



**SHORE CAPITAL**



# PUMA VCT III PLC

## INTERIM REPORT 2010

For the six months ended 31 August 2010

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# Chairman's Statement

## Highlights

- **Total distributed and undistributed shareholder value per share of 95.88p\*. Compares to typical net cost of initial investment of 60p per share.**
- **Dividends of 17p were paid during the period.**
- **Further interim dividend of 7p paid on 17 September 2010. Cumulative dividends since inception of 28p per ordinary share.**
- **Fully diluted net asset value per share of 67.88p at period end, after allowing for subsequent dividend.**

\* This includes all dividends paid since the launch of the fund and is on a fully diluted basis.

### Introduction

During the six months to 31 August 2010 the Company made significant distributions to shareholders with a further distribution made in September 2010. These distributions resulted from the successful realisation of several significant unquoted qualifying investments as the Company entered into its fifth year. Cumulative dividends paid since launch now amount to 28p per ordinary share as the Board continues to pursue its mandate of returning capital to investors.

The Company has maintained its value during the period, with a fall of 0.2% in the net asset value per share, whilst the AIM index has fallen by 2% and markets remain volatile.

### Qualifying investments

The six months to 31 August 2010 have seen significant progress for the Company's qualifying investments.

A fall in value of the quoted AiM stocks has been largely offset by income and gains realised from the unquoted proportion of the qualifying portfolio.

In March 2010, Stocklight Limited (a rare book dealer and the parent company of Bloomsbury Auctions) repaid its loan notes in full, and bought back the equity held by the Company, resulting in a successful return for the Company.

In June 2010, Forward Internet Group Limited (formerly known as Traffic Broker

## Chairman's Statement continued

Limited), the rapidly growing and highly profitable London based internet search engine specialist, redeemed £500,000 of the loan notes held by the Company. The remaining £1,500,000 of loan notes continues to generate income for the Company.

In September 2010, subsequent to the period end, Telford Homes plc fully repaid its loan notes and bought back the equity held by the Company, giving rise to a good return on investment.

Mount Engineering (Mount), a provider of engineering equipment, principally to the oil and gas sector, has been the subject of two takeover bids within the last two months, the higher of which has been recommended by Mount's board. The Board therefore expects a profitable realisation of this investment.

In January 2010 Bond Contracting Limited (Bond) successfully completed its contract to construct a 141 bed hotel on the outskirts of Winchester and the hotel was sold to an operator of a number of Holiday Inns. Following completion, Bond fully repaid the loan notes held by the Company. The Board expect the remaining equity holding to be realised in the next few months.

### Non-qualifying investments

During the six months the non-qualifying portfolio has performed well, increasing the net asset value of the Company by approximately 1%.

The Investment Manager has invested into a range of bonds, bond funds and absolute return funds with the aim of capitalising on the recovery of values in the market.

The absolute return funds have generated performance which has increased the net asset value by 0.94% in the period. Performance and income on the bonds and bond funds have increased the net asset value a further 0.25%. These gains were partially offset by a fall in the AiM stocks which contributed a decrease of 0.35% to the net asset value.

### Results and dividends

The Company has paid out 17p per ordinary share during the period and a further 7p in September 2010. 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 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.

### Board Changes

In order to comply with recently issued FSA regulations governing independence, Sir Aubrey Brocklebank, Chairman of the Company at the period end, resigned from the Board with effect from Wednesday, 15th September 2010 but continues as Chairman of Puma VCT IV plc, which shares a parallel investment strategy with the Company. The Company wishes to thank Sir Aubrey for his contribution to the Company during his period as Chairman and wishes him well for the future. David Brock has taken over as Chairman of the Company.

Christopher Ring has been appointed as an additional non-executive director. Chris Ring, aged 56, is a Senior Investment Director at Rensburg Sheppards Investment Management where he manages a number of private client portfolios. Prior to joining Rensburg Sheppards in 2008, Chris was managing director of private client broking and investment management at Shore Capital Limited, the Company's Investment Manager and was part of the team managing the Puma VCTs. He joined Shore Capital in 2002 from NatWest Stockbrokers Limited where he was

managing director between 1999 and 2001. He qualified as an accountant with Coopers & Lybrand and, prior to NatWest Stockbrokers, held senior positions at various other stockbroking firms.

### Outlook

The Company is now in its fifth year and we are focused on improving the liquidity of the portfolio wherever possible whilst maintaining an appropriate risk/return. Our existing private equity investments are largely in the form of secured loans which limit the Company's risk exposure whilst having exits targeted broadly to coincide with the expected timetable for winding up the Company.

The Company's quoted holdings are monitored daily and the Investment Manager is looking to realise these as and when trading volume and price are sufficient.

Given the short remaining life of the fund, the Investment Manager is taking a cautious approach to the holdings of non-qualifying investments, with a view to enhancing returns without unduly risking capital. This reflects a general view that market sentiment remains volatile.

### David Brock

Chairman  
28 October 2010

# Income Statement (unaudited)

For the six months ended 31 August 2010

	Note	Six months ended 31 August 2010			Six months ended 31 August 2009			Year ended 28 February 2010		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/gains on investments		–	(75)	(75)	–	604	604	–	663	663
Income		274	–	274	296	–	296	610	–	610
		<b>274</b>	<b>(75)</b>	<b>199</b>	<b>296</b>	<b>604</b>	<b>900</b>	<b>610</b>	<b>663</b>	<b>1,273</b>
Investment management fees	4	43	129	172	22	66	88	63	188	251
Other expenses		53	–	53	29	–	29	105	–	105
		<b>96</b>	<b>129</b>	<b>225</b>	<b>51</b>	<b>66</b>	<b>117</b>	<b>168</b>	<b>188</b>	<b>356</b>
<b>Return/(loss) on ordinary activities before taxation</b>		<b>178</b>	<b>(204)</b>	<b>(26)</b>	245	538	783	442	475	917
Tax on return on ordinary activities		(34)	27	(7)	(50)	14	(36)	(84)	40	(44)
<b>Return/(loss) on ordinary activities after tax attributable to equity shareholders</b>		<b>144</b>	<b>(177)</b>	<b>(33)</b>	195	552	747	358	515	873
<b>Return/(loss) per Ordinary Share (pence)</b>	2	<b>0.74p (0.91)p (0.17)p</b>			1.00p	2.83p	3.83p	1.83p	2.64p	4.47p

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 2010

	Note	As at 31 August 2010 £'000	As at 31 August 2009 £'000	As at 28 February 2010 £'000
<b>Fixed Assets</b>				
Investments	7	12,854	18,054	14,845
<b>Current Assets</b>				
Debtors		243	429	301
Cash		1,636	1	2,983
		<b>1,879</b>	430	3,284
<b>Creditors</b> - amounts falling due within one year				
Dividend payment due		(1,366)	-	-
Other creditors		(121)	(159)	(166)
		<b>(1,487)</b>	(159)	(166)
<b>Net Current Assets</b>				
		<b>392</b>	271	3,118
<b>Total Assets less Current Liabilities</b>				
		<b>13,246</b>	18,325	17,963
<b>Creditors</b> - amounts falling due after more than one year (including convertible debt)				
		<b>(1)</b>	(1)	(1)
<b>Net Assets</b>				
		<b>13,245</b>	18,324	17,962
<b>Capital and Reserves</b>				
Called up share capital		195	195	195
Capital reserve - realised		(1,123)	(808)	(1,037)
Capital reserve - unrealised		(852)	(954)	(762)
Revenue reserve		15,025	19,891	19,566
<b>Equity Shareholders' Funds</b>				
		<b>13,245</b>	18,324	17,962
<b>Net Asset Value per Ordinary Share</b>				
	3	<b>67.88p</b>	93.91p	92.05p
<b>Diluted Net Asset Value per Ordinary Share</b>				
	3	<b>67.88p</b>	93.91p	92.05p

# Cash Flow Statement (unaudited)

For the six months ended 31 August 2010

	Six months ended 31 August 2010 £'000	Six months ended 31 August 2009 £'000	Year ended 28 February 2010 £'000
<b>Operating activities</b>			
Investment income received	287	216	719
Dividend income received	15	6	21
Investment management fees paid	(180)	(192)	(377)
VAT refund received	128	–	–
Directors fees paid	(7)	(7)	(14)
Foreign exchange loss on cash	4	(1)	(1)
Other cash payments	(81)	(56)	(76)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>166</b>	<b>(34)</b>	<b>272</b>
<b>Equity dividend paid</b>	<b>(3,317)</b>	<b>–</b>	<b>(488)</b>
<b>Taxation paid</b>	<b>–</b>	<b>–</b>	<b>(37)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of investments	(1,377)	(3,320)	(3,311)
Proceeds from sale of investments	3,187	3,086	6,295
Net realised gain on forward foreign exchange contracts	1	14	18
Transaction costs	(7)	–	(21)
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>	<b>1,804</b>	<b>(220)</b>	<b>2,981</b>
<b>(Decrease)/increase in cash</b>	<b>(1,347)</b>	<b>(254)</b>	<b>2,728</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/increase in cash for the period	(1,347)	(254)	2,728
Net cash at start of the period	2,983	255	255
<b>Net funds at the period end</b>	<b>1,636</b>	<b>1</b>	<b>2,983</b>



# Reconciliation of Movements in Shareholders' Funds (unaudited)

For the six months ended 31 August 2010

	Called up share capital £'000	Capital reserve- realised £'000	Capital reserve- unrealised £'000	Revenue reserve £'000	Total £'000
<b>Six months ended 31 August 2010</b>					
Balance at 1 March 2010	195	(1,037)	(762)	19,566	17,962
Total recognised (losses)/gains for the period	–	(86)	(90)	142	(34)
Equity dividend paid	–	–	–	(4,683)	(4,683)
<b>Balance at 31 August 2010</b>	<b>195</b>	<b>(1,123)</b>	<b>(852)</b>	<b>15,025</b>	<b>13,245</b>
<b>Six months ended 31 August 2009</b>					
Balance at 1 March 2009	195	(559)	(1,755)	19,696	17,577
Total recognised (losses)/gains for the period	–	(249)	801	195	747
<b>Balance at 31 August 2009</b>	<b>195</b>	<b>(808)</b>	<b>(954)</b>	<b>19,891</b>	<b>18,324</b>
<b>For the year ended 28 February 2010</b>					
At 1 March 2009	195	(559)	(1,755)	19,696	17,577
Total recognised (losses)/gains for the year	–	(478)	993	358	873
Equity dividend paid	–	–	–	(488)	(488)
<b>Balance at 28 February 2010</b>	<b>195</b>	<b>(1,037)</b>	<b>(762)</b>	<b>19,566</b>	<b>17,962</b>

# Notes to the Interim Report

For the six months ended 31 August 2010

## 1. Accounting Policies

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.

## 2. Return per Ordinary Share

The total return per share of (0.17)p (31 August 2009 – profit of 3.83p) is based on the loss for the period of £33,000 (31 August 2009 – profit of £747,000) and the weighted average number of shares in issue as at 31 August 2010 of 19,512,692 (31 August 2009 – 19,512,692).

## 3. Net asset value per share

Period	Net assets	Shares in issue	Net Asset Value per share	
			Basic	Diluted
<b>31 August 2010</b>	<b>£13,245,000</b>	<b>19,512,692</b>	<b>67.88p</b>	<b>67.88p</b>
28 February 2010	£17,962,000	19,512,692	92.05p	92.05p
31 August 2009	£18,324,000	19,512,692	93.91p	93.91p

## 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 2010 Annual Report and Accounts on page 38. There were no other related party transactions during the 6 months ended 31 August 2010.

6. The financial information for the six months ended 31 August 2010 and 31 August 2009 has not been audited and does not comprise full financial statements within the meaning of Section 423 of the Companies Act 2006. The financial information for the year ended 28 February 2010 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

For the six months ended 31 August 2010

## 7. Investment portfolio summary

<b>As at 31 August 2010</b>	<b>Valuation £'000</b>	<b>Cost £'000</b>	<b>Gain/ (loss)</b>	<b>Valuation as a % of Net Assets</b>
<b>Qualifying investment - unquoted</b>				
Bruton Services Limited	995	1,000	(5)	8%
Bond Contracting Limited	197	394	(197)	1%
Kingly Services Limited	995	1,000	(5)	8%
Pollen Services Limited	995	1,000	(5)	8%
Saville Services Limited	995	1,000	(5)	8%
Forward Internet Group limited	1,500	1,500	-	11%
<b>Qualifying investment - quoted</b>				
Clarity Commerce Solutions plc	124	230	(106)	1%
Mount Engineering plc	141	188	(47)	1%
Sport Media plc	8	493	(485)	0%
Telford Homes Limited	1,888	1,888	-	14%
Vertu Motors plc	208	500	(292)	2%
<b>Total qualifying investments</b>	<b>8,046</b>	<b>9,193</b>	<b>(1,147)</b>	<b>61%</b>
<b>Non-qualifying investments - unquoted</b>				
INVU loan notes	250	250	-	2%
<b>Non-qualifying investments - quoted</b>				
Blackrock UK Emerging Cos Hedge Fund Limited	1,301	800	501	9%
BluBay Macro Fund Limited	268	250	18	2%
Investec Finance 7.75% Bond	119	119	-	1%
Puma Absolute Return Fund Limited	2,034	1,855	179	15%
RBS 9.5% Perpetual Bond	121	117	4	1%
St Peter Port Capital Limited	315	700	(385)	2%
The Hotel Corporation plc	400	423	(23)	3%
<b>Total non-qualifying investments</b>	<b>4,808</b>	<b>4,514</b>	<b>294</b>	<b>36%</b>
<b>Total investments</b>	<b>12,854</b>	<b>13,707</b>	<b>(853)</b>	<b>97%</b>
<b>Balance of portfolio</b>	<b>391</b>	<b>391</b>		<b>3%</b>
<b>Net Assets</b>	<b>13,245</b>	<b>14,098</b>	<b>(853)</b>	<b>100%</b>

# Officers and Professional Advisers

## Directors

D M Brock (Chairman) \*

C J Ring \*

G B Shore \*

\* non-executive

## Secretary

E C Kaye

## Registered Number

05594989

## Registered Office

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London W1S 4JU

## Investment Manager

Shore Capital Limited

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## Registrar

Capita Registrars

The Registry, 34 Beckenham Road

Beckenham

Kent BR3 4TU

## Administrator

Shore Capital Fund Administration

Services Limited

Bond Street House

14 Clifford Street

London W1S 4JU

## Auditors

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## Sponsors and Solicitors

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## Bankers

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Western Branch

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