



SHORE CAPITAL



PUMA VCT III PLC

INTERIM REPORT 2009

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Chairman's Statement

Highlights

- Net asset value per share of 93.91p. This represents a 4.3% increase from year-end.
- Significant gains made on the AiM listed portfolio reflecting a recovering market.

Introduction

During the six months to 31 August 2009 the Company has seen a significant recovery of its holdings both in the qualifying and non-qualifying portfolios as the AiM quoted stocks recovered. In addition to the increase in value of the listed holdings the unlisted portfolio has continued to generate solid returns throughout the period. The Company's net asset value grew by 4.3% during the period, before accrued performance fees.

The gain in value is primarily attributable to the Company's AiM quoted stocks, however some of these continue to trade at a discount to their respective net asset

values and the Investment Manager hopes that the Company will continue to see a recovery in the values of these holdings in the second half.

Qualifying investments

The six months to 31 August 2009 have seen progress for the Company's qualifying investments.

In May 2009 Cadbury House Limited, the leisure centre and hotel complex near Bristol, was granted planning permission to build an extension to the hotel containing a further 48 bedrooms. The construction is expected to commence in the next few months.

Chairman's Statement continued

As announced at the year end, the Company's holding in Clifford Contracting Limited of £1,888,000 has been sold in the period to Telford Homes plc in exchange for new shares and secured loan notes. This investment continues to be qualifying for VCT purposes and the exit has been targeted to coincide with the expected wind-up timetable of the VCT.

Bond Contracting Limited (in which the Company has invested £2.2m) is in the final stages of constructing a 141 bed Hotel on the outskirts of Winchester. It is on target to complete the construction in the current year and be operational in early 2010.

At 31 August 2009 the listed holdings within the Company's qualifying portfolio were valued at £673,000. This represents an unrealised gain of £319,000 over the value of £354,000 as at the year end.

Non-qualifying investments

Just subsequent to the period end the Company fully realised its fixed rate loan stock holding in Lakan investments. The loan was put in place in November 2007

and has generated an IRR of over 21% during its life.

The VCT also exited from Puma Brandenburg (in which it had originally invested into at £1) as a result of its takeover at 60p per share by Shore Capital Group plc. The 60p exit price represented a premium of approximately 40 per cent. to the closing price on 10 June 2009, being the last practicable business day before the takeover was announced.

The VCT subscribed £250,000 for shares in a placing by the Hotel Corporation plc at 80p per share. These shares were valued at £1 per share at the period end.

Results and dividends

As set-out in the accounts for the period ended 28 February 2009, a dividend of 2.5p per ordinary share was declared during the period and paid on 16 September 2009. 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.

Principal risks and uncertainties

Although the UK economy has shown some limited signs of a recovery so far this year, economic risks remain. The consequences of this for our investment portfolio represent one of the principal risks and uncertainties for the Company in the second half of the year.

Outlook

Despite the strong performance in the period we also remain cautious of the risk of a further downturn in stock markets. Our existing private equity are largely in the form of secured loans which limits the Company's risk exposure. The quoted holdings have performed well during the period but the values of these still reflect the prospects for a long period of economic uncertainty and reduced liquidity in smaller cap stocks. By the time the VCT looks to liquidate these holdings in 2011, conditions may have improved.

We are now focused on improving the liquidity of the portfolio wherever possible whilst maintaining an appropriate risk/return. The full realisations of Lakan Investments and Puma Brandenburg Ltd in the period go some way towards this. The new investment in Telford Homes plc has been structured consistent with the objective of achieving an orderly winding up of the VCT's assets at the end of its life.

Recent Net Asset Value

The fully diluted net asset value per share as at 30 September 2009 was 91.67p after the payment of the 2.5p dividend mentioned above.

I look forward to reporting the progress of the Company with the next Annual Report for the year ended 28 February 2010.

Sir Aubrey Brocklebank Bt
Chairman

30 October 2009

Income Statement (unaudited)

For the six months ended 31 August 2009

Note	Six months ended 31 August 2009			Six months ended 30 June 2008			Period ended 28 February 2009			
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	
Gains/(losses)										
on investments	–	604	604	–	(274)	(274)	–	(1,494)	(1,494)	
Income	296	–	296	430	–	430	994	–	994	
	296	604	900	430	(274)	156	994	(1,494)	(500)	
Investment management fees	4	22	66	88	54	162	216	113	340	453
Performance fees	–	–	–	–	51	(51)	–	–	–	–
Other expenses	29	–	29	68	–	68	147	–	147	
	51	66	117	173	111	284	260	340	600	
Return/(loss) on ordinary activities before taxation	245	538	783	257	(385)	(128)	734	(1,834)	(1,100)	
Tax on return on ordinary activities	(50)	14	(36)	(52)	52	–	(138)	102	(36)	
Return/(loss) on ordinary activities after tax attributable to equity shareholders	195	552	747	205	(333)	(128)	596	(1,732)	(1,136)	
Return/(loss) per Ordinary Share (pence)	2	1.00p	2.83p	3.83p	1.05p	(1.70)p	(0.65)p	3.05p	(8.88)p	(5.83)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 31 August 2009

	Note	As at 31 August 2009 £'000	As at 30 June 2008 £'000	As at 28 February 2009 £'000
Fixed Assets				
Investments	7	18,054	16,390	17,214
Current Assets				
Debtors		429	376	242
Cash		1	2,274	255
		430	2,650	497
Creditors – amounts falling due within one year		(159)	(161)	(133)
Dividend payable		–	(293)	–
Net Current Assets		271	2,196	364
Total Assets less Current Liabilities		18,325	18,586	17,578
Creditors – amounts falling due after more than one year (including convertible debt)				
		(1)	(1)	(1)
Net Assets		18,324	18,585	17,577
Capital and Reserves				
Called up share capital		195	195	195
Capital reserve – realised		(808)	(521)	(559)
Capital reserve – unrealised		(954)	(327)	(1,755)
Other reserve		–	–	–
Revenue reserve		19,891	19,238	19,696
Equity Shareholders' Funds		18,324	18,585	17,577
Net Asset Value per Ordinary Share	3	93.91p	95.25p	90.08p
Diluted Net Asset Value per Ordinary Share	3	93.91p	95.25p	90.08p

Cash Flow Statement (unaudited)

For the six months ended 31 August 2009

	Six months ended 31 August 2009 £'000	Six months ended 30 June 2008 £'000	Period ended 28 February 2009 £'000
Operating activities			
Investment income received	222	242	938
Investment management fees paid	(192)	(205)	(508)
Cash paid to directors	(7)	(7)	(18)
Foreign exchange loss on cash	(1)	(46)	(46)
Other cash payments	(56)	(68)	(135)
Net cash (outflow)/inflow from operating activities	(34)	(84)	231
Equity dividend paid	-	-	(293)
Capital expenditure and financial investment			
Purchase of investments	(3,320)	(2,678)	(7,678)
Proceeds from sale of investments	3,086	923	3,979
Net realised gain/(loss) on forward foreign exchange contracts	14	(108)	(205)
Net cash outflow from capital expenditure and financial investment	(220)	(1,863)	(3,904)
Management of liquid resources	-	1,709	-
Decrease in cash	(254)	(238)	(3,966)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash for the period	(254)	(238)	(3,966)
Decrease in liquid resources for the period	-	(1,709)	-
Net cash at start of the period	255	4,221	4,221
Net funds at the period end	1	2,274	255

Reconciliation of Movements in Shareholders' Funds (unaudited)

For the six months ended 31 August 2009

	Called up share capital £'000	Capital reserve- realised £'000	Capital reserve- unrealised £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
Six months ended 31 August 2009						
Balance at 1 March 2009	195	(559)	(1,755)	–	19,696	17,577
Total recognised (losses)/gains for the period	–	(249)	801	–	195	747
Balance at 31 August 2009	195	(808)	(954)	–	19,891	18,324

	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)
Equity dividend paid	–	–	–	–	(293)	(293)
Balance at 30 June 2008	195	(521)	(327)	–	19,238	18,585

	For the period ended 28 February 2009					
At 1 January 2008	195	(110)	(405)	–	19,326	19,006
Total recognised (losses)/gains for the period	–	(449)	(1,350)	–	663	(1,136)
Equity dividend paid	–	–	–	–	(293)	(293)
Balance at 28 February 2009	195	(559)	(1,755)	–	19,696	17,577

Notes to the Interim Report

For the six months ended 31 August 2009

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 3.83p (30 June 2008 – loss of 0.65p) is based on the profit for the period of £747,000 (30 June 2008 – loss of £128,000) and the weighted average number of shares in issue as at 31 August 2009 of 19,512,692 (30 June 2008 – 19,512,692).

3. Net asset value per share

Period	Net assets	Shares in issue	Net Asset Value per share	
			Basic	Diluted
31 August 2009	£18,324,000	19,512,692	93.91p	93.91p
28 February 2009	£17,577,000	19,512,692	90.08p	90.08p
30 June 2008	£18,585,000	19,512,692	95.25p	95.25p

4. Management fees

The Company pays the Investment Manager an annual management fee of 2% 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 2008 Annual Report and Accounts on page 38. There were no other related party transactions during the 6 months ended 31 August 2009.

6. The financial information for the six months ended 31 August 2009 and 30 June 2008 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 28 February 2009 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.

7. Investment portfolio summary

As at 31 August 2009	Cost £'000	Valuation £'000	Gain/ (loss)	Valuation as a % of Net Assets
Qualifying investment – unquoted				
Albemarle Contracting Limited	1,000	1,000	–	5%
Bruton Services Limited	1,000	1,000	–	5%
Bond Contracting Limited	2,182	2,182	–	12%
Cadbury House Hotel & Country Club plc	2,335	2,335	–	13%
Heddon Services Limited	1,000	1,000	–	5%
Kingly Services Limited	1,000	1,000	–	5%
Pollen Services Limited	1,000	1,000	–	5%
Saville Services Limited	1,000	1,000	–	5%
Stocklight Limited	985	985	–	5%
Telford Homes Limited	1,888	1,888	–	10%
Qualifying investment – quoted				
Clarity Commerce Solutions plc	230	170	(60)	1%
Mount Engineering plc	188	139	(49)	1%
Sport Media plc	493	30	(463)	0%
Vertu Motors plc	500	334	(166)	2%
Total qualifying investments	14,801	14,063	(738)	77%

Notes to the Interim Report continued

For the six months ended 31 August 2009

7. Investment portfolio summary continued

As at 31 August 2009	Cost £'000	Valuation £'000	Gains/ (loss)	Valuation as a % of Net Assets
Brought forward from previous page	14,801	14,063	(738)	77%
Non-qualifying investments – unquoted				
Lakan Investments Limited	307	377	70	2%
Non-qualifying investments – quoted				
Blackrock UK Emerging Cos Hedge Fund Limited	800	1,150	350	6%
JP Morgan Progressive Multi-Strategy Fund Limited	60	45	(15)	0%
Puma Absolute Return Fund Limited	1,137	1,258	121	7%
St Peter Port Capital Limited	700	322	(378)	2%
The Hotel Corporation plc	423	400	(23)	2%
Puma Brandenburg Limited	779	439	(340)	2%
Total non-qualifying investments	4,206	3,991	(215)	22%
Total investments	19,007	18,054	(953)	99%
Balance of portfolio	270	270		1%
Net Assets	19,277	18,324	(953)	100%

Officers and Professional Advisers

Directors

Sir A T Brocklebank Bt, ACA
(Chairman)*

D M Brock*

G Shore*

* non-executive

Secretary

E C Kaye

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