

**CLOSE BROTHERS
PROTECTED VCT PLC**

**Interim Report
for the six months to
30 September 2004
Unaudited**

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Directors and administration

| | |
|--|--|
| Directors | D M Bralsford MSc, FCA, FCT, Chairman G W Pitman MA, FCA, ACMA C Holdsworth Hunt MSI P H Reeve MA, ACA |
| Investment manager | Close Venture Management Limited 4 Crown Place London, EC2A 4BT Tel: 020 7426 4000 |
| Secretary and registered office | C Kinnear 10 Crown Place London, EC2A 4FT Tel: 020 7426 4000 |
| Registrar | Capita Registrars plc The Registry 34 Beckenham Road Beckenham Kent, BR3 4TU 0870 162 3100 |
| Independent reporting accountants | Deloitte & Touche LLP London |
| Taxation adviser | Ernst & Young 1 More London Place London, SE1 2AF |
| Custodians | RBSI Custody Bank Ltd Liberte House 19-23 La Motte Street St Helier Jersey, JE4 5RL Capita Trust Company Ltd Guildhall House 81-87 Gresham Street London, EC2V 7QE |
| Company number | 03265074 |

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 approval in 2002 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, care home, 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.

- Qualifying Aim Investments

These comprise new ordinary shares issued by companies quoted on AIM.

- Qualifying Loan Investments

These comprise loans guaranteed by The Royal Bank of Scotland. The annual return to the Company from Qualifying Loans is at a floating interest rate of 2% below Base Rate with a minimum annual rate of 2%. These loans are being replaced by asset based investments.

- Non Qualifying Investments

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

Summary of dividends and net asset value as at 30 September 2004

| | Pence per share |
|---|-----------------|
| Gross dividend for the year to 31 March 1998 | 4.00 |
| Gross interim dividend and net final dividend for the year to 31 March 1999 | 4.00 |
| Net dividend for the year to 31 March 2000 | 4.00 |
| Net dividend for the year to 31 March 2001 | 3.25 |
| Net dividend for the year to 31 March 2002 | 2.25 |
| Net dividend for the year to 31 March 2003 | 1.00 |
| Net dividend for the year to 31 March 2004 | 1.75 |
| Net dividend for the six months to 30 September 2004 | <u>1.20</u> |
| Total dividends paid and declared to date | 21.45 |
| | |
| Net asset value at 30 September 2004 | <u>86.34</u> |
| | |
| Total | <u>107.79</u> |

Note 1: following the cessation of tax credits on 5 April 1999, dividends paid by VCTs no longer benefit from tax credits.

Note 2: the above table does not take into account the income tax relief of 20% or the capital gains tax deferral relief of 40% upon subscription for shares in the Company.

Chairman's statement

The net asset value per share as at 30 September 2004 was 86.3 pence, a decrease of 5.2% since 31 March 2004. This is due to movements in the share prices of the AIM portfolio, which represented 22.3% of total investments by value at the period end. During the six months' period the value of the AIM portfolio decreased by 14% after adjustment for disposals, while the AIM index increased by 1.4%. The AIM Index is increasingly influenced by non VCT qualifying stocks and therefore has become less useful as a benchmark for the performance of the portfolio. At the same time the overall performance of the AIM portfolio is influenced by a small number of volatile technology stocks.


Our asset based investment portfolio grew from £5.6 million to £8.7 million. The higher yield from these investments, when compared to the Royal Bank of Scotland guaranteed loans which they replaced, resulted in a higher level of income from investments. This has allowed the company to increase its interim dividend by 60% from 0.75 pence per share to 1.20 pence per share. Asset based investments in the period included further investments in Barleycroft Care Home Limited, Applecroft Care Home Limited, Kew Green VCT (Stansted) Limited which is developing a Express by Holiday Inn at Stansted airport and The Bold Pub Company Limited. A new investment was completed in CS (Greenwich) Limited, a five screen cinema complex with bars and a restaurant, due to open in August 2005. Since the period end the Company invested a further £0.6 million in The Bold Pub Company to fund acquisitions and expand its portfolio to 27 public houses. This brought the total value of the asset based portfolio to £9.3 million, or 43% of total investments. Several further asset based investments are in progress, spanning the hotel, care home and leisure sectors.

The following table shows the profile of the Company's investments as at 30 September 2004:

| | 30 September 2004 £ 000's | 31 March 2004 £ 000's | 30 September 2003 £ 000's | 31 March 2003 £ 000's |
|---|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
| Investments by value | | | | |
| Qualifying loan investments guaranteed by RBS | 1,552 | 5,930 | 8,705 | 11,105 |
| Qualifying AIM investments | 4,798 | 5,995 | 5,951 | 3,729 |
| Qualifying asset based investments | 8,732 | 5,555 | 3,333 | 2,250 |
| Cash and other non-qualifying investments | 6,398 | 5,125 | 3,588 | 2,214 |
| Total | 21,480 | 22,605 | 21,577 | 19,298 |

In July 2002 the shareholders approved a change of investment policy whereby the low yielding qualifying loans guaranteed by the Royal Bank of Scotland would be replaced with asset based investments. This process is almost complete and the Board now considers that it would be appropriate to replace, over time, the investments in companies quoted on AIM with asset based investments. Such a development will be subject to shareholders' approval and I will be writing to you shortly to convene an Extraordinary General Meeting to be held early in 2005.

As at 30 September 2004 the net assets of the Company were £21.1 million, or 86.3 pence per share, compared to net assets as at 31 March 2004 of £22.3 million, or 91.1 pence per share, and net assets as at 30 September 2003 of £21.4 million, or 87.3 pence per share. The decrease in value of the AIM portfolio resulted in total capital loss for the period of £1.2 million (2003: £2.3 million profit), while the net revenue income before taxation amounted to £402,000 (2003: £205,000). The Board has declared an interim dividend of 1.20 pence per share (2003: 0.75 pence per share). The dividend will be paid on 12 January 2005 to shareholders on the register on 17 December 2004.


 Martin Bralsford
 Chairman
 7 December 2004

Independent review report to Close Brothers Protected VCT PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 September 2004 which comprises the Statement of total return, the Balance sheet, the Cash flow statement and related notes 1 to 5. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2004.



Deloitte & Touche LLP
Chartered Accountants
London
7 December 2004

Statement of total return
(incorporating the profit and loss account)
for the six months to 30 September 2004

| | Unaudited Six months to 30 September 2004 | | | Unaudited Six months to 30 September 2003 | | | Audited Year to 31 March 2004 | | |
|---|---|------------------|----------------|---|------------------|----------------|-------------------------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Realised gains on investments | - | 50 | 50 | - | 23 | 23 | - | 3,361 | 3,361 |
| Unrealised (losses)/gains on investments | - | (1,136) | (1,136) | - | 2,327 | 2,327 | - | - | - |
| Income | 522 | - | 522 | 305 | - | 305 | 728 | - | 728 |
| Investment management fees (note 1) | (42) | (125) | (167) | (48) | (78) | (126) | (102) | (176) | (278) |
| Other expenses | <u>(78)</u> | - | <u>(78)</u> | <u>(52)</u> | <u>(25)</u> | <u>(77)</u> | <u>(111)</u> | <u>(54)</u> | <u>(165)</u> |
| Return on ordinary activities before tax | 402 | (1,211) | (809) | 205 | 2,247 | 2,452 | 515 | 3,131 | 3,646 |
| Tax on ordinary activities | <u>(100)</u> | <u>40</u> | <u>(60)</u> | <u>(26)</u> | <u>13</u> | <u>(13)</u> | <u>(98)</u> | <u>61</u> | <u>(37)</u> |
| Return attributable to shareholders | 302 | (1,171) | (869) | 179 | 2,260 | 2,439 | 417 | 3,192 | 3,609 |
| Dividends (note 2) | <u>(296)</u> | - | <u>(296)</u> | <u>(184)</u> | - | <u>(184)</u> | <u>(431)</u> | - | <u>(431)</u> |
| Transfer to/(from) reserves | <u>6</u> | <u>(1,171)</u> | <u>(1,165)</u> | <u>(5)</u> | <u>2,260</u> | <u>2,255</u> | <u>(14)</u> | <u>3,192</u> | <u>3,178</u> |
| Return per ordinary share (note 3) | 1.2p | (4.8)p | (3.6)p | 0.7p | 9.2p | 9.9p | 1.7p | 13.0p | 14.7p |

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

There were no recognised gains or losses other than those disclosed above. Accordingly no statement of total recognised gains and losses is required.

The accompanying notes are an integral part of this statement.

Balance sheet
as at 30 September 2004

| | Unaudited 30 September 2004 £'000 | Unaudited 30 September 2003 £'000 | Audited 31 March 2004 £'000 |
|---|--|--|--------------------------------------|
| Fixed asset investments | | | |
| Qualifying investments | 15,082 | 17,989 | 17,480 |
| Non-qualifying investments | <u>1,668</u> | <u>4</u> | <u>13</u> |
| Total fixed asset investments | 16,750 | 17,993 | 17,493 |
| Current assets | | | |
| Debtors | 76 | 143 | 124 |
| Cash at bank and in hand | <u>4,730</u> | <u>3,584</u> | <u>5,112</u> |
| | 4,806 | 3,727 | 5,236 |
| Creditors: due within one year | <u>(451)</u> | <u>(314)</u> | <u>(412)</u> |
| Net current assets | <u>4,355</u> | <u>3,413</u> | <u>4,824</u> |
| Net assets | <u>21,105</u> | <u>21,406</u> | <u>22,317</u> |
| Represented by: | | | |
| Called up share capital | 12,222 | 12,260 | 12,252 |
| Special reserve | 9,647 | 9,706 | 9,694 |
| Capital redemption reserve | 1,716 | 1,678 | 1,686 |
| Capital reserve | | | |
| - realised | (590) | (789) | (555) |
| - unrealised | (1,950) | (1,512) | (814) |
| Revenue reserve | <u>60</u> | <u>63</u> | <u>54</u> |
| Total equity shareholders' funds | <u>21,105</u> | <u>21,406</u> | <u>22,317</u> |
| Net asset value per ordinary share | 86.3 p | 87.3 p | 91.1 p |

This interim report was approved by the Board of Directors on 7 December 2004

Signed on behalf of the Board of Directors by



D M Bralsford
Chairman

Cash flow statement
for the six months to 30 September 2004

| | Unaudited Six months to 30 September 2004 £'000 | Unaudited Six months to 30 September 2003 £'000 | Audited Year to 31 March 2004 £'000 |
|---|---|---|---|
| Operating activities | | | |
| Investment income received | 442 | 324 | 567 |
| Deposit interest received | 102 | 18 | 121 |
| Other income received | 22 | - | - |
| Investment management fees paid | (211) | (109) | (253) |
| Other cash payments | <u>(99)</u> | <u>(87)</u> | <u>(150)</u> |
| Net cash inflow from operating activities | 256 | 146 | 285 |
| Taxation | | | |
| UK corporation tax (payment)/refund | (8) | 12 | 10 |
| Investing activities | | | |
| Purchase of investments | (5,314) | (1,227) | (3,712) |
| Disposals of investments | <u>4,978</u> | <u>2,583</u> | <u>6,655</u> |
| Net cash (outflow)/inflow from investing activities | <u>(336)</u> | <u>1,356</u> | <u>2,943</u> |
| Equity dividends paid | | | |
| Dividends paid on ordinary shares | <u>(247)</u> | <u>(123)</u> | <u>(308)</u> |
| Net cash (outflow)/inflow before financing | (335) | 1,391 | 2,930 |
| Financing | | | |
| Purchase of shares net of expenses | (47) | - | (12) |
| Capital restructuring expenses | - | (18) | - |
| Loan facility fees | <u>-</u> | <u>-</u> | <u>(17)</u> |
| | <u>(47)</u> | <u>(18)</u> | <u>(29)</u> |
| (Decrease)/increase in cash and cash equivalents | <u>(382)</u> | <u>1,373</u> | <u>2,901</u> |

Notes to the interim results for the six months to 30 September 2004

1. Accounting policies

Accounting convention

The financial statements are prepared under the historic cost convention, modified by the revaluation of certain investments.

True and fair override

The Company is no longer an investment company within the meaning of s266, Companies Act 1985. However, it conducts its affairs as a venture capital trust for taxation purposes under s842AA of the Income and Corporation Taxes Act 1988.

The financial statements are prepared in accordance with applicable Accounting Standards and with the Statement of Recommended Practice: "Financial Statements of Investment Trust Companies" (SORP) issued by the Association of Investment Trust Companies in January 2003.

Ordinarily, the absence of Section 266 status would require the Company to adopt a different presentation of the accounts than that recommended by the Association of Investment Trust Companies. However, the directors consider it appropriate to continue to present the accounts in accordance with the SORP. Under the SORP, the financial performance of the trust is presented in a statement of total return in which the revenue column is the profit and loss account of the Company. The revenue column excludes certain capital items, which since the Company is no longer an investment company, the Companies Act 1985, would ordinarily require to be included in the profit and loss account: net profits on disposal of investments, calculated by reference to their previous carrying amount, permanent diminution in value of investments, management expenses charged to capital less tax relief thereon and the distribution of capital profits.

In the opinion of the directors the presentation adopted enables the Company to report in a manner consistent with the sector within which it operates. The Directors therefore consider that these departures from the specific provisions of Schedule 4 of the Companies Act relating to the form and content of accounts for companies other than investment companies and these departures from accounting standards are necessary to give a true and fair view. The departures have no effect on the total return or balance sheet. The particular accounting policies adopted are described below.

Capital reserves

Realised reserves

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- expenses and finance costs, together with the related taxation effect; and
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

Unrealised reserve

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end; and
- unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

Special reserve

This reserve is distributable and is primarily used for the cancellation of the Company's share capital.

Notes to the financial statements (continued)

Investments

Listed investments and companies quoted on AIM are stated at market value based upon middle market prices at the end of the accounting period. Unquoted investments are stated at a valuation determined by the directors as supported, where appropriate, by independent professional valuations and in accordance with the British Venture Capital Association (BVCA) guidelines published in June 2003. The unrealised depreciation or appreciation on the valuation of investments is dealt with in the unrealised reserve and gains and losses arising on the disposal of investments are dealt with in the realised capital reserve.

It is not the Company's policy to exercise controlling or significant influences over investee companies. Therefore the results of these companies are not incorporated into the revenue account except to the extent of any income accrued.

Income and expenses

All income and expenses are treated on the accruals basis and dividend income (other than on non-equity shares) is included in revenue when the investment is quoted ex-dividend. The fixed returns on non-equity shares and on debt securities are recognised on a time apportionment basis.

Management expenses

75% of all the management fees have been charged to capital reserves, net of corporation tax. All of the remaining investment management fees are charged to the revenue account. The board has changed the allocation of management fees and expenses from the last year end period. This does not represent a change in accounting policy but reflects the expected long-term split of returns, in the form of capital gains and income respectively.

Taxation

Taxation is applied on a current basis in accordance with Financial Reporting Standard No.16. Taxation associated to capital expenses is applied in accordance with the SORP. Financial Reporting Standard 19 "Deferred Tax" has been adopted in these financial statements. Provision is made for taxation at current rates on the excess of taxable income over expenses. Where applicable, a provision is made on all material timing differences between the recognition of income in the financial statements and their recognition in the Company's annual tax returns. Deferred tax is recognised to the extent that it is probable that an actual liability will crystallise or an asset be recoverable.

2. Dividend

The interim revenue dividend of 1.2 pence per Ordinary Share, will be paid on 12 January 2005 to shareholders registered on 17 December 2004.

3. Return per share

Return per share has been calculated on 24,475,194 Ordinary Shares (2003: 24,519,063), being the weighted number of shares in issue throughout the period.

4. Other information

The information for the six months ended 30 September 2004 and 30 September 2003 does not constitute statutory accounts within the terms of section 240 of the Companies Act 1985, and is unaudited. The information for the year ended 31 March 2004 does not constitute statutory accounts within the terms of section 240 of the Companies Act 1985 and is derived from the statutory accounts for that 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 section 237(2) or (3) of the Companies Act 1985.

Notes to the financial statements (continued)

5. Publication

This interim report is being sent to shareholders and copies will be made available to the public at the registered office of the Company.