

Half-yearly Financial Report
(unaudited) for the six months to
30 September 2008



Close Brothers Protected VCT PLC

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Company Information

Company number	3265074
Directors	D M Bralsford MSc, FCA, FCT, Chairman G W Pitman MA, FCA, ACMA C Holdsworth Hunt, MSI P H Reeve MA, ACA
Manager	Close Ventures Limited 10 Crown Place London EC2A 4FT Tel: 0207 422 7830 <i>www.closeventures.co.uk</i>
Secretary and registered office	Close Ventures Limited 10 Crown Place London EC2A 4FT
Registrar	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield HD8 0LA
Registered auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
Taxation adviser	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6NN

Close Brothers Protected VCT PLC is a member of the Association of Investment Companies.

Shareholder information	For help relating to dividend payments, shareholdings and share certificates please contact Capita Registrars plc: Tel: 0871 664 0300 (calls cost 10p per minute plus network extras) Email: <i>ssd@capitaregistrars.com</i> Website: <i>www.capitaregistrars.com</i> For enquiries relating to the performance of the Fund please contact Close Ventures Limited: Tel: 020 7422 7830 Email: <i>enquiries@closeventures.co.uk</i> Website: <i>www.closeventures.co.uk</i>
IFA information	Independent financial advisors with questions please contact Close Ventures Limited: Tel: 08442 579 722 (calls cost 4p per minute plus network extras) Email: <i>enquires@closeventures.co.uk</i> Website: <i>www.closeventures.co.uk</i>

Investment Objectives

Close Brothers Protected VCT PLC commenced trading in April 1997. Within the overall aim of maximising the considerable tax benefits available to shareholders in a venture capital trust, the Company's investment strategy was designed to meet the requirements of investors who seek to protect the capital value of their investment whilst still providing an attractive level of return. Following shareholder approvals in 2002 and 2005 to change the Company's investment policy; the investments made by Close Brothers Protected VCT PLC currently fall into the following categories:

- Qualifying Asset-based Investments

These comprise investments principally in the hotel, leisure and residential development sectors, comprising a mixture of equity and loan stock, with the loan stock normally holding a first charge over freehold or long leasehold property. This area now forms the focus of the investment policy going forward.

- Qualifying AIM Investments

These comprise a residual portfolio of new ordinary shares issued by companies quoted on the Alternative Investment Market (AIM), which is in the process of being wound down and re-invested in asset-based investments.

- Non-qualifying Investments

The remaining funds are invested in cash and floating rate notes with banks with a Moody's credit rating of at least A and above.

Financial Calendar

Record date for second dividend	5 December 2008
Payment of second dividend	9 January 2009
Financial year end	31 March 2009

Financial Highlights

	Unaudited six months ended 30 September 2008 pence	Unaudited six months ended 30 September 2007 pence	Audited year ended 31 March 2008 pence
Net asset value per share	83.8	99.4	92.6
Dividend paid	2.5	2.5	5.0
Revenue return per share	1.6	1.4	3.3
Capital return per share	(7.9)	(0.5)	(6.8)

Total shareholder net asset value return ended 30 September 2008:	pence per share
Dividends paid during the year ended 31 March 1998	1.10
Dividends paid during the year ended 31 March 1999 ⁽ⁱ⁾	6.40
Dividends paid during the year ended 31 March 2000	1.50
Dividends paid during the year ended 31 March 2001	4.25
Dividends paid during the year ended 31 March 2002	2.75
Dividends paid during the year ended 31 March 2003	2.00
Dividends paid during the year ended 31 March 2004	1.25
Dividends paid during the year ended 31 March 2005	2.20
Dividends paid during the year ended 31 March 2006 ⁽ⁱⁱ⁾	4.50
Dividends paid during the year ended 31 March 2007	4.00
Dividends paid during the year ended 31 March 2008	5.00
Dividends paid during the period ended 30 September 2008	2.50
Total dividends paid to 30 September 2008	37.45
Net asset value per share as at 30 September 2008 ⁽ⁱ⁾	83.80
Total cumulative shareholder return at 30 September 2008	121.25

In addition to the above dividends, the Company will pay a second dividend from revenue profits of 2.0 pence per share on 9 January 2009 to shareholders on the register as at 5 December 2008.

- (i) Dividends paid before 5 April 1999 were paid to qualifying shareholders inclusive of the associated tax credit. The dividends for the year to 31 March 1999 were maximised in order to take advantage of this tax credit.
- (ii) The above table excludes the tax benefits investors received upon subscription for shares in the company.
- (iii) Total dividend for the period to 31 March 2006 reflects the adoption of FRS 21 which requires that only dividends paid or approved by shareholders be disclosed in each period.

Interim Management Report

Introduction

The decline in performance since the preceding financial year has continued in line with the worsening general economic environment in the UK where all of our investee companies are located. The Company saw a negative total return of 6.3 pence per share for the six months to 30 September 2008 resulting in a decline in net asset value to 83.8 pence per share. This was mainly a result of our cautious view on the investment valuations as at the period end, in the light of a decline in the market, the level of valuation multiples, and the slowdown in the general UK economy seen during the autumn. This, in turn, has led to downward revisions of our investee companies' trading forecasts.

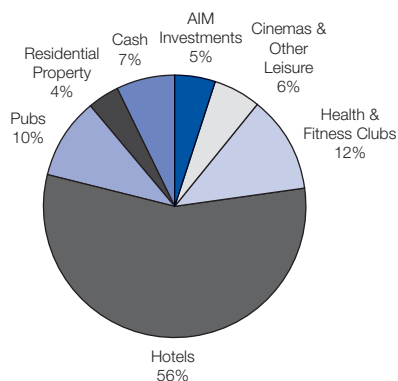
Investment Progress, Performance and Prospects

Some £1.3 million has been invested into six existing investee companies and one new investee company during the period. There were, however, a variety of realisations including £660,000 returned from our residential development investments, £140,000 in loan stock repayments from our hotel at Stansted and £18,900 from the sale of AIM investments. Since the period end, a further £188,825 has been realised through the sale of AIM investments.

To date, trading across our portfolio of companies has been reasonably resilient. Certain companies, however, have seen a sharper fall from their previous strong trading levels, particularly over the last three months. These include some of our hotels, which have been responsible for the majority of our investment write-downs.

We think that it is unlikely that we will sell our Stansted Hotel at the current time due to adverse market conditions, and the resulting absence of realised capital gains has meant that our dividend objective of 5.0 pence per annum will not be reached this year, and is unlikely to be reached next year.

Split of portfolio valuation by sector, as at 30 September 2008



Source: Close Ventures Limited

Recovery of Historic VAT

Following intensive lobbying by the Association of Investment Companies, the welcome review of the position regarding the exemption of management fees from VAT by HM Revenue & Customs in July 2008 has meant that the Manager is able to reclaim historic VAT that it had previously charged to the Company.

The Board has been in discussions with the Manager regarding the claim, and a sum of £171,000 (after tax) has been credited to the accounts in respect of the prospective repayment, though the final settlement may be a little higher than this. Further details regarding this claim, and its disclosure, are shown in note 5 to the Half-yearly Financial Report. With effect from 1 October 2008, all management and administration fees are considered exempt from VAT.

Related party transactions

Details of material related party transactions for the reporting period can be found in Note 14 to the Half-yearly Financial Report.

Risks and uncertainties

The negative outlook for the UK economy continues to be the key risk affecting your Company and, as mentioned above, we are beginning to see the effects of this in certain sectors of the portfolio. Nevertheless, the portfolio as a whole remains cash

Interim Management Report (continued)

generative, while no investee company has external bank borrowings. This leads us to believe that, over the longer term, the current reductions in valuation represent value deferred rather than value permanently lost. Meanwhile, opportunities within our target sectors continue to arise at attractive valuations, including the healthcare sector which will be one of our core areas of concentration going forward. Other risks and uncertainties remain unchanged and are as detailed on page 16 of the Annual Report and Financial Statements for the year ended 31 March 2008 which can be found on our Manager's website www.closeventures.co.uk. These include investment risk, venture capital trust approval risk, internal control risk, reliance upon third party risk and financial risk.

Results and dividends

As at 30 September 2008, the net asset value was £17.6 million or 83.8 pence per share compared to £19.6 million or 92.6 pence per share as at 31 March 2008 and £21.4 million or 99.4 pence per share as at 30 September 2007. Revenue return before taxation was £453,000 for the period compared to £447,000 for the period to 30 September 2007. The Board now declares a second dividend of 2.0 pence per share (from revenue profits) which will be paid on 9 January 2009 to shareholders on the register on 5 December 2008. This brings the total dividend for the year to 4.5 pence per share (year ended 31 March 2008: 5.0 pence per share).

Martin Bralsford

Chairman

27 November 2008

Responsibility Statement

The Directors have chosen to prepare this Half-yearly Financial Report for the Company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

In preparing these summarised financial statements for the period to 30 September 2008, the Directors of the Company, as shown on page 2 confirm that to the best of their knowledge:

- (a) the summarised set of financial statements has been prepared in accordance with the pronouncement on interim reporting issued by the Accounting Standards Board;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year);

- (c) the summarised set of financial statements give a true and fair view in accordance with UK GAAP of the state of affairs of the Company and of the profit and loss of the Company for that period and comply with UK GAAP and Companies Act 1985 as required by DTR 4.2.4R; and;
- (d) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

This Half-yearly Financial Report has not been audited or reviewed by the auditors.

By order of the Board

Martin Bralsford
Chairman

27 November 2008

Portfolio of Investments

Fixed asset investments as at 30 September 2008

Qualifying investments	Investment at cost £'000	Cumulative movement in carrying/fair value [®] £'000	Total carrying/fair value £'000
Hotels			
Kew Green VCT (Stansted) Limited	2,860	1,661	4,521
Sky Hotel Heathrow Limited	1,900	-	1,900
The Crown Hotel Harrogate Limited	1,674	(430)	1,244
The Bear Hungerford Limited	1,167	(233)	934
The Place Sandwich VCT Limited	803	(22)	781
Total investments in the hotel sector	8,404	976	9,380
Pubs			
The Charnwood Pub Company (Hotels) Limited	900	(244)	656
Clear Pub Company VCT (Hotels) Limited	543	(133)	410
Clear Pub Company VCT Limited	299	(48)	251
Bravo Inns Limited	230	(67)	163
The Dunedin Pub Company VCT Limited	200	(60)	140
The Charnwood Pub Company Limited	110	(10)	100
GB Pub Company Limited	136	(56)	80
Novello Limited	86	(34)	52
Bravo Inns II Limited	30	-	30
The Pelican Inn Limited	3	-	3
Total investments in the pubs sector	2,537	(652)	1,885
Cinemas and other leisure			
CS (Greenwich) Limited	415	(41)	374
City Screen (Liverpool) Limited	250	76	326
Premier Leisure (Suffolk) Limited	390	(209)	181
CS (Brixton) Limited	115	12	127
CS (Exeter) Limited	45	(10)	35
CS (Norwich) Limited	20	(4)	16
Total investments in the cinemas and other leisure sector	1,235	(176)	1,059
Health and fitness clubs			
The Weybridge Club Limited	980	46	1,026
Kensington Health Clubs Limited	1,100	(129)	971
Tower Bridge Health Clubs Limited	183	(1)	182
River Bourne Health Club Limited	100	(4)	96
Total investments in the health and fitness sector	2,363	(88)	2,275

Portfolio of Investments (continued)

	Investment at cost £'000	Cumulative movement in carrying/fair value [®] £'000	Total carrying/fair value £'000
Residential development			
Youngs VCT Limited	450	–	450
Wickenhall Mill VCT Limited	547	(328)	219
Chase Midland VCT Limited	90	(7)	83
Total investments in the residential development sector	1,087	(335)	752
AIM investment portfolio			
Pilat Media Global PLC	314	(171)	143
Pennant International Group PLC	499	(360)	139
Tepnel Life Sciences PLC	193	(68)	125
Xpertise Group PLC	400	(276)	124
Bond International Software PLC	28	51	79
Portrait Software PLC	440	(370)	70
SSP Holdings PLC	20	45	65
Clipper Ventures PLC	297	(239)	58
Microgen PLC	327	(283)	44
Capcon Holdings PLC	200	(183)	17
Focus Solutions PLC	80	(68)	12
The Food and Drink Group PLC	225	(217)	8
Conder Environmental PLC	209	(206)	3
ID Data Group PLC	200	(199)	1
Total AIM investments	3,432	(2,544)	888
Total qualifying investments	19,058	(2,819)	16,239
Non-qualifying investments			
AIM Investments	93	(92)	1
The Place Sandwich VCT Limited	95	–	95
Total non-qualifying investments	188	(92)	96
Total investments	19,246	(2,911)	16,335

[®] Included in this movement on qualifying investments is capital depreciation of equity and loan stock of £3,003,000 (30 September 2007: £90,000; 31 March 2008: £945,000) and movement in carrying value of loans and receivables of £184,000 (30 September 2007: £242,000; 31 March 2008: £227,000). Included in this movement on non-qualifying investments is capital depreciation of equity of £92,000 (30 September 2007: £nil; 31 March 2008: £2,000).

Summary Income Statement

	Note	Unaudited six months ended 30 September 2008			Unaudited six months ended 30 September 2007			Audited year ended 31 March 2008		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	3	-	(1,685)	(1,685)	-	9	9	-	(1,303)	(1,303)
Investment income	4	531	-	531	636	-	636	1,176	-	1,176
Investment management fees		(49)	(147)	(196)	(60)	(180)	(240)	(114)	(340)	(454)
Recovery of VAT	5	61	182	243	-	-	-	-	-	-
Other expenses		(90)	-	(90)	(129)	-	(129)	(250)	-	(250)
Return/(loss) on ordinary activities before tax		453	(1,650)	(1,197)	447	(171)	276	812	(1,643)	(831)
Tax (charge)/credit on ordinary activities		(118)	(10)	(128)	(131)	59	(72)	(67)	124	57
Return/(loss) attributable to shareholders		335	(1,660)	(1,325)	316	(112)	204	745	(1,519)	(774)
Basic and diluted return/(loss) per share (pence)*	7	1.6	(7.9)	(6.3)	1.4	(0.5)	0.9	3.3	(6.8)	(3.5)

* treating Treasury shares as if cancelled

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2007 and the audited statutory accounts for the year ended 31 March 2008.

The accompanying notes on pages 16 to 21 form an integral part of this Half-yearly Financial Report.

All revenue and capital items in the above statement derive from continuing operations.

The Company has no recognised gains or losses other than those disclosed above. Accordingly a statement of total recognised gains or losses is not required.

The total column of this Income Statement represents the profit and loss account of the Company in each respective period. The supplementary revenue and capital return columns have been prepared in accordance with the Association of Investment Trust Companies Statement of Recommended Practice.

Note of Historical Cost Profits and Losses

	Unaudited six months ended 30 September 2008 £'000	Unaudited six months ended 30 September 2007 £'000	Audited year ended 31 March 2008 £'000
(Loss)/return on ordinary activities before taxation	(1,197)	276	(831)
Add back: unrealised losses on investments	1,684	720	1,931
Historical cost return on ordinary activities before taxation	487	996	1,100
Historical cost (loss)/return for the period after taxation and dividends	(169)	326	21

Summary Balance Sheet

	Note	Unaudited 30 September 2008 £'000	Unaudited 30 September 2007 £'000	Audited 31 March 2008 £'000
Fixed asset investments				
Qualifying investments		16,239	19,492	17,589
Non-qualifying investments		96	6	1
	8	<u>16,335</u>	<u>19,498</u>	<u>17,590</u>
Current assets				
Debtors		277	62	127
Cash at bank	12	1,319	2,239	2,035
		<u>1,596</u>	<u>2,301</u>	<u>2,162</u>
Current liabilities				
Creditors: amounts falling due within year		(318)	(382)	(178)
Net current assets		<u>1,278</u>	<u>1,919</u>	<u>1,984</u>
Net assets		<u>17,613</u>	<u>21,417</u>	<u>19,574</u>
Called up share capital	9	11,675	11,965	11,771
Share premium		2	–	–
Special reserve		8,709	9,213	8,886
Capital redemption reserve		2,271	1,973	2,167
Realised capital reserve		(115)	445	(139)
Unrealised capital reserve		(3,100)	(205)	(1,416)
Treasury shares reserve	10	(2,286)	(2,345)	(2,345)
Revenue reserve		457	371	650
Total equity shareholders funds		<u>17,613</u>	<u>21,417</u>	<u>19,574</u>
Net asset value (pence per share)*		<u>83.8</u>	<u>99.4</u>	<u>92.6</u>

* treating Treasury shares as if cancelled

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2007 and the audited statutory accounts for the year ended 31 March 2008.

The accompanying notes on pages 16 to 21 form an integral part of this Half-yearly Financial Report.

The financial statements on pages 10 to 21 were approved and authorised for issue by the Board of Directors on 27 November 2008.

Signed on behalf of the Board of Directors by

Martin Bralsford
Chairman

Summary Reconciliation of Movements in Shareholders' Funds

	Called up share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Treasury shares reserve £'000	Revenue reserve £'000	Total £'000
As at 1 April 2008	11,771	-	8,886	2,167	(139)	(1,416)	(2,345)	650	19,574
Issue of equity (net of costs)	8	2	-	-	-	-	-	-	10
Purchase of own shares for cancellation	(74)	-	(118)	74	-	-	-	-	(118)
Cancellation of shares from the Treasury shares reserve	(30)	-	(59)	30	-	-	59	-	-
Capitalised investment management fees	-	-	-	-	(147)	-	-	-	(147)
VAT recoverable on management fees	-	-	-	-	182	-	-	-	182
Taxation	-	-	-	-	(10)	-	-	-	(10)
Realised losses on investments	-	-	-	-	(1)	-	-	-	(1)
Unrealised losses on investments	-	-	-	-	-	(1,684)	-	-	(1,684)
Revenue return attributable to shareholders	-	-	-	-	-	-	-	335	335
Dividend paid	-	-	-	-	-	-	-	(528)	(528)
As at 30 September 2008	11,675	2	8,709	2,271	(115)	(3,100)	(2,286)	457	17,613
As at 1 April 2007	12,116	-	9,476	1,822	101	515	(250)	390	24,170
Cancellation of shares from the Treasury shares reserve	(151)	-	(263)	151	-	-	250	-	(13)
Purchase of own shares for Treasury	-	-	-	-	-	-	(2,345)	-	(2,345)
Capitalised investment management fees	-	-	-	-	(180)	-	-	-	(180)
Taxation	-	-	-	-	59	-	-	-	59
Realised gains on investments	-	-	-	-	729	-	-	-	729
Unrealised losses on investments	-	-	-	-	-	(720)	-	-	(720)
Revenue return attributable to shareholders	-	-	-	-	-	-	-	316	316
Dividend paid	-	-	-	-	(263)	-	-	(335)	(598)
As at 30 September 2007	11,965	-	9,213	1,973	445	(205)	(2,345)	371	21,417

Summary Reconciliation of Movements in Shareholders' Funds (continued)

	Called up share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Treasury shares reserve £'000	Revenue reserve £'000	Total £'000
As at 1 April 2007	12,116	9,476	1,822	101	515	(250)	390	24,170
Purchase of own shares for cancellation	(345)	(590)	345	–	–	250	–	(340)
Purchase of own shares for Treasury	–	–	–	–	–	(2,345)	–	(2,345)
Capitalised investment management fees	–	–	–	(340)	–	–	–	(340)
Taxation	–	–	–	124	–	–	–	124
Realised gains on investments	–	–	–	628	–	–	–	628
Unrealised losses on investments	–	–	–	–	(1,931)	–	–	(1,931)
Revenue return attributable to shareholders	–	–	–	–	–	–	745	745
Dividends paid	–	–	–	(651)	–	–	(485)	(1,136)
As at 31 March 2008	11,771	8,886	2,167	(139)	(1,416)	(2,345)	650	19,574

Summary Cash Flow Statement

	Note	Unaudited six months ended 30 September 2008 £'000	Unaudited six months ended 30 September 2007 £'000	Audited year ended 31 March 2008 £'000
Operating activities				
Investment income received		526	419	934
Deposit interest received		34	105	160
Investment management fees paid		(203)	(254)	(488)
Other cash payments		(109)	(135)	(237)
Net cash inflow from operating activities	11	248	135	369
Taxation				
UK corporation tax received/(paid)		148	123	(3)
Capital expenditure and financial investment				
Purchase of investments		(1,303)	(1,968)	(1,984)
Disposals of investments		819	3,669	4,238
Net cash (outflow)/inflow from investing activities		(484)	1,701	2,254
Equity dividends paid	6			
Revenue dividends paid		(528)	(335)	(485)
Capital dividends paid		-	(263)	(651)
Net cash (outflow)/inflow before financing		(616)	1,361	1,484
Financing				
Issue of equity		14	-	-
Purchase of own shares		(114)	(2,357)	(2,684)
Net cash outflow from financing		(100)	(2,357)	(2,684)
Decrease in cash in the period	12	(716)	(996)	(1,200)

Notes to the summarised Financial Statements for the six months to 30 September 2008

1. Accounting convention

The financial statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, in accordance with applicable United Kingdom law and accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" ("SORP") issued by the Association of Investment Trust Companies ("AITC") in January 2003 and revised in December 2005. Accounting policies have been applied consistently in current and prior periods.

2. Accounting policies

Investments

Quoted and unquoted equity investments

In accordance with FRS 26 "Financial Instruments: Recognition and Measurement", quoted and unquoted equity investments are designated as fair value through profit or loss ("FVTPL"). Investments listed on recognised exchanges are valued at the closing bid price at the end of accounting period. Unquoted investments' fair value is determined by the Directors in accordance with the International Private Equity and Venture Capital Valuation Guidelines ("IPEVCV" guidelines).

Fair value movements on equity investments and gains and losses arising on the disposal of investments are reflected in the capital column of the Income Statement in accordance with the AITC SORP. Realised gains or losses on the sale of investments will be reflected in the Realised capital reserve, and unrealised gains or losses arising from the revaluation of investments will be reflected in the Unrealised capital reserve.

Unquoted loan stock

Unquoted loan stock is classified as loans and receivables in accordance with FRS 26 and carried at amortised cost using the Effective Interest Rate method ("EIR") less impairment. Movements in the amortised cost relating to interest income are reflected in the revenue column of the Income Statement, and hence are reflected in the Revenue reserve, and movements in respect of capital provisions are reflected in the capital column of the Income Statement, and are reflected in the Realised capital reserve following sale, or in the Unrealised capital reserve on revaluation.

Loan stocks which are not impaired or past due are considered fully performing in terms of contractual interest and capital repayments and the Board does not consider that there is a current likelihood of a shortfall on security cover for these assets. For

unquoted loan stock, the amount of the impairment is the difference between the asset's cost and the present value of estimated future cash flows, discounted at the effective interest rate.

Investments are recognised as financial assets on legal completion of the investment contract and are de-recognised on legal completion of the sale of an investment.

Loan stock accrued interest is recognised in the Balance Sheet as part of the carrying value of the loans and receivables at the end of each reporting period.

It is not the Company's policy to exercise control or significant influence over investee companies. Therefore in accordance with the exemptions under FRS 9 "Associates and joint ventures", those undertakings in which the Company holds more than 20 per cent. of the equity are not regarded as associated undertakings.

Investment income

Unquoted equity income

Dividend income is included in revenue when the investment is quoted ex-dividend.

Unquoted loan stock income

Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis using an effective interest rate over the life of the financial instrument.

Bank interest income

Interest income is recognised on an accruals basis using the rate of interest agreed with the bank.

Floating Rate Note Income

Floating rate note income is recognised on an accounts basis using the interest rate applicable to the floating rate note at that time.

Investment management fees and other expenses

All expenses have been accounted for on an accruals basis. Expenses are charged through the Revenue account except the following which are charged through the Realised capital reserve:

- 75 per cent. of Management fees are allocated to the capital account to the extent that these relate to an enhancement in the value of the investments. This is in line with the Board's expectation that over the long term 75 per cent.

Notes to the summarised Financial Statements for the six months to 30 September 2008 (continued)

of the Company's investment returns will be in the form of capital gains; and

- expenses which are incidental to the purchase or disposal of an investment are charged through the Realised capital reserve.

Taxation

Taxation is applied on a current basis in accordance with FRS 16 "Current tax". Taxation associated with capital expenses is applied in accordance with the SORP. In accordance with FRS 19 "Deferred tax", deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

The specific nature of taxation of venture capital trusts means that it is unlikely that any deferred tax will arise. The Directors have considered the requirements of FRS 19 and do not believe that any provision should be made.

Performance incentive fee

In the event that a performance incentive fee crystallises, the fee will be allocated between Revenue and Realised capital reserves based upon the proportion to which the calculation of the fee is attributable to revenue and capital returns.

Reserves

Realised capital reserves

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments;

- expenses, together with the related taxation effect, charged in accordance with the above policies; and

- capital dividends paid to equity holders.

Unrealised capital reserves

Increases and decreases in the valuation compared to cost of investments held at the year end are disclosed in this reserve.

Special reserve

This reserve is distributable and amongst other purposes can be used for making market purchases and subsequent cancellation of own shares, the offsetting of losses to enable the Company to pay dividends, and for other distributable purposes.

Capital redemption reserve

This reserve accounts for amounts by which the issued share capital is diminished through the repurchase and cancellation of the Company's own shares.

Share premium account

This reserve accounts for the difference between the nominal value of the new shares issued and the issue price less any costs associated with the issue of share capital.

Treasury shares reserve

This reserve accounts for amounts by which the distributable reserves of the Company are diminished through the repurchase of the Company's own shares for Treasury.

Dividends

In accordance with FRS 21 "Events after the balance sheet date", dividends declared by the Company are accounted for in the period in which the dividend has been paid or approved by shareholders in an Annual General Meeting.

Notes to the summarised Financial Statements for the six months to 30 September 2008 (continued)

3. (Losses)/gains on investments

	Unaudited six months ended 30 September 2008 £'000	Unaudited six months ended 30 September 2007 £'000	Audited year ended 31 March 2008 £'000
Unrealised losses on investments held at fair value through profit or loss account	(1,589)	(720)	(1,922)
Unrealised impairments on investments held at amortised cost	(95)	–	(9)
Unrealised losses sub-total	(1,684)	(720)	(1,931)
Realised (losses)/gains on investments held at fair value through profit or loss account	(1)	729	630
Commission on purchase and disposal of investments held at fair value through profit or loss account	–	–	(2)
	(1,685)	9	(1,303)

4. Investment income

	Unaudited six months ended 30 September 2008 £'000	Unaudited six months ended 30 September 2007 £'000	Audited year ended 31 March 2008 £'000
Income recognised on investments held at fair value through profit or loss account			
UK Dividend income	16	14	18
Management fees received from equity investments	18	45	63
Floating rate note interest	–	22	22
Bank deposit interest income	33	77	132
	67	158	235
Income recognised on investments held at amortised cost			
Return on loan stock investments	464	478	941
	531	636	1,176

All of the Company's income is derived from operations based in the United Kingdom.

Notes to the summarised Financial Statements for the six months to 30 September 2008 (continued)

5. Recovery of VAT

HM Revenue & Customs issued a business briefing on 24 July 2008 which permitted the recovery of historic VAT that had been charged on management, performance and administration fees, and which made these fees exempt from VAT with effect from 1 October 2008.

The Manager, Close Ventures Limited has made a claim for the historic VAT that Close Brothers Protected VCT PLC has paid on management and administration fees. On the basis of information provided to the Board, the Directors believe that it is virtually certain that the Company will, in the short term, receive a repayment from the Manager of historic VAT of not less than £171,000 (net of tax).

An amount of £243,000 recoverable from the Manager has been recognised as a separate item in the Income Statement, allocated between revenue and capital return in the same proportion as that at which the original VAT has been charged. An additional tax charge of £72,000 is payable on this recovery of historic VAT and this is reflected within the tax charge shown in the Income Statement. At 30 September 2008 the amount due to Close Brothers Protected VCT PLC from Close Ventures Limited in respect of the historic VAT claim was £243,000.

It is possible that further amounts may be recoverable in due course, but the Directors are at this stage unable to quantify the amounts involved.

6. Dividends

	Unaudited six months ended 30 September 2008			Unaudited six months ended 30 September 2007			Audited year ended 31 March 2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividend paid on 22 August 2008 – 2.5 pence per share	528	–	528	–	–	–	–	–	–
Dividend paid on 10 August 2007 – 2.5 pence per share	–	–	–	335	263	598	335	263	598
Dividend paid on 4 January 2008 – 2.5 pence per share	–	–	–	–	–	–	150	388	538
	<u>528</u>	<u>–</u>	<u>528</u>	<u>335</u>	<u>263</u>	<u>598</u>	<u>485</u>	<u>651</u>	<u>1,136</u>

In addition to the dividends paid above, the Board has declared a second dividend of 2.0 pence per share from revenue profits (£453,000). The dividend will be payable on 9 January 2009 to the shareholders on the register on 5 December 2008.

7. Basic and diluted return/(loss) per share

Return per share has been calculated on 21,123,824 Ordinary shares excluding Treasury shares (30 September 2007: 23,253,632; 31 March 2008: 22,281,375) being the weighted average number of shares in issue for the period.

There are no convertible instruments, derivatives or contingent share agreements in issue for Close Brothers Protected VCT PLC hence there are no dilution effects to the return per share. The basic return per share is therefore the same as the diluted return per share.

Return per share calculations treat Treasury shares as if they had been cancelled.

Notes to the summarised Financial Statements for the six months to 30 September 2008 (continued)

8. Investments

Investments held at fair value through profit or loss total £5,986,000 (30 September 2007: £8,538,000; 31 March 2008: £7,155,000). Investments held at amortised cost total £10,349,000 (30 September 2007: £10,960,000; 31 March 2008: £10,435,000).

9. Called up share capital

	Unaudited six months ended 30 September 2008 £'000	Unaudited six months ended 30 September 2007 £'000	Audited year ended 31 March 2008 £'000
Authorised			
50,000,000 Ordinary shares of 50p each (30 September 2007 and 31 March 2008: 50,000,000)	25,000	25,000	25,000
Allotted, called up and fully paid			
23,350,529 Ordinary shares of 50p each (30 September 2007: 23,929,901; 31 March 2008: 23,542,956)	11,675	11,965	11,771
Allotted, called up and fully paid excluding Treasury shares			
21,017,574 Ordinary shares of 50p each (30 September 2007: 21,536,946; 31 March 2008: 21,150,001)	10,562	10,768	10,575

On 15 August 2008, 16,646 Ordinary shares of 50 pence nominal value were issued under the terms of the Dividend Reinvestment Scheme at a price of 90.1 pence. Additional information regarding the Dividend Reinvestment Scheme can be found in the Annual Report and Financial Statements for the year ended 31 March 2008 and at www.closeventures.co.uk, under the 'Our Funds' section. During the six month period a total of 149,073 Ordinary shares (30 September 2007: nil; 31 March 2008: 386,945) were purchased for cancellation at a cost of £118,543 (30 September 2007: £nil; 31 March 2008: £326,665).

10. Treasury shares reserve

During the period to 30 September 2008 the Company cancelled 60,000 Ordinary shares (30 September 2007: 301,270; 31 March 2008: 301,270) from the Treasury shares reserve at a cost of £58,800 (30 September 2007: £262,678; 31 March 2008: £262,678). The total number of Ordinary shares held in Treasury as at 30 September 2008 was 2,332,955 representing 10.0 per cent. of the share capital as at 30 September 2008.

11. Reconciliation of return on ordinary activities

	Unaudited six months ended 30 September 2008 £'000	Unaudited six months ended 30 September 2007 £'000	Audited year ended 31 March 2008 £'000
Revenue return on ordinary activities before tax	453	447	812
Investment management fees charged to capital	(147)	(180)	(340)
Recovery of VAT	182	-	-
Movement in loan stock carrying value	38	(110)	(72)
Increase in operating debtors	(251)	(10)	(16)
Decrease in operating creditors	(27)	(12)	(15)
Net cash inflow from operating activities	248	135	369

Notes to the summarised Financial Statements for the six months to 30 September 2008 (continued)

12. Analysis of change in cash during the period

	Unaudited six months ended 30 September 2008 £'000	Unaudited six months ended 30 September 2007 £'000	Audited year ended 31 March 2008 £'000
Opening cash balances	2,035	3,235	3,235
Net cash outflow	(716)	(996)	(1,200)
Closing cash balances	1,319	2,239	2,035

13. Contingencies, guarantees and financial commitments

As at 30 September 2008 the Company has given no guarantees to banking institutions in respect of the borrowings of investee companies (30 September 2007: nil; 31 March 2008: nil).

14. Related Party Transactions

The Manager, Close Ventures Limited, is considered to be a related party by virtue of the fact that it is party to a management agreement with the Company. During the period, services of a total value of £196,000 (30 September 2007: £240,000; 31 March 2008: £454,000) were purchased by the Company from Close Ventures Limited in relation to management fees and £16,000 (30 September 2007: £16,000; 31 March 2008: £33,000) in relation to company secretarial and administration services. At the financial period end, the amount due to Close Ventures Limited disclosed as accruals and deferred income was £98,000 (30 September 2007: £139,000; 31 March 2008: £123,000).

As detailed in Note 9, the buy-back of Ordinary shares during the period was transacted through Winterflood Securities Limited, a subsidiary of Close Brothers Group plc, the ultimate parent company. At the financial period end there was a balance of £4,740 (30 September 2007: £nil; 31 March 2008: £nil) between the Company and Winterflood Securities Limited.

Patrick Reeve is a Director of the Company and Managing Director of Close Ventures Limited, the Manager of the Fund. During the period, Close Ventures Limited received Director's fees of £8,812 (30 September 2007: £8,812; 31 March 2008: £17,625) in respect of the services of Patrick Reeve. At the financial period end, the amount due to Close Ventures Limited in respect of these fees, disclosed as accruals and deferred income was £4,406 (30 September 2007: £6,983; 31 March 2008: £2,577).

The amount due from Close Ventures Limited to the Company in respect of historic VAT claims can be found in Note 5.

15. Other information

The information set out in this Half-yearly Financial Report does not constitute the Company's statutory accounts within the terms of section 240 of the Companies Act 1985 for the periods ended 30 September 2008 and 30 September 2007, and is unaudited. The information for the year ended 31 March 2008 does not constitute statutory accounts within the terms of section 240 of the Companies Act 1985 and is derived from the statutory accounts for the financial year, which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s237 (2) or (3) of the Companies Act 1985.

16. Publications

This Half-yearly Financial Report is being sent to shareholders and copies will be made available to the public at the registered office of the Company, Companies House, the FSA viewing facility and also electronically at www.closeventures.co.uk.

Close Brothers
Protected VCT PLC