CLOSE BROTHERS

PROTECTED
VCT
PLC

Interim Report
for the six months to
30 September 2006

Interim Report
for the six months to
30 September 2006
(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 Ventures Limited 10 Crown Place London, EC2A 4FT Tel: 020 7422 7830
Secretary and registered office	Close Ventures Limited 10 Crown Place London, EC2A 4FT
Registrar	Capita Registrars plc Northern House Woodsome Park Fenay Bridge Huddersfield, HD8 0LA
Registered auditors	Deloitte & Touche LLP London
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Lawyers	Berwin Leighton Paisner Adelaide House London Bridge London, EC4R 9HA
Custodians	RBSI Custody Bank Ltd Liberty 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	3265074
Shareholder helpline	Tel: 0870 162 3124

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

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, 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. This area now forms the focus of the investment policy going forwards.

- Qualifying Aim Investments

  These comprise a residual portfolio of new ordinary shares issued by companies quoted on AIM, which is in the process of being wound down.

- 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.

INVESTMENT OBJECTIVES
(continued)

Summary of dividends and net asset value as at 30 September 2006:

	Period ended 30 September 2006	**Year ended 31 March 2006**
Total return per share (pence)	3.31	5.60
Net revenue dividends per share (pence)	5.40	3.40
Net asset value per share (pence)	94.70	93.30

Shareholder value since launch	**Period ended 30 September 2006 pence per share**
Total dividends paid during the year ended 31 March 1998	1.10
Total dividends paid during the year ended 31 March 1999	6.40
Total dividends paid during the year ended 31 March 2000	1.50
Total dividends paid during the year ended 31 March 2001	4.25
Total dividends paid during the year ended 31 March 2002	2.75
Total dividends paid during the year ended 31 March 2003	2.00
Total dividends paid during the year ended 31 March 2004	1.25
Total dividends paid during the year ended 31 March 2005	2.20
Total dividends paid during the year ended 31 March 2006	4.50
Total dividends paid during the period ended 30 September 2006	2.00
Total dividends to 30 September 2006	27.95
Net asset value at 30 September 2006	94.70
Total at 30 September 2006	**122.65**

In addition to the dividends shown above, the Board has declared a revenue dividend of 2 pence per share payable on 26 January 2007 to shareholders on the register as at 29 December 2006.

Notes:

(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.

CHAIRMAN'S STATEMENT

Your Board announces further progress in your Company's portfolio during the 6 months to 30 September 2006. Over that period, the portfolio continued to appreciate, leading to a total return of 3.3 pence per share. In addition, your Board has declared a second dividend for the year of 2 pence per share resulting in a total pay out for the year to 31 March 2007 of 4 pence.

Particularly strong progress was seen at the Express by Holiday Inn at Stansted Airport where the valuation increased by some £600,000 as a result of the excellent performance of the hotel. It is now in the process of being enlarged, taking it from 183 rooms to 254 rooms. Meanwhile the Company's residual AIM portfolio also performed well, and in addition to sale proceeds of £256,000, the portfolio increased in value by £225,000. However, a provision has been made against Wickenhall Mill VCT Limited, where planning permission has currently been withdrawn from the residential development site in the Pennines.

Further sums were invested in three of our pub companies, of which the largest amount (£700,000) was in the Rutland Pub Company (Hotels) Limited which purchased The Blue Boar pub with rooms near Stratford-Upon-Avon. In addition, further sums were invested in both The Bear Hotel in Hungerford Limited and The Place Sandwich VCT Limited, to finish the refurbishment, where the turnaround process continues and improvements are being achieved. As reported in last year's annual report and accounts, our two care homes in Romford and Dover were sold in April with a profit of just over £1 million. Looking forward, we are continuing to review a variety of opportunities, in particular in the health and fitness and the care home sectors.

At the Annual General Meeting to be held next year to approve the accounts to 31 March 2007, shareholders will be asked to approve the continuation of the Company as a venture capital trust for a further five years. As we did at the time of the previous vote in 2002, we will be organising a tender offer at the same time to buy-in up to 10% of the company's shares at a narrow discount to net assets, in order to provide those shareholders who wish to seek an exit, the opportunity of doing so. We will provide you with further information next June when we send you the report and accounts for the full year.

As at 30 September 2006, the net asset value was £22,947,000 or 94.7 pence per share which compared to £22,365,000 or 91.5 pence per share as at 30 September 2005. Revenue return before taxation was £372,000 for the period compared with £625,000 for the six months to September 2005. The decline in net revenue reflects the lower returns on cash following the sale of nursing homes earlier in the year. As already mentioned, the Board now declares a second dividend of 2 pence per share from revenue reserves which will be paid on 26 January 2007 to shareholders on the register on 29 December 2006.

Martin Bralsford
Chairman

15 December 2006

PORTFOLIO OF INVESTMENTS

The following is a summary of the investments as at 30 September 2006.

Qualifying asset-based investments:

Sector and investment	Investment at cost £'000	Cumulative movement in carrying/ fair value(i) £'000	Total carrying/ fair value(i) £'000
Hotels			
Kew Green VCT (Stansted) Ltd	3,000	1,646	4,646
The Bear Hungerford Ltd	1,167	(285)	882
The Place Sandwich Ltd	688	(32)	656
The Crown Hotel, Harrogate Ltd	1,350	(163)	1,187
The Rutland Pub Company (Hotels) Ltd	900	(40)	860
Leisure			
City Screen (Liverpool) Ltd	250	24	274
The Bold Pub Company Ltd	990	157	1,147
Churchill Taverns VCT Ltd	185	15	200
CS (Greenwich) Ltd	370	(64)	306
GB Pub Company Ltd	120	(5)	115
CS (Brixton) Ltd	115	3	118
CS (Exeter) Ltd	45	(2)	43
The Rutland Pub Company Ltd	110	1	111
Tower Bridge Health Clubs Ltd	183	–	183
The Dunedin Pub Company VCT Ltd	70	–	70
Independent Pub Company (VCT) Ltd	200	(60)	140
The Independent Beer Company Ltd	70	(14)	56
Weybridge Club	800	23	823
Residential Development			
Chase Midland VCT Ltd	200	–	200
Maplecroft Limited	79	(69)	10
Wickenhall Mill VCT Ltd	875	(273)	602
Youngs VCT Ltd	1,000	24	1,024
Total qualifying asset-based investments	**12,767**	**887**	**13,654**

PORTFOLIO OF INVESTMENTS
(continued)

Qualifying AIM investment portfolio:
(top 5 investments by value)

	Investment at cost £'000	Cumulative movement in carrying/ fair value(i) £'000	Total carrying/ fair value(i) £'000
Bond International Software Plc	252	389	641
Pilat Media Global Plc	313	286	599
Intelligent Environments Group Plc	187	80	267
Pennant International Group Plc	499	(221)	278
Clipper Ventures Plc	297	(104)	193
13 other qualifying AIM investments	3,111	(2,470)	641
Total qualifying AIM investments	**4,659**	**(2,040)**	**2,619**
Total qualifying investments	**17,426**	**(1,153)**	**16,273**
Non-qualifying investments:			
Non-qualifying AIM investments	**11**	**(5)**	**6**
Other non-qualifying investments	**1,655**	**3**	**1,658**
Total non-qualifying investments	**1,666**	**(2)**	**1,664**
Total investments	**19,092**	**(1,155)**	**17,937**

(i) Included in this movement is capital depreciation of equity instruments of £1,253,000 and movement in carrying value of loans and receivables of £98,000.

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 2006, which comprises the income statement, the balance sheet, the reconciliation of movement in shareholders' funds, the cash flow statement and related notes 1 to 8. 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, 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 International Standards on Auditing (UK and Ireland) 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 2006.

Deloitte & Touche LLP
Chartered Accountants
London

15 December 2006

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

INCOME STATEMENT

	Notes	Unaudited Six months to 30 September 2006 Revenue £'000	Capital £'000	Total £'000	Unaudited Six months to 30 September 2005 Revenue £'000	Capital £'000	Total £'000	Audited Year to 31 March 2006 Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	3	**–**	**668**	**668**	–	(110)	(110)	–	780	780
Investment income		**548**	**–**	**548**	768	–	768	1,320	–	1,320
Investment management fee		**(59)**	**(177)**	**(236)**	(60)	(179)	(239)	(121)	(363)	(484)
Other expenses		**(117)**	**–**	**(117)**	(83)	–	(83)	(186)	–	(186)
Return/(loss) on ordinary activities before tax		**372**	**491**	**863**	625	(289)	336	1,013	417	1,430
Tax (charge)/credit on ordinary activities		**(109)**	**53**	**(56)**	(175)	59	(116)	(178)	119	(59)
Return/(loss) attributable to equity shareholders		**263**	**544**	**807**	450	(230)	220	835	536	1,371
Basic and diluted return/(loss) per share (pence)	5	**1.1**	**2.2**	**3.3**	1.8	(0.9)	0.9	3.4	2.2	5.6

The accompanying notes are an integral part of these interim results.

The total column of this Income Statement represents the profit and loss account of the Company.

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.

BALANCE SHEET
as at 30 September 2006

	Note	Unaudited 30 September 2006 £'000	Unaudited 30 September 2005 £'000	Audited 31 March 2006 £'000
Fixed asset investments				
Qualifying investments		**16,273**	17,372	18,762
Non-qualifying investments		**1,664**	1,846	1,810
Total fixed asset investments	6	**17,937**	19,218	20,572
Current assets				
Debtors and accrued income		**48**	18	24
Cash at bank and in hand		**5,360**	3,551	2,522
		5,408	3,569	2,546
Creditors: amounts falling due within one year		**(398)**	(422)	(318)
Net current assets		**5,010**	3,147	2,228
Total assets less current liabilities		**22,947**	22,365	22,800
Capital and reserves				
Called up share capital		**12,116**	12,222	12,222
Special reserve		**9,477**	9,647	9,647
Capital redemption reserve		**1,822**	1,716	1,716
Realised capital reserve		**(114)**	(301)	(187)
Unrealised capital reserve		**(772)**	(1,405)	(753)
Revenue reserve		**418**	486	155
Total equity shareholders' funds		**22,947**	22,365	22,800
Net asset value per share (pence)		**94.7**	91.5	93.3

The interim information on pages 9 to 15 was approved by the Board of Directors on 15 December 2006.

Signed on behalf of the Board of Directors by

Martin Bralsford
Chairman

UNAUDITED RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Called up share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
Six months ended 30 September 2006							
As at 31 March 2006	12,222	9,647	1,716	(187)	(753)	155	22,800
Repurchase of own shares	(106)	(170)	106	–	–	–	(170)
Costs charged to capital net of tax	–	–	–	(124)	–	–	(124)
Realised gains on investments	–	–	–	686	–	–	686
Unrealised depreciation	–	–	–	–	(19)	–	(19)
Revenue return attributable to equityholders	–	–	–	–	–	263	263
Dividends	–	–	–	(489)	–	–	(489)
At 30 September 2006	**12,116**	**9,477**	**1,822**	**(114)**	**(772)**	**418**	**22,947**
Six months ended 30 September 2005							
As at 31 March 2005 (restated)	12,222	9,647	1,716	(411)	(1,065)	403	22,512
Realised gains on investments	–	–	–	110	–	–	110
Unrealised depreciation	–	–	–	–	(340)	–	(340)
Revenue return attributable to equityholders	–	–	–	–	–	450	450
Dividends	–	–	–	–	–	(367)	(367)
At 30 September 2005	12,222	9,647	1,716	(301)	(1,405)	486	22,365
Year ended 31 March 2006							
As at 31 March 2005 (restated)	12,222	9,647	1,716	(411)	(1,065)	403	22,512
Adjustment required by FRS 26 – change in valuation of loan stock investments	–	–	–	–	–	25	25
Adjusted reserves as at 31 March 2005	12,222	9,647	1,716	(411)	(1,065)	428	22,537
Realised gains on investments	–	–	–	468	–	–	468
Unrealised appreciation	–	–	–	–	312	–	312
Costs charged to capital net of tax	–	–	–	(244)	–	–	(244)
Revenue return attributable to equityholders	–	–	–	–	–	835	835
Dividends	–	–	–	–	–	(1,108)	(1,108)
At 31 March 2006	12,222	9,647	1,716	(187)	(753)	155	22,800

CASH FLOW STATEMENT
for the six months to 30 September 2006

	Unaudited Six months to 30 September 2006 £'000	Unaudited Six months to 30 September 2005 £'000	Audited Year to 31 March 2006 £'000
Operating activities			
Investment income received	**373**	643	1,157
Deposit income received	**77**	83	236
Other income received	**–**	2	–
Investment management fees paid	**(256)**	(218)	(443)
Other cash payments	**(127)**	(76)	(152)
Net cash inflow from operating activities	**67**	434	798
Taxation			
UK corporation tax repaid/(paid)	**58**	35	(75)
Capital expenditure and financial investment			
Purchase of qualifying investments	**(2,179)**	(1,655)	(3,560)
Proceeds from disposal of qualifying investments	**5,551**	554	1,917
Net cash inflow/(outflow) from investing activities	**3,372**	(1,101)	(1,643)
Equity dividends paid			
Revenue dividends paid on ordinary shares	**(489)**	(367)	(1,108)
Net cash inflow/(outflow) before financing	**3,008**	(999)	(2,028)
Financing			
Purchase of shares net of expenses	**(170)**	–	–
Net cash outflow from financing	**(170)**	–	–
Increase/(decrease) in cash in the period	**2,838**	(999)	(2,028)

NOTES TO THE INTERIM RESULTS
for the six months to 30 September 2006

1. Accounting convention

The financial statements are prepared under 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.

True and fair override

The Company is no longer an investment company within the meaning of s266, of the 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 absence of s266 status does not preclude the Company from presenting its accounts in accordance with the AITC's SORP and furthermore the Directors consider it appropriate to continue to present the accounts in accordance with the SORP. Under the SORP, the financial performance of the Company is presented in an Income Statement in which the total column is the profit and loss account of the Company.

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 1985 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.

2. Accounting policies

Investments

In accordance with FRS 26 "Financial Instruments Measurement", equity investments are designated at fair value through profit or loss account ("FVTPL"). The total column of the Income Statement represents the Company's profit and loss account. Investments listed on recognised exchanges are valued at the closing bid prices at the end of the accounting period. Unquoted investments' fair value is determined by the Directors in accordance with the International Private Equity and Venture Capital Valuation 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.

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"). Movements in the amortised cost relating to interest income are reflected in the revenue column of the Income Statement and movements in respect of capital provisions are reflected in the capital column of the Income Statement for the period. 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.

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.

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 investments in which the Company holds more than 20% of the equity are not regarded as associated undertakings.

Investment income

Dividends receivable on equity investments are taken to revenue on an ex-dividend basis. Fixed returns on debt securities are recognised on a time apportionment basis using an effective interest rate over the life of the financial instrument.

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% of management fees and performance fees, net of corporation tax, are allocated to the capital account to the extent that these relate to the enhancement of the value of the investments and in line with the Board's expectation that over the long term 75% of the Company's investment returns will be in the form of capital gains; and

NOTES TO THE INTERIM RESULTS
(continued)

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

Debtors and creditors
Debtors do not carry any interest and are short term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The Directors consider that the carrying amount of debtors approximates to their fair value.

Creditors are non-interest bearing and are stated at their nominal value. The Directors consider that the carrying amount of creditors approximates to their fair value.

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

Reserves
Realised reserves
The following are accounted for in this reserve:

- gains and losses on the realisation of investments; and
- expenses and finance costs, together with the related taxation effect, charged in accordance with the above policies.

Unrealised reserves
The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the period end.

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

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.

3. Gains/(losses) on investments

	Six months to 30 September 2006 £’000	**Six months to 30 September 2005 £’000**
Realised gains	**686**	230
Unrealised losses	**(18)**	(340)
	668	(110)

NOTES TO THE INTERIM RESULTS
(continued)

4. **Dividends**
The Board has approved a second dividend of 2 pence per share to be paid on 26 January 2007 to shareholders on the register on 29 December 2006 (2005: 1.8p per share). The first dividend of 2 pence per share was paid out of realised capital profits on 25 August 2006 (2005: 1.5p per share).

5. **Basic and diluted return per share**
The revenue return per share is £263,000 (2005: £450,000) and is based on the net revenue return on ordinary activities after taxation but before deduction of dividends in respect of 24,390,947 shares (2005: 24,443,063 shares), being the weighted average number of shares in issue during the six months. The capital return per share is based on a net capital return for the period of £544,000 (2005: capital loss of £230,000) in respect of the same weighted average number of shares in issue over the six months.

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.

6. **Investments**
Investments held at fair value through profit or loss account total £7,616,000. Investments held at amortised cost total £10,321,000.

7. **Other information**
The information set out in the interim report does not constitute the Company's statutory accounts for the six months ended 30 September 2006 and 2005. The financial information for the year ended 31 March 2006 is derived from the statutory accounts 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.

8. **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.

Close Brothers Protected VCT PLC