	19,795
Capital and Reserves				
Called up share capital		**195**	195	195
Share premium account		**–**	18,927	–
Capital reserve – realised		**140**	196	288
Capital reserve – unrealised		**640**	(188)	109
Other reserve		**164**	–	57
Revenue reserve		**19,192**	85	19,146
Equity Shareholders' Funds		**20,331**	19,215	19,795
Net Asset Value per Ordinary Share	3	**104.19p**	98.48p	101.45p
Diluted Net Asset Value per Ordinary Share	3	**103.35p**	98.48p	101.16p

Cash Flow Statement (unaudited)

For the six months ended 30 June 2007

	1 Jan 2007 to 30 Jun 2007 £'000	17 Oct 2005 to 30 Jun 2006 £'000	17 Oct 2005 to 31 Dec 2006 £'000
Operating activities			
Investment income received	**165**	132	473
Investment management fees paid	**(346)**	–	(145)
Cash paid to directors	**(7)**	(3)	(11)
Foreign exchange gain/(loss) on cash	**37**	9	(6)
Other cash payments	**(91)**	(8)	(51)
Net cash (outflow)/inflow from operating activities	**(242)**	130	260
Capital expenditure and financial investment			
Purchase of investments	**(5,305)**	(11,622)	(16,686)
Proceeds from sale of investments	**3,563**	20	1,608
Acquisition costs	**–**	–	(11)
Net realised gain on forward foreign exchange contracts	**33**	251	547
Net cash outflow from capital expenditure and financial investment	**(1,709)**	(11,351)	(14,542)
Financing			
Proceeds received from issue of ordinary share capital	**–**	19,512	19,512
Expenses paid for issue of share capital	**–**	(390)	(390)
Proceeds received from issue of redeemable preference shares	**–**	50	13
Redemption of redeemable preference shares	**–**	(50)	(13)
Proceeds received from convertible loan notes	**–**	1	1
Net cash inflow from financing	**–**	19,123	19,123
(Decrease)/increase in cash	**(1,951)**	7,902	4,841
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash for the period	**(1,951)**	7,902	4,841
Net cash at start of the period	**4,841**	–	–
Net funds at the period end	**2,890**	7,902	4,841

Reconciliation of Movements in Shareholders' Funds (unaudited)

For the six months ended 30 June 2007

	For the six months ended 30 June 2007						
	Called up share capital £'000	Share premium account £'000	Capital reserve-realised £'000	Capital reserve-unrealised £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 January 2007	195	–	288	109	57	19,146	19,795
Total recognised gains for the period	–	–	(148)	531	107	46	536
Balance at 30 June 2007	**195**	**–**	**140**	**640**	**164**	**19,192**	**20,331**

	Period from 17 October 2005 to 30 June 2006						
Share issues in the period	195	19,317	–	–	–	–	19,512
Expenses of share issues	–	(390)	–	–	–	–	(390)
Total recognised gains for the period	–	–	196	(188)	–	85	93
Balance at 30 June 2006	195	18,927	196	(188)	–	85	19,215

	Period from 17 October 2005 to 31 December 2006						
Share issues in the period	195	19,317	–	–	–	–	19,512
Expenses of share issues	–	(390)	–	–	–	–	(390)
Capital reconstruction	–	(18,927)	–	–	–	18,927	–
Total recognised gains for the year	–	–	288	109	57	219	673
Balance at 31 December 2006	195	–	288	109	57	19,146	19,795

Notes to the Interim Report

For the six months ended 30 June 2007

1. Accounting Policies

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

2. Return per Ordinary Share

The total return per share of 2.19p (30 June 2006 – 0.68p) is based on the profit for the period of £429,000 (30 June 2006 – £93,000) and the weighted average number of shares in issue as at 30 June 2007 of 19,512,692 (30 June 2006 –13,739,078).

3. Net asset value per share

			Net Asset Value per share	
Period	Net assets	Shares in issue	Basic	Diluted
30 June 2007	**£20,331,000**	**19,512,692**	**104.19p**	**103.35p**
31 December 2006	£19,795,000	19,512,692	101.45p	101.16p
30 June 2006	£19,215,000	19,512,692	98.48p	98.48p

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. The financial information for the six months ended 30 June 2007 and the period ended 30 June 2006 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 period ended 31 December 2006 has been extracted from the company's full financial statements for the period then ended that have been delivered to the Registrar of Companies, and on which the report of the Auditors was unqualified. The interim financial statements have been prepared on the same basis as the annual financial statements.

Notes to the Interim Report continued

For the six months ended 30 June 2007

6. Investment portfolio summary

As at 30 June 2007	Cost £'000	Valuation £'000	Valuation as a % of Net Assets
Qualifying investment – unquoted			
Cadbury House Hotel & Country Club plc	2,000	2,000	10%
Stocklight Limited	657	657	3%
Qualifying investment – quoted			
Clarity Commerce Solutions plc	230	205	1%
Interactive World plc	164	182	1%
Mount Engineering plc	188	187	1%
Vertu Motors plc	500	583	3%
Total qualifying investments	**3,739**	**3,814**	**19%**
Non-qualifying investments			
Hedge fund portfolio	8,707	9,189	45%
Loan stock – interest bearing	2,000	2,027	10%
Other quoted investments	2,355	2,434	12%
Total non-qualifying investments	**13,062**	**13,650**	**67%**
Total investments	**16,801**	**17,464**	**86%**
Balance of portfolio	**2,867**	**2,867**	**14%**
Net Assets	19,668	20,331	100%

Officers and Professional Advisers

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D M Brock
C J Ring, ACA

Secretary
J S Paisner

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