



SHORE CAPITAL



PUMA VCT III PLC

INTERIM REPORT 2006

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Chairman's Statement

Highlights

- £39.0 million subscribed in Puma VCT III plc and Puma VCT IV plc since launch.
- Net asset value per share of 98.48p for Puma VCT III plc.
- Deal flow of qualifying investments in pipeline.

Introduction

This is my first statement following the successful launch of the Company and I should like to welcome all new shareholders to Puma VCT III plc.

The Company made its first allotment to investors of ordinary equity in early 2006 and began investing at the end of February 2006. Its fund-raising closed on 5th April 2006 and its shares were admitted to the Official List on 19th May 2006. The Company was raised as a twinned fund with Puma VCT IV plc and they will invest together.

Between them, Puma VCT III plc and Puma VCT IV plc raised £39.0 million, of which £19.5 million was raised in Puma VCT III plc, making the overall fund raising of all Puma VCTs one of the more successful VCT fund raisings in January 2005. As the costs of the launch were set at 2.0% of the gross funds raised, the initial net asset value per share was therefore 98p.

Puma VCT III's strategy is to maintain a balance of generally lower risk, asset-backed qualifying investments alongside the Company's alternative asset investments

which are intended to provide an absolute return with low volatility.

Net asset value

The Company's net asset value is 98.48p as at 30 June 2006.

Dividends

Your Board is not proposing a dividend for the period. When the portfolio is more fully established the Directors will distribute a large element of the available income and, if appropriate, realised capital gains.

Qualifying investments

During the period a total of £460,000 was invested in the following companies:

- Clarity Commerce Solutions Plc (£230,000) is an AIM quoted provider of software and IT support services based in Basingstoke.
- Interactive World Plc (£164,000) is an AIM quoted distributor of digital media content to customers of major UK mobile network operators and users of leading UK internet search engines based in Barking.

Chairman's Statement continued

- Debts.co.uk Plc (£66,000) is an AIM quoted personal debt consolidator based in Chesterfield.

The Investment Managers have been selective about investing into qualifying companies on AIM because they believed that new issues available to VCTs in the first five months of this year were generally over-valued and in many cases by poor quality companies. Since then, the small cap market has retrenched bringing valuations down to a more reasonable level. This should provide a better environment from which to invest in qualifying companies.

The qualifying portfolio now consists of three investments and represents approximately 3% of assets as at 30 June 2006. With some larger 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 Company's non-qualifying portfolio has performed reasonably, as compared to the equity market, in the period to 30 June 2006. We began investing several months prior to the equity correction which was witnessed

around the world in May. The Investment Manager continues to seek out hedge funds which meet the goal of absolute return, and to construct a portfolio with a low correlation of underlying funds and a consequent low volatility at the portfolio level.

Outlook

The Company's Investment Manager, Shore Capital, currently has a strong deal flow of interesting qualifying opportunities in private equity deals. The recent turbulence in equity markets has brought valuations down to a more realistic level which should provide interesting opportunities.

I look forward to reporting the progress of the Company with the next Annual Report for the year ended 31 December 2006. 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.

Sir Aubrey Brocklebank Bt
Chairman

26 September 2006

Income Statement (unaudited)

For the period ended 30 June 2006

	Note	For the period 17 October 2005 to 30 June 2006		
		Revenue £'000	Capital £'000	Total £'000
Gains on investments		–	73	73
Income		205	–	205
		205	73	278
Investment management fees	4	34	102	136
Other expenses		49	–	49
		83	102	185
Return on ordinary activities before taxation		122	(29)	93
Tax on return on ordinary activities		(37)	37	–
Return on ordinary activities after tax attributable to equity shareholders		85	8	93
Return per Ordinary Share (pence)	2	0.62p	0.06p	0.68p

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 2006

	Note	As at 30 June 2006 £'000
Fixed Assets		
Investments	6	11,455
Current Assets		
Debtors		72
Cash		7,902
		7,974
Creditors – amounts falling due within one year		(213)
Net Current Assets		7,761
Total Assets less Current Liabilities		19,216
Creditors – amounts falling due after more than one year (including convertible debt)		(1)
Net Assets		19,215
Capital and Reserves		
Called up share capital		195
Share premium account		18,927
Capital reserve – realised		196
Capital reserve – unrealised		(188)
Revenue reserve		85
Equity Shareholders' Funds		19,215
Diluted and Net Asset Value per Ordinary Share	3	98.48p

Cash Flow Statement (unaudited)

For the period ended 30 June 2006

For the period
17 October 2005
to 30 June 2006
£'000

Operating activities

Return on ordinary activities before taxation	122
Investment management fee charged to capital	(102)
Foreign exchange gain on cash	9
Increase in debtors	(72)
Increase in creditors	173
Net cash inflow from operating activities	130

Capital expenditure and financial investment

Purchase of investments	(11,622)
Proceeds from sale of investments	20
Net realised loss on forward foreign exchange contracts	251
Net cash outflow from capital expenditure and financial investment	(11,351)

Financing

Proceeds received from issue of ordinary share capital	19,512
Expenses paid for issue of share capital	(390)
Proceeds received from issue of redeemable preference shares	50
Redemption of redeemable preference shares	(50)
Proceeds received from convertible loan notes	1
Net cash inflow from financing	19,123
Increase in cash	7,902

Reconciliation of net cash flow to movement in net funds

Increase in cash for the period	7,902
Net cash at start of the period	-
Net funds at 30 June 2006	7,902

Reconciliation of Movements in Shareholders' Funds (unaudited)

For the period ended 30 June 2006

	Called up share capital £'000	Share premium account £'000	Capital reserve- realised £'000	Capital reserve- unrealised £'000	Revenue reserve £'000	Total for the period ended 30 June 2006 £'000
Share issues in the period	195	19,317	–	–	–	19,512
Expenses of share issues	–	(390)	–	–	–	(390)
Combined net return on ordinary activities after taxation	–	–	196	(188)	85	93
Balance at end of the period	195	18,927	196	(188)	85	19,215

Notes to the Interim Report

For the period ended 30 June 2006

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.

The Company is required to comply with a number of new UK Financial Reporting Standards (FRS), which now represent UK Generally Accepted Accounting Practice (UK GAAP), in presenting its financial statements for the period ending 31 December 2006. These Standards have been introduced as part of the process of aligning UK accounting principles with International Accounting Standards. The unaudited interim financial statements for the period ended 30 June 2006 have been prepared in compliance with the new Standards.

2. Return per Ordinary Share

The total return per share of 0.68p is based on the profit for the period of £93,000 and the weighted average number of shares at 30 June 2006 of 13,739,078.

3. Net asset value per share

The net asset value per share of 98.48p is based on net assets of £19,215,000 and on 19,512,692 shares in issue.

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 period from 17 October 2005 to 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.

Notes to the Interim Report continued

For the period ended 30 June 2006

6. Investment portfolio summary

As at 30 June 2006	Cost £'000	Valuation £'000	Valuation as a % of Net Assets
Qualifying investments – quoted			
Clarity Commerce Solutions plc	230	209	1%
Debts.co.uk plc	66	68	1%
Interactive World plc	164	184	1%
Total qualifying investments	460	461	3%
Non-qualifying investments			
Hedge fund portfolio – unquoted	1,936	1,894	10%
Hedge fund portfolio – quoted	7,232	7,073	37%
Other quoted investments	1,003	1,057	5%
Fixed interest security	972	970	5%
Total non-qualifying investments	11,143	10,994	57%
Total investments	11,603	11,455	60%
Balance of portfolio	7,760	7,760	40%
Net Assets	19,363	19,215	100%

Officers and Professional Advisers

Directors (all non-executive)

Sir A T Brocklebank Bt, ACA
(Chairman)
D M Brock
C J Ring, ACA

Secretary

J S Paisner

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