CLOSE BROTHERS

PROTECTED VCT PLC

Report & Accounts
for the year ended
31 March 2003

CONTENTS

DIRECTORS AND ADMINISTRATION

Directors	D M Bralsford MSc, FCA, FCT, Chairman G W Pitman MA, FCA, ACMA C Holdsworth Hunt MSI J T Snook MA, ACA, MSI
Investment Manager	Close Venture Management 12 Appold Street London EC2A 2AW Tel: 020 7426 4000
Secretary and Registered Office	J M Gain 12 Appold Street London EC2A 2AW
Registrar	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Auditors	Deloitte & Touche London
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

FINANCIAL HIGHLIGHTS

	Year ended 31 March 2003	Year ended 31 March 2002
Total return per share	(11.9) pence	(6.4) pence
Net revenue dividends per share	1.00 pence	1.50 pence
Net capital dividend per share	–	0.75 pence
Net asset value per share	78.11 pence	90.90 pence
Net assets	£19.15 million	£25.15 million
Shareholder value since launch	**Pence per share**	**Pence per share**
Gross dividends for the year ended 31 March 1998	4.00	4.00
Gross first and second interim dividends and net final dividend for the year ended 31 March 1999	4.00	4.00
Net dividends for the year ended 31 March 2000	4.00	4.00
Net dividends for the year ended 31 March 2001	3.25	3.25
Net dividends for the year ended 31 March 2002	2.25	2.25
Net dividends for the year ended 31 March 2003	1.00	–
Total dividends to 31 March 2003	18.50	17.50
Net asset value at 31 March 2003	78.11	90.90
Total at 31 March 2003	96.61	108.40

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.

FINANCIAL CALENDAR

Ex dividend date	2 July 2003
Record date for final dividend	4 July 2003
Annual General Meeting	5 August 2003
Posting of dividend cheques in respect of the final dividend	6 August 2003
Announcement of interim results to 30 September 2003	November 2003
Payment of interim dividend	December 2003

INVESTMENT OBJECTIVES

Close Brothers Protected VCT commenced trading in April 1997 and raised a total of £27.9 million from private investors. Within the overall aim of maximising the considerable tax benefits available to shareholders in a venture capital trust, the Company's investment strategy is 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 the approval by shareholders at the Annual General Meeting in August 2002 of the Company's continuation as a Venture Capital Trust, a tender offer and a change in investment policy, the Company bought in 2.4 million of its ordinary shares for cancellation and has gradually begun to replace qualifying loan investments with asset-based investments as detailed below.

The investments made by Close Brothers Protected VCT currently fall into four distinct categories as follows:

- Qualifying Equity Investments

  The Company invests up to 30 per cent. of its funds in new ordinary shares issued by companies quoted on AIM to provide a broadly based and diversified equity portfolio.

- Qualifying Asset-Based Investments

  The Company is building up a portfolio of investments in the hotel, care home, leisure, residential property and other asset-based investment sectors. The investments comprise a combination of equity and loan stock, alongside other funds managed by Close Venture Management, in particular Close Brothers Venture Capital Trust PLC and Healthcare & Leisure Property Fund PLC, in companies in which 50 per cent. of the equity is owned by an experienced operator.

- Qualifying Loan Investments

  The Company originally invested approximately 50 per cent. of its funds by way of Qualifying Loans. As part of the arrangements, the performance of these loans were guaranteed by The Royal Bank of Scotland which agreed that any shortfall suffered by the Company in terms of capital and interest will be recoverable from it. The annual return to the Company from Qualifying Loans is at a floating interest rate of 2 per cent. below Base Rate with a minimum annual rate of 2 per cent. These loans are now being replaced over time by asset-based investments.

- Non-Qualifying Investments

  The remaining funds are invested in floating rate financial instruments and bank deposits, all with a minimum Moody's or equivalent credit rating of 'A'.

CHAIRMAN'S STATEMENT

Introduction

At the meeting held on 14 August 2002 shareholders approved the continuation of the Company as a Venture Capital Trust for a further five years and a change in investment strategy to enable the Company gradually to replace the now low yielding qualifying loans with asset-based investments. At the same time approval was given for a tender offer for up to 10 per cent. of the Company's shares which resulted in the purchase and cancellation of 8.8 per cent. of the Company's share capital at a price of 86 pence per share.

Investment Progress

Following the change in investment strategy referred to above, the Company has invested £2.25 million in three asset-based investments to date and has committed to invest up to £3 million in a new build Express by Holiday Inn hotel at Stansted Airport, co-investing alongside Close Brothers Venture Capital Trust PLC and Healthcare & Leisure Property Fund PLC.

The three investments made, comprise: £1 million in Youngs VCT Limited, an established residential property development company undertaking developments in the South of England, in which Close Brothers Venture Capital Trust was already invested; £250,000 in City Screen (Liverpool) Limited, in conjunction with investment by all VCTs managed by Close Venture Management, to develop a three screen 'art house' cinema in Liverpool; and £1 million in Maplecroft VCT Limited, a residential development company which is currently developing four houses in Walton-on-Thames. The three investments made to date give a running yield from the loan stock element of the investment of 9.4 per cent. of total funds invested. In addition, the Company has received an initial dividend of £9,000 from Youngs VCT Limited. Further details of the asset-based investments are given on pages 9 and 10. A variety of further asset-based investments are under review, with particular concentration on the budget hotel and care home sectors.

The AIM portfolio declined by 44 per cent. over the year under review compared to a decline of 36 per cent. in the AIM Index. However, at 31 March 2003 the AIM Index was some 51 per cent. lower than the level at the time of the Company's commencement of trading in April 1997, whilst after taking account of realisations, the Company's AIM portfolio had fallen by approximately 17 per cent. During the course of the year, the Company made investments totalling £660,000 in two new companies and a follow on investment of £50,000 in one existing holding, while disposals resulted in net realised losses of £553,000. Since the year end the Company has realised a profit of £110,000 on part of its holding in Inter Link Foods and has invested a further £75,000 in a follow on investment in Deltex Medical. The AIM market meanwhile has begun to look a little more buoyant and your Company was able to report an unaudited increased net asset value of 81.5 pence per share as at 31 May 2003 (after the final dividend). Further details of the AIM portfolio are set out on pages 11 and 12.

Results and Dividend

As at 31 March 2003, the net asset value of the Company was £19.15 million, or 78.1 pence per share, compared to £25.15 million or 90.1 pence per share at 31 March 2002. Under the tender offer 2.4 million shares were bought in for cancellation, resulting in a reduction in net assets of £2.1 million. Net income before taxation was £301,000 (2002: £435,000) enabling the Board to declare a net final revenue dividend of 0.50 pence per share, which when added to the interim dividend of 0.50 pence, amounts to a total dividend for the year of 1.00 pence per share. This compares to total dividends to 31 March 2002 of 2.25 pence, of which 0.75 pence was paid out of capital profits. The final dividend will be paid on 6 August 2003 to shareholders registered on 4 July 2003.

Outlook

Following the change in investment policy, the Company's portfolio of higher yielding asset-based investments is now being built up. In the current year, the benefits of this should begin to show in revenue returns for shareholders, though the full benefit will not be apparent until all the loans currently guaranteed by The Royal Bank of Scotland have been returned and reinvested. This may take up to three years, as the Company needs to ensure that its level of qualifying investments remains comfortably above the required 70 per cent. level.

In the meantime, we remain cautiously optimistic on the prospects for the AIM portfolio, which we consider to provide the potential for attractive growth from current depressed levels.

D M Bralsford
Chairman

24 June 2003

THE BOARD OF DIRECTORS

The following are the Directors of the Company, all of whom operate in a non-executive capacity.

Martin Bralsford (55) MSc, FCA, FCT Chairman. After qualifying as a chartered accountant he held senior positions in a number of large listed companies including the Rank Organisation and Cadbury Schweppes. In 1986 he was a member of the management buy-out team which acquired the food and beverage division of Cadbury Schweppes and he subsequently became managing director of Premier Brands Limited. He left Premier Brands Limited in 1991 and is currently chief executive of C.I. Traders Limited, a Jersey-based leisure and retail conglomerate. He is a resident of Jersey where he is a non-executive director of Gartmore Capital Strategy Fund Limited and Beaumont European Equity Fund Limited. He is also chairman of Acorn Income Fund Limited.

Giles Pitman (64) MA, FCA, ACMA is a chartered accountant who now specialises in advising growing companies. He was managing director of Pitman plc, which he sold to Pearson plc in 1985. He was finance director of The Really Useful Group plc from 1988 to 1989 and non-executive director of MGM Assurance for 20 years until 1996.

Christopher Holdsworth Hunt (60) MSI is co-founder and managing director of KBC Peel Hunt Ltd, a stockbroker specialising in corporate broking to small- and medium-sized companies and a subsidiary of KBC Bank NV. He is head of Corporate Finance and has been responsible for overseeing numerous flotations and secondary fundraisings. Prior to founding Peel Hunt in 1989 he was a director of Morgan Grenfell Securities having previously been a managing partner of Pinchin Denny & Co. He is a former member and Deputy Chairman of the Stock Exchange Domestic Equities Rules Committee.

John Snook (49) MA, ACA, MSI is managing director of Close Brothers Private Equity Limited, the private equity fund management arm of Close Brothers Group. Prior to this he worked for both 3i Group plc and CinVen. Over the past 17 years he has been a non-executive director of a number of quoted and unquoted companies, many of which have raised institutional venture capital.

THE MANAGER

Close Venture Management, a division of Close Brothers Investment Limited, is the Manager of Close Brothers Protected VCT. In addition to Close Brothers Protected VCT, it is the manager of Close Brothers Venture Capital Trust PLC which raised £39.7 million in 1996 and 1997 to invest principally in asset-based businesses, of Close Brothers Development VCT PLC, which raised £14.7 million in 1999 and £11.5 million in 2002/3 to provide development capital for unquoted companies and of Close Technology & General VCT PLC, which has raised £14.4 million to invest in both 'old economy' and 'new economy' businesses.

Close Venture Management also manages Bamboo Investments PLC, which specialises in technology investments, and acts as investment adviser to Healthcare and Leisure Property Fund PLC, which co-invests in asset-based businesses alongside Close Brothers Venture Capital Trust PLC and Close Brothers Protected VCT. Close Brothers was voted 'VCT Group' of the year at the Growth Company Awards 2003.

The Manager's ultimate parent company is Close Brothers Group plc, a substantial independent merchant banking group incorporated in the United Kingdom and listed on the London Stock Exchange. Close Brothers Group has extensive experience in asset-based finance over a range of specialised lending activities.

The following are specifically responsible for the management and administration of the VCTs managed by Close Venture Management, including Close Brothers Protected VCT PLC.

Patrick Reeve (43) MA, ACA qualified as a chartered accountant with Deloitte Haskins & Sells before joining Cazenove & Co where he spent three years in the corporate finance department. He joined the Close Brothers Group in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Close Venture Management with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996.

Ole Bettum (39) BSc, MBA. After three years as a research economist for the Saudi Government, he graduated from Columbia Business School with an MBA. He worked in the corporate finance department of Price Waterhouse from 1994 and joined Close Brothers Investment in 1996 to help establish Close Venture Management.

Henry Stanford (38) MA, ACA qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of the Close Brothers Group in 1992. He became an assistant director in 1996 and transferred to Close Venture Management in 1998 to concentrate on venture capital investment.

Will Fraser-Allen (32) BA (Hons), ACA qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 before specialising in corporate finance and investigation. He joined Close Venture Management in 2001.

Emil Gigov (33) BA (Hons), ACA qualified as a chartered accountant with KPMG in 1997 and subsequently spent three years in KPMG's corporate finance division. He joined Close Venture Management in 2000.

PORTFOLIO OF INVESTMENTS

Asset-based investment portfolio

Youngs VCT Limited

The Company recently completed converting a Grade II Listed Hall in Funtington, near Chichester, into four houses, of which two have been sold to date. It has commenced construction of an 11 apartment scheme at Lee-on-the-Solent, overlooking the Isle of Wight.

Date of initial investment: September 2002
Developer partner: Youngs Developments Ltd
Amount invested at 31 March 2003: £1 million
Further amount reserved for investment: Nil
Proportion of capital and voting rights held: 23%

Latest audited financial information: 31 December 2001

	£
Turnover for the year	1,735,000
Profit before taxation for the year	358,000
Accumulated retained profits	38,000
Net assets	583,000

Close Brothers Venture Capital Trust PLC, which is managed by Close Venture Management, has invested £1.2 million in the Company.

City Screen (Liverpool) Limited

The Company was formed to develop and operate a three screen 'art-house' cinema in the FACT centre in Liverpool. The cinema commenced trading in February 2003.

Date of initial investment: November 2002
Operating partner: City Screen Limited
Amount invested at 31 March 2003: £0.25 million
Further amount reserved for investment: Nil
Proportion of capital and voting rights held: 23%

Latest audited financial information: 31 December 2002

	£
Turnover for the year	Nil
Loss before taxation for the year	5,000
Accumulated retained losses	5,000
Net assets	243,000

Close Brothers Venture Capital Trust PLC, Close Brothers Development VCT PLC and Close Technology & General VCT PLC, which are all managed by Close Venture Management, have invested £200,000, £50,000 and £50,000 respectively.

Maplecroft VCT Limited

The Company is undertaking the development of four houses in Walton-on-Thames, Surrey.

Date of initial investment:	February 2003
Developer partner:	Maplecroft Developments Limited
Amount invested at 31 March 2003:	£1 million
Further amount reserved for investment:	Nil
Proportion of capital and voting rights held:	42%

There is no financial information available as the Company has yet to produce any annual accounts.

Healthcare & Leisure Property Fund PLC, which is advised by Close Venture Management, has invested £200,000 in the Company.

AIM investment portfolio

The following are the details of the 10 largest AIM investments at 31 March 2003:

Company	Book cost £'000	Market value 31 March 2003 £'000	Percentage of AIM portfolio
Inter Link Foods PLC	159	356	9.6%
CRC Group PLC	200	322	8.6%
Intelligent Environments Group PLC	298	276	7.4%
Advanced Medical Solutions PLC	300	274	7.3%
MacLellan Group PLC	183	247	6.6%
Fitzhardinge PLC	250	231	6.2%

Inter Link Foods PLC

Inter Link Foods manufactures and sells own label cakes and pastry products to major retail multiples. In the six months ended 31 October 2002 it made a profit before tax of £1.3 million on turnover of £24.5 million, the accumulated retained profits were £3.4 million and net assets were £11.3 million.

CRC Group PLC

CRC is an independent provider of repair and maintenance services for electronic equipment on behalf of original equipment manufacturers. For the year to 31 December 2002, the Company recorded sales of £109.6 million and profit before tax of £7.6 million, the accumulated retained profits were £7.2 million and net assets £22.6 million.

Intelligent Environments Group PLC

Intelligent Environments is a leading provider of integrated e-finance products for the credit card and wealth management markets. The Company made a pre-tax loss of £2.9 million on sales of £2.7 million to 31 December 2002 and net assets as at that date were £0.96 million.

Advanced Medical Solutions PLC

Advanced Medical Solutions Group designs, develops and manufactures products for the advanced wound care market. For the year to 31 December 2002, the Company recorded sales of £8.4 million and a loss before tax of £1.5 million. Net assets as at 31 December 2002 were £14.1 million.

MacLellan Group PLC

MacLellan provides facilities management and specialist cleaning services. For the year ended 31 December 2002 the Company made a profit before tax of £1.8 million on turnover of £141.5 million, the accumulated retained profits were £2.8 million and net assets were £42.6 million.

Fitzhardinge PLC

Fitzhardinge is a real estate consultancy services group operating in the name of Colliers CRE and its specialist leisure division Robert Barry & Co. For the year ended 31 December 2002, the Company made pre-tax profits of £3.2 million on a turnover of £38.2 million, the accumulated retained profits were £2.4 million and net assets were £28.4 million.

Company	Book cost £'000	Market value 31 March 2003 £'000	Percentage of AIM portfolio
fountains PLC	276	195	5.2%
fountains provides utility services and grounds maintenance, landscaping and forestry services in the UK and USA. For the six months ended 31 March 2003, fountains recorded turnover of £17.7 million and a profitbefore tax of £0.5 million, the accumulated retained profits were £2.9 million and net assets were £6.1 million.			
Xpertise Group PLC	400	165	4.4%
Xpertise provides technical IT training courses for IT professionals. For the year ended 2 January 2003 Xpertise Group recorded turnover of £4.6 million and a loss before tax of £1.1 million, the accumulated retained deficit was £6.9 million and net assets were £5.6 million.			
Landround PLC	205	139	3.7%
Landround sells travel based promotional products. For the six months ended 31 March 2003, Landround recorded turnover of £3.9 million and a profit before tax of £0.9 million, the accumulated retained profits as at that date were £1.6 million and net assets were £4.1 million.			
Capcon Holdings PLC	200	139	3.7%
Capcon provides audit, stocktaking and commercial investigation services. For the six months ended 31 March 2003, Capcon recorded turnover of £3.3 million and a profit before tax of £0.03 million. The accumulated retained profits were £0.1 million and net assets were £3.7 million.			
Total top 10 holdings	2,471	2,344	62.7%
23 other AIM holdings	5,094	1,385	37.3%
Total AIM investments at 31 March 2003	**7,565**	**3,729**	**100.0%**

Note

The AIM investments made by the Company all confer voting rights. The Company, however, does not hold any substantial interest in any of its AIM investments. Its largest holding of equity in any one company by percentage held is in Clipper Ventures PLC, in which it holds 6.4 per cent. of the voting rights.

Loan investments guaranteed by The Royal Bank of Scotland plc

Company	Activity	Cost and value 31 March 2003 £'000
Bradshaws Direct Limited	Garden ornaments	1,150
J W Fidler & Sons Limited	Fish distribution	1,000
Richard Hudson & Sons Limited	Protective mattresses	1,000
Markbeech Limited	Food services	850
Tenby Smith Limited	Refurbishment specialists	800
Document Despatch Limited	Document delivery	700

Bradshaws Direct Limited

The investment was made in February 1999 and the last audited accounts to 31 December 2002 showed a profit before tax of £36,000 on a turnover of £4.47 million. Accumulated revenue reserves were £5,000 and net assets were £49,000.

J W Fidler & Sons Limited

The investment was made in February 1999 and the last audited accounts to 31 March 2002 showed a profit before tax of £40,000 on a turnover of £16 million. Accumulated revenue reserves were £1,000 and net assets were £474,000.

Richard Hudson & Sons Limited

The investment was made in May 1998 and the last audited accounts to 30 September 2001 showed a loss before tax of £97,000 on a turnover of £1.69 million. Accumulated revenue reserve losses were £97,000 and net liabilities were £168,000.

Markbeech Limited

The investment was made in December 1998 and the last audited accounts to 31 March 2001 showed a loss before tax of £441,000 on a turnover of £15 million. Accumulated revenue reserve losses were £441,000 and net assets were £62,000.

Tenby Smith Limited

The investment was made in October 1999 and the last audited accounts to 31 March 2002 showed a loss before tax of £55,000 on a turnover of £2.96 million. Accumulated revenue reserve losses were £53,000 and net assets were £778,000.

Document Despatch Limited

The investment was made in October 1998 and the last audited accounts to 31 July 2002 showed a loss before tax of £67,000 on a turnover of £2 million. Accumulated revenue losses were £64,000 and net assets were £193,000.

Company	Activity	Cost and value 31 March 2003 £'000
DGP Consulting Engineers Limited	Engineering consultancy	680
The investment was made in April 1999 and the last audited accounts to 31 July 2002 showed a profit before tax of £526,000 on a turnover of £9.97 million. Accumulated revenue reserves were £452,000 and net assets were £1.06 million.		
Livermore & Knight (Labels) Limited	Label manufacturer	650
The investment was made in August 1998 and the last audited accounts to 30 June 2001 showed a profit before tax of £1,000 on a turnover of £1 million. Accumulated revenue reserves were £1,000 and net liabilities were £682,000.		
Nine other qualifying loan investments		4,275
Total invested at 31 March 2003		**11,105**

Note
The Company does not have a significant interest in any of these companies as these investments solely comprise qualifying loans which do not confer any voting rights.

REPORT OF THE DIRECTORS

The Directors submit the Report and Accounts of the Company for the year ended 31 March 2003.

Principal activity and status

The principal activity of the Company is that of a venture capital trust. It was approved by the Inland Revenue as a venture capital trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 and in the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 31 March 2003 is subject to review should there be any subsequent enquiry under corporation tax self assessment. The Company is not a close company for taxation purposes. Details of the principal investments made by the Company are given above in the review of the portfolio of investments. A review of the Company's business during the year is contained in the Chairman's Statement.

The Company is no longer an investment company as defined in Section 266 of the Companies Act 1985. The Company revoked its investment company status on 28 February 2000 to enable the Company to pay dividends from realised capital profits.

Results and dividends	**£'000**
Revenue return attributable to shareholders for the year ended 31 March 2003	277
Net interim revenue dividend of 0.50 pence per share, paid 15 January 2003	(123)
Net final revenue dividend for the year of 0.50 pence per share, payable 6 August 2003 to shareholders on the register at the close of business on 4 July 2003	(122)
Total transferred to revenue reserve	**32**
Realised capital loss attributable to shareholders for the year ended 31 March 2003	(734)
Unrealised capital loss attributable to shareholders for the year ended 31 March 2003	(2,633)
Total transferred from capital reserve	**(3,367)**
Total transferred from reserves	**(3,335)**

Purchase of own shares

The Company, in accordance with the authority granted by shareholders, purchased for cancellation during the year, the following shares with a nominal value of 50 pence per share:

Date	Price (pence)	Shares purchased
12 April 2002	85	6,000
15 April 2002	85	10,000
17 April 2002	83	20,000
19 April 2002	85	5,000
4 July 2002	83	50,000
14 August 2002	86	2,434,775
5 September 2002	80	140,000
12 September 2002	80	9,000
13 September 2002	80	100,000
11 December 2002	78	115,000
18 December 2002	76	25,000
14 January 2003	75	20,000
17 February 2003	73	100,000
25 February 2003	72	110,000
		3,144,775
Percentage of share capital cancelled		**11.4 %**

Directors

The Directors who held office throughout the year, and their interests in the shares of the Company (together with those of their immediate family) were:

	31 March 2003 Shares	31 March 2002 Shares
D M Bralsford	10,000	10,000
G W Pitman	5,000	5,000
J T Snook	22,000	22,000
C Holdsworth Hunt	5,000	5,000

There have been no changes in the holdings of the Directors between 31 March 2003 and the date of this document.

No Director has a service contract with the Company. The Company does not have any employees.

Mr J T Snook is a Director of Close Brothers Investment Limited and is deemed to have an interest in the management contract and management performance incentive to which the Company is a party. No options over the share capital of the Company have been granted to Directors personally.

All Directors, except Mr J T Snook, are members of the Audit Committee.

Management Agreement

The Company and the Manager entered into a management agreement for an initial fixed term of a three-year period to 4 February 2000, which may be terminated thereafter by either party on 12 months' notice. Under this agreement, the Manager also provides secretarial and administrative services to the Company. The management agreement is subject to earlier termination in the event of certain breaches or upon the insolvency of either party. The following fees are payable to the Manager by the Company:

Non-Qualifying Investments

- An annual fee equal to 0.25 per cent. (plus VAT) of funds invested in Non-Qualifying Loan Investments. This will include funds invested in cash deposits (other than funds intended for investment in Qualifying Equity Investments), financial instruments and fixed interest securities.

Qualifying Loan Investments

- An annual fee equal to 0.5 per cent. (plus VAT) of funds invested in Qualifying Loan Investments arranged by The Royal Bank of Scotland plc acting as the Company's agent.

Qualifying Asset-based Investments

- An annual fee equal to 1.8 per cent. (plus VAT) of funds invested in Qualifying Asset-based Investments.

Qualifying Equity Investments

- An annual fee equal to 2.0 per cent. (plus VAT) of funds invested or intended for investment in Qualifying Equity Investments.

Secretarial and Administrative Services

- An annual secretarial and administrative fee of £27,865 (plus VAT).

Management Performance Incentive

In order to provide the Manager with an incentive to optimise the return to investors, the Manager is entitled to a one-off incentive fee linked to the investment performance of the Company. This fee will be equal to 10 per cent. (plus VAT) of the amount by which the net assets per share after five years plus dividends already paid (inclusive of the tax credit) exceeds 125 pence per share. The target level rises thereafter in line with RPI up to 31 March 2005.

Auditors

Deloitte & Touche were reappointed auditors during the year. They have expressed their willingness to continue in office as auditors and a resolution for their reappointment will be proposed at the Annual General Meeting.

Substantial Interests

As at 24 June 2003, the Company was not aware of any beneficial interest exceeding 3 per cent. of the issued ordinary share capital.

Statement of Directors' Responsibilities

United Kingdom Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether all applicable accounting standards have been followed, and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors confirm that applicable accounting standards have been followed in the financial statements accompanying this report.

Annual General Meeting

The Annual General Meeting will be held at 12 Appold Street, London EC2A 2AW at 11.00 a.m. on 5 August 2003. The notice of the Annual General Meeting is at the end of this document. A resolution will be proposed as special business at the Annual General Meeting for the following purpose:

Purchase of own shares

A special resolution, number 5 in the notice of meeting, will authorise the purchase in the market and the cancellation of up to 2,451,906 of the Company's issued shares (equivalent to 10 per cent. of the share capital currently in issue).

Purchases of shares will be made within guidelines established from time-to-time by the Board, but only if it is considered that such purchases would be to the advantage of the Company and its shareholders taken as a whole. Purchases will only be made in the market for cash at prices below the prevailing net asset value per ordinary share. Under the rules of the London Stock Exchange the maximum price which can be paid by the Company is 5 per cent. above the average of the relevant market value of the shares for the five consecutive business days preceding the purchase. Shares which are purchased will be cancelled. In making purchases the Company will deal only with member firms of the London Stock Exchange. Purchases of shares will be funded from distributable reserves.

The purchase of shares by the Company is intended to reduce the discount at which shares trade in the market because the Company will be a source of demand for shares. Since it is anticipated that any purchases will be made at a discount to net asset value at the time of purchase, the net asset value of the remaining shares in issue should increase.

Suppliers payment policy

The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. There were no overdue trade creditors at 31 March 2003 (2002: Nil).

By Order of the Board,

J M Gain
Secretary
12 Appold Street
London EC2A 2AW

24 June 2003

STATEMENT OF CORPORATE GOVERNANCE

Background

The Financial Services Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code ('the Code').

Application of the Principles of the Code

The Board attaches importance to matters set out in the Code and applies its principles. However, as a venture capital trust company, most of the Company's day-to-day responsibilities are delegated to third parties and the Directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company.

Board of Directors

The Board consists solely of non-executive Directors. Mr Bralsford is the Chairman and senior independent Director. Mr Snook, who is a Director of the Manager, is deemed to be a non-independent Director. All Directors are able to take independent professional advice in furtherance of their duties if necessary.

The Board has a formal schedule of matters reserved to it and meets quarterly or as may be necessary. The management agreement between the Company and its Manager sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. These include the management of the investment portfolio, the organisation of custodial services, accounting, secretarial and administrative services. All other matters are reserved for the approval of the Board of Directors.

The Articles of Association require that all Directors are subject to re-election procedures by rotation at the Annual General Meeting. All Directors, in accordance with the code, will submit themselves for re-election at least once every three years.

Director's Remuneration

Since the Company has no executive Directors, the detailed Directors' Remuneration disclosure requirements set out in Listing Rules 12.43A(a), 12.43A(b) and 12.43A(c) as they relate to Combined Code Provisions B.1 to B.3, B1.1 to B1.10, B2.1 to B2.6 and B3.1 to B3.5 are not relevant.

Audit Committee

The Audit Committee consists of all Directors, excluding Mr. Snook. Written terms of reference have been constituted for the Audit Committee. It meets as required throughout the period. The Committee overviews the Company's accounting policies, internal control and financial reporting procedures and provides a forum through which the Company's external auditors report to the Board. The Audit Committee also undertakes the duties of the Engagement Committee, and therefore also reviews all matters arising under the management agreement.

Nomination Committee

A Nomination Committee has not been formed as the size of the Board does not warrant its formation.

Internal Control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 ('the Turnbull guidance'). The process is now fully in place and has been throughout the year under review. The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, assisted by the Manager, has undertaken a full review of the Company's business risks during the year. The Board receives each year from the Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. Steps will continue to be taken to embed the system of internal control and risk management into the operations and culture of the Company and to deal with areas of improvement which come to management's and the Board's attention.

The Company does not have an internal audit function but it does have access to the internal audit department of Close Brothers Group which reports on the Manager's activities. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

Going Concern

After making reasonable enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

Statement of Compliance

The Directors consider that the Company has complied throughout the year ended 31 March 2003 with all the relevant provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Services Authority. The Company continues to comply with the Code as at the date of this report.

DIRECTORS' REMUNERATION REPORT

Introduction

This report is submitted in accordance with the Directors Remuneration Report Regulations 2002 in respect of the year ended 31 March 2003.

Remuneration Committee

Since the Company has no executive directors and consists solely of non-executive directors, a remuneration committee is not warranted.

Directors' remuneration policy

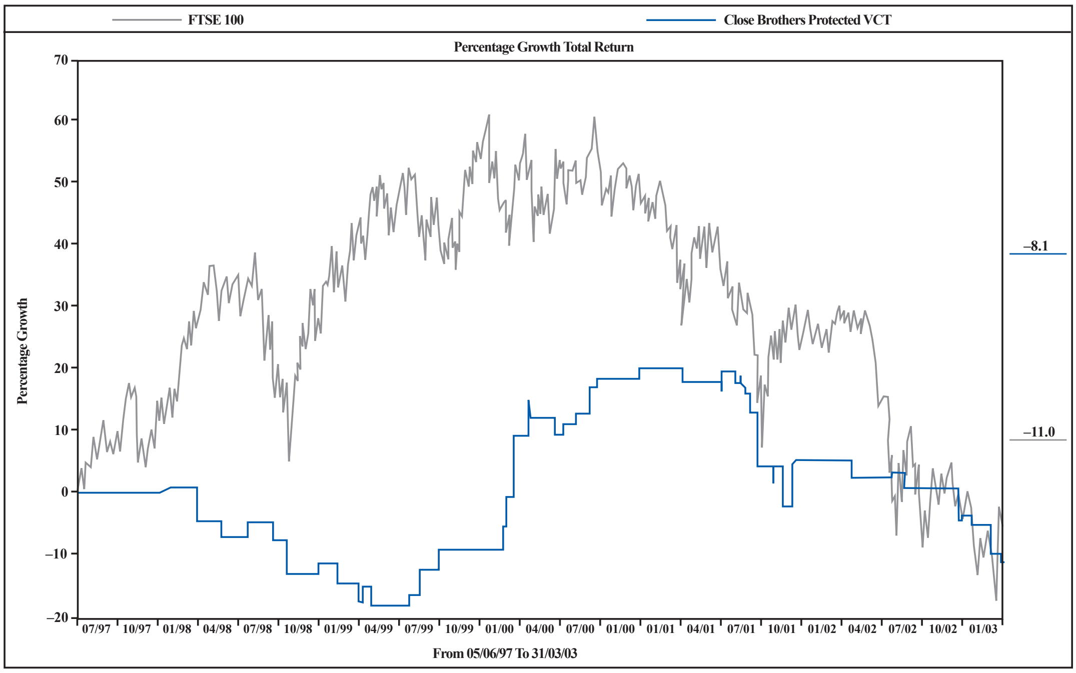
The Company's policy is that fees payable to non-executive directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration market equivalents are considered in comparison to the overall activities and size of the Company.

The maximum level of non-executive directors' remuneration is fixed by the Company's Articles of Association, amendment to which is by way of a special resolution subject to ratification by shareholders. The Articles of Association provide for aggregate non-executive directors' fees not to exceed £60,000 per annum.

Performance graph

The graph below shows the performance of Close Brothers Protected VCT PLC's share price against the FTSE 100 Index, in both instances with dividends reinvested, over the last six years. The directors consider this to be the nearest equivalent benchmark, however, would remind investors that shares in VCT's generally continue to trade at a discount to the actual net asset value of the Company.

There are no options, issued or exercisable, in the Company which would distort the graphical representation below.



No director has a service contract with the Company.

Directors' remuneration

The following items have been audited:

The following table shows a breakdown of the remuneration of individual Directors, inclusive of National Insurance or VAT:

	Year ended 31 March 2003 £'000			Year ended 31 March 2002 £'000		
	Fees £'000	**Expenses £'000**	**Total £'000**	**Fees £'000**	**Expenses £'000**	**Total £'000**
Martin Bralsford	13	1	14	13	2	15
Giles Pitman	15	–	15	15	–	15
Christopher Holdworth-Hunt	14	–	14	14	–	14
John Snook	15	–	15	15	–	15
	57	1	58	57	–	59

The Company does not confer any share options, long term incentives or retirement benefits to any director, nor does it make a contribution to any pension scheme on behalf of the directors.

Christoper Holdsworth Hunt's services are provided by KBC Peel Hunt Ltd.
John Snook's services are provided by Close Brothers Private Equity Limited.

In addition to directors' remuneration the Company pays annual premiums in respect of directors' liability insurance.

By Order of the Board

J M Gain
Secretary

24 June 2003

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CLOSE BROTHERS PROTECTED VCT PLC

We have audited the financial statements of Close Brothers Protected VCT PLC for the year ended 31 March 2003 which comprise the statement of total return, the balance sheet, the cash flow statement, the statement of accounting policies and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the statement of directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Directors' remuneration report. Our responsibility is to audit the financial statements and the part of the Directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2003 and the total return for the year then ended; and
- the financial statements and part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors
London 24 June 2003

Close Brothers Protected VCT PLC
Statement of Total Return (incorporating the revenue account) for the year ended 31 March 2003

	Note	31 March 2003 Revenue £'000	Capital £'000	Total £'000	31 March 2002 Revenue £'000	Capital £'000	Total £'000
Losses on investments	2	–	(3,186)	(3,186)	–	(2,022)	(2,022)
Investment income	3	536	–	536	692	–	692
Investment management fees	4	(91)	(126)	(217)	(88)	(173)	(261)
Other expenses	5	(144)	(71)	(215)	(94)	(46)	(140)
Return on ordinary activities before tax		301	(3,383)	(3,082)	510	(2,241)	(1,731)
Tax on ordinary activities	7	(24)	16	(8)	(75)	32	(43)
Return attributable to shareholders		277	(3,367)	(3,090)	435	(2,209)	(1,774)
Dividends	8	(245)	–	(245)	(415)	(207)	(622)
Transfer to/(from) reserves	14	32	(3,367)	(3,335)	20	(2,416)	(2,396)
Return per share (pence)	9	1.1p	(13.0)p	(11.9)p	1.6p	(8.0)p	(6.4)p

All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.
The accompanying notes are an integral part of this statement.

Close Brothers Protected VCT PLC
Balance Sheet at 31 March 2003

	Note	31 March 2003 £'000	31 March 2002 £'000
Fixed asset investments			
Qualifying investments		17,084	17,774
Non-qualifying investments		3	4,007
Total fixed asset investments	10	17,087	21,781
Current assets			
Debtors	11	97	267
Cash at bank and in hand		2,211	3,624
		2,308	3,891
Creditors: amounts falling due within one year	12	(244)	(527)
Net current assets		2,064	3,364
Total assets less current liabilities		19,151	25,145
Capital and reserves			
Called up share capital	13	12,260	13,832
Special reserve	14	9,706	12,365
Capital redemption reserve	14	1,678	106
Realised capital reserve	14	(722)	12
Unrealised capital reserve	14	(3,839)	(1,206)
Revenue reserve	14	68	36
Equity shareholders' funds	16	19,151	25,145
Net asset value per ordinary share (pence)	15	78.1p	90.9p

The financial statements on pages 26 to 39 were approved by the Board of Directors on 24 June 2003 and were signed on its behalf by

Martin Bralsford
Chairman

Close Brothers Protected VCT PLC
Cash Flow Statement
for the year ended 31 March 2003

	Note	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Operating activities			
Investment income received		524	481
Deposit interest received		117	75
Other income received		–	1
Investment management fees paid		(226)	(278)
Other cash payments		(226)	(141)
Net cash inflow from operating activities	18	189	138
Taxation			
UK corporation tax repaid		–	232
Capital expenditure and financial investment			
Purchase of investments		(3,935)	(1,910)
Disposals of investments		5,529	4,206
Net cash inflow from investing activities		1,594	2,296
Equity dividends paid			
Revenue dividends paid on ordinary shares		(414)	(486)
Capital dividends paid on ordinary shares		(123)	(278)
Net cash inflow before financing		1,246	1,902
Financing			
Purchase of own shares		(2,659)	(143)
Net cash outflow from financing		(2,659)	(143)
(Decrease)/increase in cash	17	(1,413)	1,759

The accompanying notes are an integral part of these statements.

Close Brothers Protected VCT PLC
Notes to the financial statements
for the year ended 31 March 2003

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). 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.

Close Brothers Protected VCT PLC
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. 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. Income received is treated in accordance with Financial Reporting Standard No. 16.

Management expenses

All the management fees relating to investments quoted on AIM, 50 per cent. of the management fees relating to asset-based investments and one third of all other expenses (other than management fees), representing the proportion of the investment management fee and other expenses attributable to the enhancement of the value of the investments of the company, have been charged to capital reserves, net of corporation tax. All of the remaining investment management fees and the balance of other expenses are charged to the revenue account.

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.

Close Brothers Protected VCT PLC
Notes to the financial statements (continued)

2. Losses on investments

	31 March 2003 £'000	31 March 2002 £'000
Realised (losses)/gains on disposal	(424)	998
Permanent impairment	(129)	(250)
Increase in unrealised depreciation	(2,633)	(2,770)
Total	(3,186)	(2,022)

3. Investment income

	31 March 2003 £'000	31 March 2002 £'000
Income from investments		
UK franked investment income	63	76
UK unfranked investment income	404	507
	467	583
Other income		
Deposit income	69	108
Other income	–	1
Total income	536	692
Total income comprises:		
Dividends	63	76
Interest	473	615
Other	–	1
	536	692
Income from investments:		
Listed	109	192
Unlisted	358	391
	467	583

4. Investment management fees

	31 March 2003			31 March 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fees	91	126	217	88	173	261

Further details of the Management Agreement under which the investment management fees are paid are given in the Report of the Directors, along with details of the management performance incentive fee. The fees are attributable to the net asset value of the Company as follows:

	AIM investments £'000	Loan investments £'000	Other investments £'000	Asset-based investments £'000	Total £'000
31 March 2003	114	67	12	24	217
31 March 2002	175	69	17	–	261

Close Brothers Protected VCT PLC
Notes to the financial statements (continued)

5. Other expenses

	31 March 2003 £'000	31 March 2002 £'000
Secretarial and administrative fee	33	33
Directors' fees	58	59
Auditors' remuneration – audit fees	14	13
Other	110	35
Total	215	140

Costs associated with the tender offer are included in 'Other' and amount to approximately £50,000.

6. Directors' fees

The remuneration for the Chairman, which was equal to that received individually by one of the other Directors, was £12,700, excluding statutory deductions or VAT (2002: £12,700). Mr J T Snook, who is a director of Close Brothers Investment Limited, received no fee personally. However Close Brothers Private Equity Limited, on his behalf, received £12,700, (2002: £12,700).

7. Tax on ordinary activities

	31 March 2003			31 March 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax at 20%	8	–	8	43	–	43
Tax attributable to capital expenses	16	(16)	–	32	(32)	–
	24	(16)	8	75	(32)	43

	31 March 2003			31 March 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities before taxation	301	(3,383)	(3,082)	510	(2,241)	(1,731)
Tax charge/(credit) calculated on return on ordinary activities before taxation at the applicable rate of corporation tax of 20%	60	(676)	(616)	102	(448)	(346)
Effects of:						
Non taxable gains on investments	–	637	637	–	404	404
Tax attributable to capital expenses	16	(16)	–	32	(32)	–
Expenses charge to capital	(39)	39	–	(44)	44	–
Non taxable income	(13)	–	(13)	(15)	–	(15)
UK Corporation tax charge/(credit) for the year	24	(16)	8	75	(32)	43

Notes

(i) Venture Capital Trusts are not subject to corporation tax on capital gains.

(ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to all expenses proportionately by reference to the applicable corporation tax rate of 20% and allocating the relief in the same ratio as expenses between revenue and capital.

(iii) No deferred tax asset or liability has arisen in the year.

(iv) Tax is provided at the current rate of 20 per cent.

Close Brothers Protected VCT PLC
Notes to the financial statements (continued)

8. Dividends

	31 March 2003 £'000	31 March 2002 £'000
Net interim revenue dividend paid of 0.50 pence per share (2002: 0.75p)	123	208
Net final proposed revenue dividend of 0.50 pence per share (2002: 0.75p)	122	207
Net final proposed capital dividend of nil pence per share (2002: 0.75p)	–	207
	245	622

9. Return per share

	31 March 2003			31 March 2002		
	Revenue	Capital	Total	Revenue	Capital	Total
Equity shares	1.1p	(13.0)p	(11.9)p	1.6p	(8.0)p	(6.4)p

Revenue return per share is based on the net revenue on ordinary activities after taxation but before deduction of dividends of £277,000 (2002: £435,000) in respect of 25,858,642 shares (2002: 27,743,313 shares), being the weighted average number of shares in issue during the year.

Capital return per share is based on net capital loss for the financial year of £3.3 million (2002: loss of £2.2 million) in respect of 25,858,642 shares (2002: 27,743,313 shares), being the weighted average number of shares in issue during the year.

10. Fixed asset investments

	31 March 2003 £'000	31 March 2002 £'000
Qualifying AIM investments	3,729	6,594
Qualifying loan investments	11,105	11,180
Qualifying asset-based investments	2,250	–
Non-qualifying listed investments	–	4,001
Non-qualifying AIM investments	3	6
Total	17,087	21,781

Close Brothers Protected VCT PLC
Notes to the financial statements (continued)

10. Fixed asset investments (continued)

	Qualifying AIM investments £'000	Qualifying loan investments £'000	Qualifying asset-based investments £'000	Non-qualifying listed £'000	Non-qualifying AIM £'000	Total £'000
Valuation basis						
Opening valuation	6,594	11,180	–	4,001	6	21,781
Purchases at cost	710	975	2,250	–	–	3,935
Sales – proceeds	(393)	(1,050)	–	(4,000)	–	(5,443)
– realised (losses)/gains on disposal	(427)	–	–	5	(2)	(424)
Realisation of revaluation gains from previous years	232	–	–	(6)	2	228
Permanent impairment	(129)	–	–	–	–	(129)
Increase in unrealised depreciation	(2,858)	–	–	–	(3)	(2,861)
Closing valuation	3,729	11,105	2,250	–	3	17,087
Historic cost basis						
Opening book cost	7,803	11,180	–	3,995	9	22,987
Purchases	710	975	2,250	–	–	3,935
Permanent impairment	(129)	–	–	–	–	(129)
Disposals at cost	(819)	(1,050)	–	(3,995)	(3)	(5,867)
Closing book cost	7,565	11,105	2,250	–	6	20,926
Unrealised depreciation						
Opening unrealised depreciation	(1,209)	–	–	6	(3)	(1,206)
Net increase in unrealised depreciation	(2,627)	–	–	(6)	–	(2,633)
Closing unrealised depreciation	(3,836)	–	–	–	(3)	(3,839)

11. Debtors

	31 March 2003 £'000	31 March 2002 £'000
Other debtors	–	85
UK tax recoverable	3	11
Prepayments and accrued income	94	171
	97	267

12. Creditors: amounts falling due within one year

	31 March 2003 £'000	31 March 2002 £'000
Operating creditors and accruals	119	111
Proposed dividend	122	414
Other creditors	3	2
	244	527

Close Brothers Protected VCT PLC
Notes to the financial statements (continued)

13. Called up share capital

	31 March 2003 £'000	31 March 2002 £'000
Authorised:		
50,000,000 ordinary shares of 50p each (2002: 50,000,000)	25,000	25,000
Allotted, called up and fully-paid:		
24,519,063 ordinary shares of 50p each (2002: 27,663,838)	12,260	13,832

Details of the shares purchased by the Company for cancellation can be found in the report of the directors.

14. Reserves

	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
Beginning of year	12,365	106	12	(1,206)	36	11,313
Cancellation of own shares	(2,659)	1,572	–	–	–	(1,087)
Loss on realisation of investments	–	–	(424)	–	–	(424)
Permanent impairment	–	–	(129)	–	–	(129)
Unrealised depreciation	–	–	–	(2,633)	–	(2,633)
Costs charged to capital net of tax	–	–	(181)	–	–	(181)
Retained net revenue for the year	–	–	–	–	32	32
End of year	9,706	1,678	(722)	(3,839)	68	6,891

Close Brothers Protected VCT PLC
Notes to the financial statements (continued)

15. Net asset value per share

The net asset value per share and the net asset values at the year end calculated in accordance with the Articles of Association were as follows:

	31 March 2003	31 March 2002
Net asset value per share	78.1p	90.9p

	31 March 2003 £'000	31 March 2002 £'000
Total net assets at beginning of year	25,145	27,684
Purchase of own shares	(2,659)	(143)
Total return for the period	(3,090)	(1,774)
Dividends appropriated in the year	(245)	(622)
Total net assets at end of year	19,151	25,145

Net asset value per ordinary share is based on net assets at the year end, and on 24,519,063 ordinary shares, (2002: 27,663,838) being the number of ordinary shares in issue at the year end.

16. Reconciliation of movements in shareholders' funds

	31 March 2003 £'000	31 March 2002 £'000
Opening shareholders' funds	25,145	27,684
Purchase of own shares	(2,659)	(143)
Total return to shareholders before dividends	(3,090)	(1,774)
Dividends	(245)	(622)
Closing shareholders' funds	19,151	25,145

17. Analysis of changes in cash during the period

	31 March 2003 £'000	31 March 2002 £'000
Beginning of year	3,624	1,865
(Decrease)/increase in cash in the year	(1,413)	1,759
End of year	2,211	3,624

Close Brothers Protected VCT PLC
Notes to the financial statements (continued)

18. Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities

	31 March 2003 £'000	31 March 2002 £'000
Net revenue before finance costs and taxation	301	510
Investment management fee charged to capital	(126)	(173)
Other expenses charged to capital	(71)	(46)
Decrease/(increase) in debtors	77	(83)
Increase/(decrease) in creditors	8	(16)
Tax on investment income	–	(54)
Net cash inflow from operating activities	189	138

19. Financial instruments and risk management

The Company's financial instruments, other than derivatives, comprise equity holdings, floating rate notes, cash and liquid resources. The main purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations.

The principal risks arising from the Company's operations are:

- interest rate risk; and
- market risk price.

The main risks arising from the Company's financial instruments are interest rate risk and fluctuations in equity values. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the financial year.

Interest rate risk

The Company's policy is to accept a degree of interest rate risk. On the basis of the Company's analysis, it is estimated that a fall of one percentage point in all interest rates would have reduced 31 March 2003 profits before tax by approximately 17 per cent. (2002: 15 per cent.) before taking into account any increase from the Company's equity investments.

Market price risk

The Company's exposure to market price risk comprises the equity value of its AIM investments. As a venture capital trust, it is the company's specific nature to evaluate and control the investment risk of its portfolio, the results of which are detailed in the portfolio review. The Board monitors these exposures on a regular basis.

Close Brothers Protected VCT PLC
Notes to the financial statements (continued)

19. Financial instruments and risk management (continued)

Financial assets

The Company's interest rate risk on its financial assets are as follows;

Currency

	31 March 2003				31 March 2002			
	Fixed Rate £'000	Floating Rate £'000	No Interest £'000	Total £'000	Fixed Rate £'000	Floating Rate £'000	No Interest £'000	Total £'000
Sterling	1,275	13,316	8,546	23,137	–	18,804	7,811	26,615

Floating rate financial assets comprise:

- Qualifying loan assets – bear interest at 2 per cent. below base, with a minimum of 2 per cent.
- Non-qualifying – floating rate notes bear interest at rates based predominantly on LIBOR, while bank deposits are based at current rates.

Fixed rate financial assets comprise:

- Loan stock attached to asset-based investments which bear interest at rates based on predetermined yield targets. The weighted average interest rate at 31 March 2003 was 16.6 per cent.

No interest assets comprise:

- Equity investments.

Financial liabilities

The Company has no financial liabilities other than short-term creditors.

Currency exposure

As at 31 March 2003, the Company has no foreign currency exposures (2002: £nil).

Borrowing facilities

The Company has no committed borrowing facilities as at 31 March 2003 (2002: £nil).

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 March 2003 are stated in accordance with BVCA guidelines which the directors agree represent a fair value. See note 1 to the accounts.

20. Contingencies, guarantees and financial commitments

There are no contingencies or guarantees made by the Company at the year end.

The Company had committed to purchase 857,143 shares in Deltex Medical Group at 7.0 pence per share. The transaction was completed on 24 April 2003.

Close Brothers Protected VCT PLC
Notes to the financial statements (continued)

21. Post balance sheet events

The Company, on a monthly basis announces to thr London Stock Exchange its net asset value (NAV). As at 31 May 2003, the Company's NAV was approximately 81.5 pence per share, after taking account of the final dividend.

The following investment has been disposed of since 31 March 2003;
- In April 2003, 50,000 Inter Link Foods shares were sold for a profit of £110,000.

The following investment has been made since 31 March 2003;
- In April 2003, a further £75,000 has been invested in Deltex Medical, as disclosed in note 20.

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Close Brothers Protected VCT PLC will be held at 11 a.m. on 5 August 2003 at 12 Appold Street, London EC2A 2AW for the purpose of dealing with the following business of which item 5 is special business.

Ordinary Business

1 To receive and adopt the accounts and the reports of the Directors and Auditors for the year ended 31 March 2003.

2 To reappoint Deloitte & Touche as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.

3 To approve the directors' remuneration report.

4 To declare a final revenue dividend of 0.50 pence net per Ordinary Share of 50p for the year ended 31 March 2003 payable to Shareholders on the register at the close of business on 4 July 2003.

Special Business

To consider and, if thought fit, pass the following resolution which will be proposed as a Special Resolution:

5 That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of Ordinary Shares of 50p each in the capital of the Company ('Shares') provided that:

(a) the maximum aggregate number of Shares authorised to be purchased is 2,451,906 (representing 10 per cent. of the issued share capital);

(b) the minimum price which may be paid for a Share is 50p;

(c) the maximum price which may be paid for a Share is an amount equal to 5 per cent. above the average of the middle market quotations for a share in the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Share is purchased;

(d) this authority expires at the conclusion of the next Annual General Meeting of the Company or eighteen months from the date of the passing of this resolution whichever is earlier; and

(e) the Company may make a contract or contracts to purchase Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Shares in pursuance of any such contract or contracts.

BY ORDER OF THE BOARD

J M GAIN
Secretary
Registered Office
12 Appold Street,
London EC2A 2AW

Date: 24 June 2003

NOTES

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. Such proxy need not be a member of the Company.
2. A form of proxy is enclosed and to be valid must be lodged with the Registrars of the Company not less than forty-eight hours before the time fixed for the meeting.
3. The register of interests of directors kept by the Company in accordance with Section 325 of the Companies Act 1985 will be open for inspection at the meeting.
4. No director has a contract of service with the Company.

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