CLOSE BROTHERS

PROTECTED

VCT

PLC

Report & Accounts
for the year ended
31 March 2006

The Crown Hotel, Harrogate
(left and inset below)
A turnaround opportunity, including refurbishment and the introduction of new management to an existing long established and well respected hotel .

The Express by Holiday Inn, Stansted Airport *(below)*
Developed by Kew Green VCT (Stansted) Limited

The Picturehouse Cinema, Greenwich *(below)*
Operated by CS (Greenwich) Limited

37 Degrees Health club, Tower Bridge *(above)*
Developed by the Tower Bridge Health Club Limited

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DIRECTORS AND ADMINISTRATION

Directors	D M Bralsford MSc, FCA, FCT, Chairman G W Pitman MA, FCA, ACMA C Holdsworth Hunt MSI P H Reeve MA, ACA
Investment Manager	Close Venture Management Limited 4 Crown Place London EC2A 4BT Tel: 020 7422 7830
Secretary and Registered Office	Close Venture Management Limited 10 Crown Place London EC2A 4FT
Registrar	Capita Registrars The Registry 34 Beckenham Road Kent BR3 4TU Tel: 0870 162 3100
Auditors	Deloitte & Touche LLP London
Taxation Advisers	Ernst & Young LLP 1 More London Place London SE1 2AF
Lawyers	Berwin Leighton Paisner Adelaide House London Bridge London EC4R 9HA
Custodians	RBSI Custody Bank Limited Liberty House 19-23 La Motte Street St Helier Jersey JE4 5RL Capita Trust Company Limited Guildhall House 81-87 Gresham Street London EC2V 7QE
Company Number	3265074

FINANCIAL HIGHLIGHTS

	Year ended 31 March 2006	Year ended 31 March 2005 (restated*)
Total return per share (pence)	5.6	2.2
Total revenue dividends per share (pence)	3.4	2.6
Net asset value per share (pence)	93.3	92.1

Shareholder value since launch:	**Year ended 31 March 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 to 31 March 2006	25.95
Net asset value at 31 March 2006	93.28
Total at 31 March 2006	**119.23**

* The change in presentation of the above table in comparison to prior periods reflects the adoption of FRS 21 which requires only dividends paid or approved by shareholders to be disclosed in each period. Note 3 in the notes to the financial statements provides further explanation.

In addition to the dividends paid, the Board has declared a dividend of 2.00 pence to be paid on 25 August 2006 for those shareholders on the register on 28 July 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.

INVESTMENT OBJECTIVES

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

- **Qualifying Asset Based Investments**
  These comprise investments principally in the hotel, care home, leisure and residential development sectors, comprising a mixture of equity and loan stock, with the loan stock normally holding a first charge over freehold or long leasehold property.

- **Qualifying AIM Investments**
  These comprise new ordinary shares issued by companies quoted on AIM.

- **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.

FINANCIAL CALENDAR

Annual General Meeting	6 September 2006
Record date for first dividend	28 July 2006
Payment of first dividend	25 August 2006
Announcement of interim results for the six months ended 30 September 2006	December 2006
Payment of second dividend	January 2007

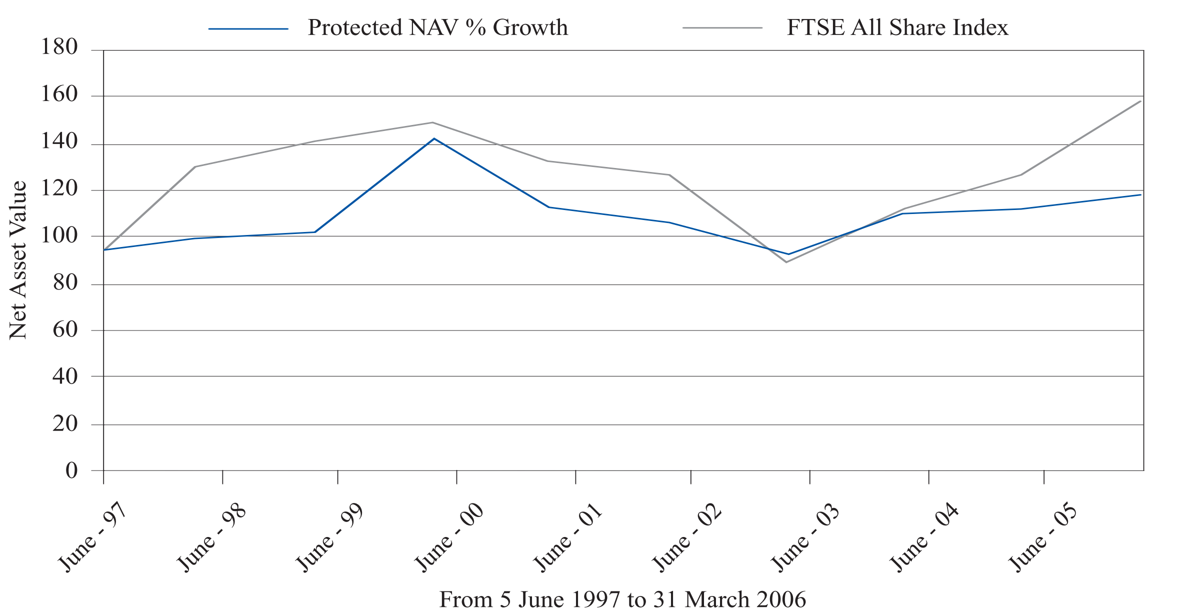
CHAIRMAN’S STATEMENT

I am pleased to report that your Company’s investment portfolio continues to show progress. Overall, £3.6m was invested in property based companies during the year. At the same time, the AIM portfolio continues to be gradually disposed of, realising net profits of £468,000 on proceeds of £1.4 million over the same period. In addition, following the year end, the Company’s two nursing home investments, Applecroft and Barleycroft Care Homes (based in Dover and Romford respectively) were sold for an aggregate capital profit of over £1m and a total rate of return on the investments of approximately 20% per annum.

Your Company’s net asset value is now 93.3 pence per share and the Company has generated a total return of 5.6 pence per share for the year. Under the new accounting standards recently adopted, dividends are recognised in the year in which they are paid, rather than in respect of the year in which they are declared. Total dividends paid in the financial year amounted to 4.5 pence per share. These included the final dividend of 1.5 pence for the previous financial year, along with the first interim dividend of 1.8 pence, and a special additional second interim dividend of 1.2 pence which was paid in the year as a result of these new accounting standards. It is your Board’s intention to pay first and second dividends, to be declared at the time of the final and interim results. Following the disposals referred to above, the Company’s reserves continue to grow and it is your Board’s intention to maintain its progressive dividend policy. For the current year, we anticipate total dividends of 4 pence per share, in two equal payments from realised capital and revenue reserves.

The performance of the net asset value against the FTSE All Share with dividends invested in both cases, is shown below:

Percentage Growth Total Return



Review of investments and prospects

Our key areas for new investment continue to be property-based companies in the hotel, care home, leisure and residential property development sectors.

In the hotel sector the 183 bedroom “Express by Holiday Inn” at Stansted Airport performed particularly well, resulting in a further uplift in value, and showing further capacity for growth. Against this, we have made provisions against the value of our mid-market hotels, The Bear at Hungerford, The Bell at Sandwich and the Crown at Harrogate. Each of these represents a turnaround opportunity, including

CHAIRMAN'S STATEMENT
(continued)

refurbishment and the introduction of new management to existing long-established and well-respected hotels. Whilst the prospects of these units, we believe, remain strong and their trading income has grown considerably, the turn-around processes are each taking longer than we anticipated.

Following the sale of the two nursing home investments, the Company is not now currently invested in that sector. We are nevertheless looking at potential care home investment opportunities in the south of England. In the leisure sector, meanwhile, we have made considerable progress in building up a portfolio of companies owning and operating public houses around the UK and have also invested in two new health and fitness club projects. The first, the Weybridge Club, is currently developing a club on a thirty-acre freehold site in Weybridge, Surrey. The second, Tower Bridge Healthclub, has developed a leasehold property adjacent to Tower Bridge London. It opened in May and already has over 1,500 members. Our residential development investments, meanwhile, are facing a quiet market and, following the failure of one of our partners, Youngs VCT Limited will be wound up at the end of its current development with the proceeds, which we currently anticipate being equivalent to cost, returned to the Company.

We have had a successful year in the realisation of our AIM portfolio. Progress in the current year will be slower, partly because we believe that some of our remaining holdings are undervalued in the current market, and the need to preserve our qualifying investment levels in order to comply with the VCT regulations.

New accounting standards

During the year, the Company adopted the new Financial Reporting Standards ("FRS") 21-26, which have been issued with the intention to move to more internationally consistent accounting treatment and disclosure. The effect of these changes is disclosed in full in notes 2 and 3 to the financial statements.

Results and dividends

As at 31 March 2006 net asset value was £22.8 million or 93.3 pence per share which compares with a re-stated net asset value at 31 March 2005 of £22.5 million or 92.1 pence per share (which is stated before accruing for the final dividend of 1.8 pence per share for the 2005 financial year). Revenue return after taxation was £835,000 compared to £644,000 for the previous period. The Board declares a first interim dividend of 2 pence per share, paid out of realised capital reserves. This dividend will be paid on 25 August 2006 to shareholders registered on 28 July 2006.

Martin Bralsford
Chairman — 18 July 2006

THE BOARD OF DIRECTORS

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

***Martin Bralsford (58) 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, retail and property conglomerate. He is a resident of Jersey and is also chairman of Acorn Income Fund Limited.

***Giles Pitman (67) 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 (63) MSI** was a 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 was head of Corporate Finance and was 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. He is Chairman of the Melchior Japan Investment Trust PLC and a director of Close IHT Aim VCT PLC, a venture capital trust managed by Close Investments Limited, a subsidiary of Close Brothers Group plc.

Patrick Reeve (46) MA, ACA. He 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 Limited with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996. He is also a Director of Close Technology & General VCT PLC.

* indicates those directors who are independent of the Manager.

THE MANAGER

Close Venture Management Limited, a subsidiary of Close Brothers Group plc which is authorised and regulated by the Financial Services Authority, is the Manager of Close Brothers Protected VCT PLC. In addition to Close Brothers Protected VCT PLC it manages a further five venture capital trusts, and has total funds under management of £240 million.

Close Venture Management Limited won the "Best VCT Provider" category in the Professional Adviser Awards 2005 and 2006, and "VCT Manager of the Year" at the 2005 and 2006 Growth Company Awards.

The Manager's ultimate parent company is Close Brothers Group plc, a substantial independent merchant banking group incorporated in Great Britain and listed on the London Stock Exchange.

The following are specifically responsible for the management and administration of the venture capital trusts managed by Close Venture Management Limited, including Close Brothers Protected VCT PLC:

Patrick Reeve, (46), MA, ACA. He 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 plc 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 Limited with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996. He is also a Director of Close Technology & General VCT PLC.

Henry Stanford, (41), MA, ACA. He qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of the Close Brothers Group plc in 1992. He became an assistant director in 1996 and transferred to Close Venture Management Limited in 1998 to concentrate on VCT investment.

Will Fraser-Allen, (35), 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 Limited in 2001.

Emil Gigov, (36), BA (Hons), ACA qualified as a chartered accountant with KPMG in 1997 and subsequently worked in KPMG's corporate finance division working on the media, marketing and leisure sectors. He joined Close Venture Management Limited in 2000.

Isabel Dolan, (41), ACA, MBA is Finance Director of Close Venture Management Limited having previously been Finance Director for a number of unquoted companies. From 1993-1997 she was Head of Recoveries at the Specialised Lending Services of the Royal Bank of Scotland plc and from 1997-2001 she was a Portfolio Director at 3i plc. She joined Close Venture Management Limited in 2005.

David Gudgin, (33), BSc (Hons), ACMA, after working for ICL from 1993 to 1999 where he qualified as an accountant, he joined 3i Plc as an investment manager based in London and Amsterdam. In 2002 he joined Foursome Investments, the venture capital arm of the Englehorn family, responsible for investing an evergreen fund of US$80 million, before joining Close Venture Management Limited in 2005.

Robert Whitby-Smith, (31), BA (Hons), MSI, ACA qualified as a chartered accountant with KPMG in their corporate finance division. From 2000 to early 2005 he worked in the UK corporate finance departments of Credit Suisse First Boston and subsequently ING Barings, where he was a vice president. He joined Close Venture Management Limited in 2005.

THE MANAGER
(continued)

Ed Lascelles, (30), BA (Hons), joined the corporate broking department of Charterhouse Securities in 1998 focusing on primary and secondary equity fundraisings. He then moved to the corporate finance department of ING Barings in 2000, retaining his focus on smaller UK companies. He joined Close Venture Management Limited in 2004.

Andrew Elder, (35), MA, FRCS. After qualifying as a surgeon he practised for six years, specialising in neurosurgery before joining the Boston Consulting Group as a consultant in 2001 specialising in healthcare strategy. He joined Close Venture Management Limited in 2005.

Mark Toomey, (29), BA (Hons), after graduating from The London School of Economics with a degree in Geography and Economics, he joined Lee & Allen Consulting focusing on forensic accounting. He joined Close Venture Management Limited in 2001.

PORTFOLIO OF INVESTMENTS

The following table sets out a summary of the Company's investments at 31 March 2006 by investment category:

Investment Category	**Total carrying/ fair value £'000**
Asset-based investments	16,368
AIM Investments	2,394
Total qualifying investments	18,762
Total non-qualifying investments	1,810
Total investments	**20,572**

QUALIFYING INVESTMENTS PORTFOLIO SUMMARY

	At 31 March 2006			At 1 April 2005(ii)		
Sector and investment	**Investments at cost £'000**	**Cumulative(i) movement in carrying/ fair value £'000**	**Total carrying/ fair value £'000**	**Investments at cost £'000**	**Cumulative(i) movement in carrying/ fair value £'000**	**Total carrying/ fair value (iii) £'000**
Hotels						
Kew Green VCT (Stansted) Ltd	3,000	1,028	4,028	2,000	670	2,670
The Bear Hungerford Ltd	950	(275)	675	950	–	950
The Place Sandwich VCT Ltd	550	(32)	518	550	–	550
The Rutland Pub Company (Hotels) Ltd	200	7	207	–	–	–
The Crown Hotel Harrogate Ltd	1,000	(129)	871	–	–	–
Total investment in the hotel sector	**5,700**	**599**	**6,299**	**3,500**	**670**	**4,170**
Care Homes						
Applecroft Care Home Ltd	1,925	450	2,375	1,925	65	1,990
Barleycroft Care Home Ltd	2,275	624	2,899	2,000	10	2,010
Total investment in the care home sector	**4,200**	**1,074**	**5,274**	**3,925**	**75**	**4,000**
Leisure						
City Screen (Liverpool) Ltd	250	32	282	250	(27)	223
The Bold Pub Company Ltd	990	172	1,162	930	31	961
Churchill Taverns VCT Ltd	140	(2)	138	100	–	100
C S (Greenwich) Ltd	370	(32)	338	370	9	379
The Independent Pub Company (VCT) Ltd	200	(47)	153	200	–	200
GB Pub Company VCT Ltd	120	–	120	–	–	–
The Independent Beer Company Ltd	70	(5)	65	–	–	–
The Rutland Pub Company Ltd	50	2	52	–	–	–
The Dunedin Pub Company Ltd	70	–	70	–	–	–
CS (Brixton) Ltd	115	8	123	–	–	–
CS (Exeter) Ltd	45	1	46	–	–	–
Tower Bridge Health Clubs Ltd	170	–	170	–	–	–
Total investment in the leisure sector	**2,590**	**129**	**2,719**	**1,850**	**13**	**1,863**
Residential Development						
Maplecroft VCT Ltd	113	(78)	35	638	(90)	548
Youngs VCT Ltd	1,000	–	1,000	1,000	–	1,000
Wickenhall Mill VCT Ltd	875	(34)	841	875	–	875
Chase Midland VCT Ltd	200	–	200	–	–	–
Total investment in residential development	**2,188**	**(112)**	**2,076**	**2,513**	**(90)**	**2,423**
AIM investment portfolio						
Bond International Software PLC	251	277	528	305	245	550
Pilat Media Global PLC	313	143	456	313	86	399
Pennant International Group PLC	499	(256)	243	499	(264)	235
Clipper Ventures PLC	329	(111)	218	350	(201)	149
Intelligent Environments Group PLC	270	(58)	212	270	38	308
Top 5 AIM investments	**1,662**	**(5)**	**1,657**	**1,737**	**(96)**	**1,641**
Other AIM investments	**3,156**	**(2,419)**	**737**	**3,967**	**(1,546)**	**2,421**
Total Qualifying investments	**19,496**	**(734)**	**18,762**	**17,492**	**(974)**	**16,518**

(i) Included in this movement is capital depreciation of equity instruments amounting to £753,000 (2005: £1,065,000) and the movement in carrying value of loans and receivables of £19,000 (2005: £90,000).

(ii) Adjusted values at 1 April 2005 are shown in order to adjust the valuations to a common basis under FRS 26.

(iii) Included in this total is the accrued loan stock interest as at 1 April 2005 of £90,000, adjusted as required by the adoption of FRS 26.

PRINCIPLE PORTFOLIO COMPANIES

Unquoted loan stock held by the following investments is classified as loans and receivables in accordance with FRS 26 and carried at amortised cost using the Effective Interest Rate. The top 10 investments by value are as follows:

Kew Green VCT (Stansted) Limited

Kew Green VCT (Stansted) was established to develop and operate a limited service hotel under the "Express by Holiday Inn" brand at Stansted Airport. The hotel opened in January 2005 and has been trading strongly.

Date of initial investment:	March 2003
Operating partner:	Kew Green Hotels Limited
Amount invested at 31 March 2006:	£3.00 million
Further amount reserved for investment:	Nil
Proportion of share capital and voting rights held:	20%
Basis of valuation:	Third party valuation
Latest audited financial information:	31 August 2005
	£'000
Turnover for the 7 month period	2,055
Loss before taxation for the 7 month period	(242)
Accumulated retained losses	(460)
Net assets	2,259

Barleycroft Care Home Limited

Barleycroft Care Home was formed to develop an 80 bed nursing home in Romford which opened in January 2005 and performance was encouraging over the year resulting in the sale of the care home in May 2006.

Date of initial investment:	October 2003
Operating partner:	Festival Care Homes Limited
Amount invested at 31 March 2006:	£2.275 million
Further amount reserved for investment:	Nil
Proportion of share capital and voting rights held at 31/03/2006:	23.2%
Basis of valuation:	Proceeds from sale

Applecroft Care Home Limited

Applecroft Care Home was formed to acquire an existing 75 bed nursing home in Dover. The acquisition took place in January 2005 and performance improved steadily over the year with the sale of the care home occurring in May 2006.

Date of initial investment:	August 2003
Operating partner/purchaser:	Festival Care Homes Limited
Amount invested at 31 March 2006:	£1.925 million
Further amount reserved for investment:	Nil
Proportion of share capital and voting rights held at 31/03/2006:	22.9%
Basis of valuation:	Proceeds from sale

PRINCIPLE PORTFOLIO COMPANIES
(continued)

The Bold Pub Company Limited

The company was formed to acquire a group of 10 freehold and long leasehold pubs in the North West of England. The company now owns and operates 28 pubs and further acquisitions are in process.

Date of initial investment:	February 2004
Operating partner:	The Pub Support Company Limited
Amount invested at 31 March 2006:	£0.99 million
Further amount reserved for investment:	Nil
Proportion of share capital and voting rights held:	8.1%
Basis of valuation:	Third party valuation
Latest audited financial information:	31 March 2005
	£'000
Turnover for the 16 month period	4,402
Profit before taxation for the 16 month period	114
Accumulated retained profits	8
Net assets	5,427

Youngs VCT Limited

The company has two apartments remaining at its 11 apartment scheme at Lee-on-the-Solent, overlooking the Isle of Wight, and has completed contracts on 8 of the 19 apartments in Southampton and 3 apartments have been reserved.

Date of initial investment:	March 2000
Operating partner:	Youngs Development Limited
Amount invested at 31 March 2006:	£1.00 million
Further amount reserved for investment:	Nil
Proportion of share capital and voting rights held:	21.19%
Basis of valuation:	Valuation at cost in view of the fact that Youngs VCT Ltd is a residential property development company and distributes all of its profits by way of dividend.
Latest audited financial information:	31 December 2005
	£'000
Turnover for the year	2,755
Loss before taxation for the year	240
Accumulated retained losses	5
Net assets	2,171

The Crown Hotel Harrogate Limited

The Crown Hotel was acquired in November 2005, and refurbishment of the first phase of bedrooms is currently under way.

Date of initial investment:	November 2005
Operating partner:	FPQR Ltd and Ali Kariminik
Amount invested at 31 March 2006:	£1 million
Further amount reserved for investment:	£0.35 million
Proportion of share capital and voting rights held:	8.85%
Basis of valuation:	Third party valuation
Latest audited financial information:	As a newly incorporated company, The Crown Hotel Harrogate Limited has not yet filed audited accounts.

PRINCIPLE PORTFOLIO COMPANIES
(continued)

Wickenhall Mill VCT Limited

The company is undertaking a development of nine houses on the site of a former mill on the edge of Saddleworth Moor between Manchester and Leeds.

Date of initial investment:	February 2005
Operating partner:	NZ0 Developments Limited
Amount invested at 31 March 2006:	£0.875 million
Further amount reserved for investment:	Nil
Proportion of share capital and voting rights held:	27.34%
Basis of valuation:	Valued at cost less provision for planning costs in view of the fact that Wickenhall Mill VCT Ltd is a residential property development company and distributes all of its profits by way of dividend.
Latest audited financial information:	As a newly incorporated company, Wickenhall Mill VCT Limited has not yet filed audited accounts.

The Bear Hungerford Limited

This company was formed to acquire the historic 41 room Bear Hotel in Hungerford. The hotel was acquired in March 2005 and a refurbishment programme is in progress.

Date of initial investment:	March 2005
Operating partner:	The Considered Hotel Company Limited
Amount invested at 31 March 2006:	£1.095 million
Further amount reserved for investment:	Nil
Proportion of share capital and voting rights held:	14.62%
Basis of valuation:	Third party valuation
Latest audited financial information:	As a newly incorporated company, The Bear Hungerford Limited has not yet filed audited accounts.

Bond International Software PLC

Bond International provides software for the international recruitment and human resources industries within the UK, USA and Australia. Shares in the company are quoted on AIM.

Date of initial investment:	December 1997
Amount invested at 31 March 2006:	£251,000
Further amount reserved for investment:	Nil
Proportion of share capital and voting rights held:	1.9%
Basis of valuation:	Bid price at 31 March 2006
Latest audited financial information:	31 December 2005
	£'000
Turnover for the year	13,924
Profit before taxation for the year	2,668
Accumulated retained profits	4,185

PRINCIPLE PORTFOLIO COMPANIES
(continued)

The Place Sandwich VCT Limited

This company was formed to acquire and operate the 33 room Bell Hotel in Sandwich. The hotel was acquired in January 2005 and is in the process of being refurbished.

Date of initial investment:	January 2005
Operating partner:	WAW Leisure Limited
Amount invested at 31 March 2006:	£0.55 million
Further amount reserved for investment:	Nil
Proportion of share capital and voting rights held:	13.75%
Basis of valuation:	Third party valuation
Latest audited financial information:	30 June 2005
	£'000
Turnover for the 5 month period	329
Loss before taxation for the 5 month period	(124)
Accumulated retained losses	(124)
Net assets	764

REPORT OF THE DIRECTORS

The Directors submit their Annual Report and Financial Statements on the affairs of the Company for the year to 31 March 2006.

Principal Activity and Status

The principal activity of the Company is that of a venture capital trust. It was approved by the H.M. Revenue & Customs 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 2006 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 on page 5.

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 for the year ended 31 March 2006 available for distribution	835
Final dividend paid for the year ended 31 March 2005, recognised in the current year in accordance with FRS 21, of 1.5 pence per share paid on 25 August 2005	(367)
First interim dividend for the year of 1.8 pence per share paid on 24 January 2006	(445)
Second interim dividend for the year of 1.2 pence per share paid on 31 March 2006	(296)
Total transferred from revenue reserve	(273)
Realised capital return for the year ended 31 March 2006 available for distribution	224
Unrealised capital return for the year ended 31 March 2006	312
Total transferred to capital reserve	536
Total transferred to reserves	263

In addition to the above dividend, the Board has declared a first dividend of 2.00 pence per share, (which will be paid on 25 August 2006 to shareholders registered on 28 July 2006) payable out of realised capital profits. In accordance with FRS 21, the dividend has not been accrued as a liability in these financial statements.

Future Prospects

Details on the future prospects of the Company are discussed by the Chairman in his statement on page 5.

Directors

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

	31 March 2006 Shares held	31 March 2005 Shares held
D M Bralsford	10,000	10,000
G W Pitman	5,000	5,000
C Holdsworth Hunt	36,000	36,000
P H Reeve	12,900	12,900

There have been no changes in the holdings of the Directors between 31 March 2006 and the date of this Report.

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

Mr P H Reeve is a Director of Close Venture Management 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.

Mr Reeve is remunerated through Close Venture Management Limited and the remainder of the Directors are remunerated personally.

Messrs. Bralsford, Pitman and Holdsworth Hunt are members of the Audit Committee, and Mr Pitman is the Chairman.

Director's retirement and re-election is subject to the Articles of Association and the Combined Code of Corporate Governance.

Management Agreement

The Company and the Manager entered into a new management agreement on 14 August 2002 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. In the opinion

REPORT OF THE DIRECTORS
(continued)

Management Agreement (continued)
of the Directors the continuing appointment of the Manager on the terms agreed is in the interests of the shareholders as a whole, because of the Manager's specialist knowledge of the venture capital market and in particular the chosen sectors of investment.

Following ratification by shareholders at the Extraordinary General Meeting on 26 February 2005, the management fee was, from 1 April 2005, standardised at 1.8 per cent. of the investments of the Company.

In addition, an annual secretarial and administrative fee of £27,865 (plus VAT) is payable to the Manager.

The fees owed to the Manager for these services at the year end, inclusive of VAT, totalled approximately £137,000.

Management Performance Incentive
In order to provide the Manager with an incentive to maximise the return to investors, and following the shareholders' approval at the Extraordinary General Meeting on 28 February 2005, a new performance incentive agreement has replaced the previous one with effect from 1 April 2005. The incentive is based on a share of the excess return above a hurdle rate, paid out annually in cash as an addition to the management fee. The share of the excess return will be 10 percent. (plus VAT). The hurdle rate has been set at an annual return of 5 pence per annum, representing dividends paid and growth in share value, over the preceding year's share value.

Share value is calculated as the average of:

(i) the net asset value per Share at the end of the relevant financial year; and

(ii) the average mid-market price of a Share, between the date of the preliminary announcement of the results for the relevant financial year and the AGM at which the accounts are presented to Shareholders.

The New Performance Incentive will commence from 1 April 2005 and the opening Share Value will be set at the net asset value per Share at 31 March 2005. Incentive fees will be paid out on an annual basis, following the Annual General Meeting. Both the total return and the hurdle rate will be cumulative from the inception of the new scheme, with any shortfall resulting in payments not being made until performance catches up.

Auditors
A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

Substantial Interests
As at the year end and the date of this report, the Company was aware that Pershing Keen Nominees Limited had a beneficial interest exceeding 3 per cent. of the issued share capital (8.11% at 31 March 2006 and 8.9% at the date of this report).

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have chosen to prepare the accounts for the Company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

Company law requires the Directors to prepare such financial statements for each financial year which give a true and fair view in accordance with the UK GAAP 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 and comply with UK GAAP and the Companies Act 1985. 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 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.

In the case of each of the persons who are Directors of the Company at the date of approval of this report:

- so far as each of the Directors are aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

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 2006 (2005: Nil).

REPORT OF THE DIRECTORS
(continued)

Re-election of Directors
In accordance with the Articles of Association, the Directors of the Company retire by rotation over the course of three years. At the forthcoming Annual General Meeting, Messrs Bralsford and Holdsworth-Hunt will retire and offer themselves for re-election.

Annual General Meeting
The Annual General Meeting will be held at 10 Crown Place, London EC2A 4FT on 6 September 2006. 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:

Power to Allot Shares
Ordinary resolution number 6 in the notice of the meeting will request the authority to allot up to 10% of the Ordinary share capital of the Company.

Disapplication of Pre-emption Rights
Special resolution number 7 will request the authority to disapply pre-emption rights in circumstances of a rights issue or the allotment of up to 5% of the share capital as described in Ordinary resolution number 6.

Purchase of Own Shares
At the Annual General Meeting, a special resolution number 8 will request the authority to purchase an aggregate of 10% of the Ordinary shares in issue provided that:

- the maximum aggregate number of shares authorised to be purchased is 2,444,306 (representing 10%) of the Company's issued shares;
- the minimum price which may be paid for a share is 50p;
- the maximum price that may be paid on the exercise of this authority will not exceed the higher of (a) 105% of the average of the middle market quotations for the shares over the five business days preceeding the date of purchase; and (b) the higher of the price of the last independent trade and the highest independent bid on the London Stock Exchange;
- this authority expires at the conclusion of the next Annual General Meeting of the Company, or eighteen months, whichever is earlier; and
- 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.

The Board believes that it is helpful for the Company to continue to have the flexibility to buy its own shares and this resolution seeks authority from shareholders to do so.

This resolution would renew the 2005 authority, which was in similar terms. During the financial period under review the Company did not purchase any of its shares for cancellation.

Treasury Shares
Under the previous regulations, any shares purchased by the Company would be cancelled and the number of the shares in issue would be reduced accordingly. The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 came into force on 1 December 2003. These regulations allow shares purchased by the Company out of distributable profits to be held as Treasury Shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 6 is intended to apply equally to shares to be held by the Company as Treasury Shares in accordance with the Regulations.

At the Annual General Meeting, resolutions as described above will be proposed that the Directors will be authorised to allot relevant securities in accordance with section 80 of the Companies Act 1985 (the "Act") and to empower to allot equity securities for cash in accordance with section 95 of the Act. Again, these replace existing authorities and powers will allow the Directors to sell Treasury Shares at a price not less than that at which they were purchased.

Financial Instruments and Management of Risk
By its nature, as a venture capital trust, the Company is exposed to price risk, credit risk, liquidity risk and cash flow interest rate risk. The Company's policies for managing these risks are outlined in full in note 22 to the financial statements.

By Order of the Board

Close Venture Management Limited
Company Secretary

10 Crown Place
London
EC2A 4FT

18 July 2006

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 issued by the Financial Reporting Council ("FRC") in July 2003 ("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. Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive Officer. Mr Bralsford is the Chairman and senior independent Director. Messrs Pitman and Holdsworth Hunt are also independent Directors. Patrick Reeve is not considered an independent director as he is the Managing Director of Close Venture Management Limited, the Manager. The Directors have a range of business and financial skills which are extremely relevant to the Company; these are described in the Board of Directors section of this Report, on page 7. Directors are provided with key information on the Company's activities, including regulatory and statutory requirements, and internal controls, by the Manager. The Board has direct access to secretarial advice and compliance services by the Manager, who is responsible for ensuring that Board procedures are followed and applicable procedures complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the Combined Code, the Company has in place Directors & Officers Liability Insurance.

The Board met five times during the year ended 31 March 2006. All of the Directors attended each meeting with the exception of two, one of which the Chairman was unable to attend and one at which Mr Pitman was not present. The Chairman ensures that all Directors receive in a timely manner all relevant management, regulatory and financial information. The Board receives and considers reports regularly from the Manager and other key advisers and ad hoc reports and information are supplied to the Board as required. The Board has a formal schedule of matters reserved for it and the agreement between the Company and its Manager sets out the matters over which the Manager has authority and limits beyond which Board approval must be sought.

The Manager has authority over management of the investment portfolio, the organisation of custodial services, accounting, secretarial and administrative services. The main issues reserved for the Board include:

- the consideration and approval of future developments or changes to the investment policy including risk and asset allocation;
- consideration of corporate strategy;
- approval of the appropriate dividend to be paid to shareholders;
- the appointment, evaluation, removal and remuneration of the Manager;
- the performance of the Company including monitoring of the discount of the net asset value and the share price; and
- monitoring shareholder profile and considering shareholder communications.

Directors' Performance Evaluation

Performance of the Board and the Directors is assessed on the following:

- attendance at Board and Committee meetings; and
- the contribution made by individual Directors at Board and Committee meetings.

Performance evaluation is conducted by the Board as a peer group and is monitored on a continuous ongoing basis. In light of this ongoing performance evaluation, the performance of the Directors subject to re-election at the Annual General Meeting is considered to be effective and reflects their strong commitment to the role.

Remuneration Committee

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.2, B1.1 to B1.6, and B2.1 to B2.4 are not relevant.

Audit Committee

The Audit Committee consists of all Directors, apart from Patrick Reeve; Mr Pitman is Chairman. In accordance with the Code, the members of the Audit Committee have recent and relevant financial experience. The Committee met twice during the year ended 31 March 2006; all members attended.

STATEMENT OF CORPORATE GOVERNANCE
(continued)

Audit Committee (continued)

Written terms of reference have been constituted for the Audit Committee, these are:

- providing an overview of the Company's accounting policies and financial reporting;
- considering the effectiveness of the Company's internal controls;
- to monitor the integrity of the financial statements of the Company;
- meeting the Company's external auditors twice yearly, approving their appointment, reappointment and providing an ongoing review of auditor independence and objectivity;
- meeting with the Head of Internal Audit of Close Brothers Group plc when appropriate;
- ensuring that all Directors of the Company, and staff of the Manager feel able to raise issues of serious concern with the Chairman of the Audit Committee; and
- the Audit Committee also undertakes the duties of the Engagement Committee, and therefore also reviews all matters arising under the management agreement.

During the year under review, the Company discharged the responsibilities described above. Its activities included:

- formally reviewing the draft Interim Accounts and the draft final Report and Financial Statements;
- reviewing the effectiveness of internal control systems by examining the Internal Controls Report produced by the Manager;
- meeting with the Head of Internal Audit of Close Brothers Group plc; and
- meeting with the external auditors and reviewing their findings.

Nomination Committee

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

Internal Control

In accordance with the principle C.2 of the Combined Code, the Board has established an ongoing process for identifying, evaluating and managing those 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 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 mis-statement or loss.

The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. 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 its key suppliers, and to deal with areas of improvement which comes to management's and the Board's attention.

The Board has also performed a specific assessment for the purpose of this Annual Report. This assessment considers all significant aspects of internal control arising during the year. The Audit Committee assists the Board in discharging its review responsibilities.

The Company does not have an internal audit function but it does have access to the internal audit department of Close Brothers Group plc 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 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.

Relationships with Shareholders

The Company's Annual General Meeting on 6 September 2006 will be used as an opportunity to communicate with private investors. The Board will be available to answer questions at the annual general meeting. At the annual general meeting the level of proxies lodged on each resolution, the balance for and against the resolution, and the number of votes withheld, are announced after the resolution has been voted on by a show of hands.

Statement of Compliance

The Directors consider that with the exception of the requirement to have a Nomination and Remuneration Committee, the Company has complied throughout the year ended 31 March 2006 with all the relevant provisions set out in Section 1 of the 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 Schedule 7a to the Companies Act 1985. The report also meets the relevant rules of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting.

Remuneration Committee

Since the Company has no executive Directors and consists solely of non-executive Directors, a remuneration committee is not considered necessary.

Directors' Remuneration Policy

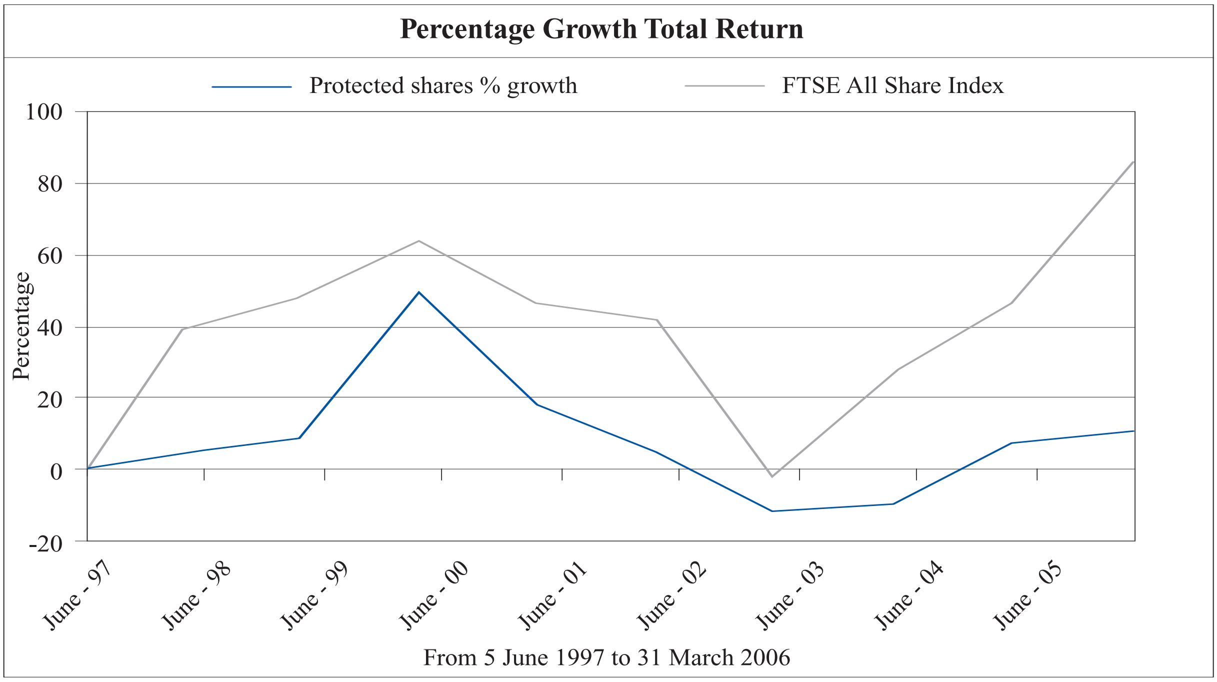
The Company's policy is that fees payable to non-executive Directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration market equivalents are considered in comparison to the overall activities and size of the Company.

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. No change in the level of fees is expected in the near future.

Performance Graph

The graph below shows the performance of Close Brothers Protected VCT PLC's share price against the FTSE All Share Index, in both instances with dividends reinvested, over the last nine years. The Directors consider this to be the nearest equivalent benchmark.

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



Service Contracts

No Director has a service contract with the Company. As a result they do not have a notice period and are not entitled to any termination payment.

DIRECTORS' REMUNERATION REPORT
(continued)

Directors' Remuneration
The following items have been audited:

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

	Year ended 31 March 2006			Year ended 31 March 2005		
	Fees £'000	Expenses £'000	Total £'000	Fees £'000	Expenses £'000	Total £'000
Martin Bralsford	15	1	16	13	1	14
Giles Pitman	15	–	15	13	–	13
Christopher Holdsworth Hunt	15	–	15	13	–	13
Patrick Reeve	15	–	15	12	–	12
	60	1	61	51	1	52

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.

The following items have not been audited:

Mr. Bralsford, Mr. Pitman and Mr. Holdsworth Hunt are remunerated personally. The following directors' services are provided as follows:

The services of Mr. Reeve are provided by Close Venture Management Limited.

In addition to Directors' remuneration the Company pays annual premiums in respect of Directors' & Officers' Liability Insurance.

By Order of the Board

Close Venture Management Limited
Company Secretary

10 Crown Place
London
EC2A 4FT

18 July 2006

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 2006 which comprise the statement of total return, the balance sheet, the cash flow statement, and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in 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

The Directors' responsibilities for preparing the annual report, and the financial statements in accordance with applicable United Kingdom law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report described as having being audited in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework 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 report to you whether, in our opinion, the information given in the Directors' report is consistent with the financial statements. We also report to you 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 also report to you whether, in our opinion, the Company has not complied with any of the four Directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long term incentive schemes, and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the July 2003 FRC 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 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 International Standards on Auditing (UK and Ireland) 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 in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 31 March 2006 and the total return for the year then ended;
- 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; and
- the information given in the Directors' report is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

18 July 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.

STATEMENT OF TOTAL RETURN

	Note	Year ended 31 March 2006			Year ended 31 March 2005 (restated*)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	4	–	780	780	–	72	72
Investment income	5	1,320	–	1,320	1,115	–	1,115
Investment management fees	6	(121)	(363)	(484)	(88)	(264)	(352)
Other expenses	7	(186)	–	(186)	(166)	–	(166)
Return/(loss) on ordinary activities before tax		1,013	417	1,430	861	(192)	669
Tax on ordinary activities	9	(178)	119	(59)	(217)	85	(132)
Return/(loss) attributable to shareholders		835	536	1,371	644	(107)	537
Dividends	10	(1,108)	–	(1,108)	(538)	–	(538)
Transfer (from)/to reserves		(273)	536	263	106	(107)	(1)
Basic and diluted return/(loss) per share (pence)	11	3.4	2.2	5.6	2.6	(0.4)	2.2

* Comparative figures have been restated in accordance with FRS 21 in respect of dividends as disclosed in notes 2 and 3 of the financial statements.

The accompanying notes on pages 27 to 36 form an integral part of these financial statements.

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

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

There were no recognised gains or losses other than the results for the year as disclosed above. Accordingly a statement of total recognised gains and losses is not required.

BALANCE SHEET

	Note	31 March 2006 £'000	31 March 2005 (restated*) £'000
Fixed asset investments			
Qualifying investments		18,762	16,428
Non-qualifying investments		1,810	1,676
Total fixed asset investments	12	20,572	18,104
Current assets			
Debtors	14	24	110
Cash at bank and in hand		2,522	4,550
		2,546	4,660
Creditors: amounts falling due within one year	15	(318)	(252)
Net current assets		2,228	4,408
Total assets less current liabilities		22,800	22,512
Capital and reserves			
Called up share capital	16	12,222	12,222
Special reserve	17	9,647	9,647
Capital redemption reserve	17	1,716	1,716
Realised capital reserve	17	(187)	(411)
Unrealised capital reserve	17	(753)	(1,065)
Revenue reserve	17	155	403
Equity shareholders' funds	19	22,800	22,512
Net asset value per ordinary share (pence)	18	93.3	92.1

* Comparative figures have been restated in accordance with FRS 21 in respect of dividends as disclosed in notes 2 and 3 to the financial statements.

The financial statements on pages 24 to 36 were approved by the Board of Directors on 18 July 2006 and were signed on its behalf by

Martin Bralsford
Chairman

CASH FLOW STATEMENT

	Note	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Operating activities			
Investment income received		1,157	911
Deposit interest received		236	216
Investment management fees paid		(443)	(360)
Other cash payments		(152)	(143)
Net cash inflow from operating activities	21	798	624
Taxation			
UK corporation tax paid		(75)	(70)
Capital expenditure and financial investment			
Purchase of investments		(3,560)	(8,766)
Disposals of investments		1,917	8,241
Net cash outflow from investing activities		(1,643)	(525)
Equity dividends paid			
Revenue dividends paid on ordinary shares		(1,108)	(544)
Net cash outflow before financing		(2,028)	(515)
Financing			
Purchase of own shares		–	(47)
Net cash outflow from financing		–	(47)
Decrease in cash in the year	20	(2,028)	(562)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2006

1. Accounting policies

Accounting convention
The financial statements are prepared under the historic 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") and revised in January 2003.

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 absence of Section 266 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 SORP. Under the SORP, the financial performance of the Company is presented in a statement of total return 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 financial statements 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

Change in accounting policies
With effect from 1 April 2005, the Company adopted the new Financial Reporting Standards ("FRS") 21-26, that have been issued by the Accounting Standards Board as part of the convergence process of United Kingdom Generally Accepted Accounting Practice with International Financial Reporting Standards ("IFRS"). In the case of FRS 25 and 26, the Company applied the exemption available on transition at 1 April 2005 from restating 2005 comparative figures. The effects of the relevant accounting policies are disclosed in the respective notes below, and restatement and adjustment of the relative comparative figures are detailed in note 3. The particular accounting policies adopted are described below.

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 Statement of Total Return 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 Statement of Total Return 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 Statement of Total Return and movements in respect of capital provisions are reflected in the capital column of the Statement of Total Return. 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 the 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, 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, is 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 Boards' expectation that over the long term 75% of the Company's investment returns will be in the form of capital gains.
- Expenses which are incidental to the purchase or disposal of an investment are charged through the realised capital reserve.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

2. Accounting policies (continued)

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 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 their fair value.

Performance incentive

In the event that a performance fee becomes due, the fee will be allocated between revenue and realised capital reserves (net of corporation tax) based upon the proportion to which the calculation of the fee is attributable to revenue and capital returns.

Taxation

Taxation is applied on a current basis in accordance with FRS 16. Taxation associated with capital expenses is applied in accordance with the SORP. In accordance with FRS 19, deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more 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 mean 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.

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. Comparative figures for the previous year have been restated as detailed in note 3.

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.

Unrealised reserve

The following are accounted for in this reserve:

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

Special reserve

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

The total column of the Statement of Total Return represents the Company's profit and loss account.

3. Restatement and adjustment to revenue and unrealised capital reserves as at 31 March 2005

Under the terms of the transitional provisions contained within FRS 26 "Financial Instruments Measurement", comparatives for revenue and unrealised capital reserves at 1 April 2005 in relation to movements in amortised cost of loans and receivables and equity investment valuations have been adjusted to reflect the impact of the adoption of FRS 26.

The adoption of FRS 26 has resulted in a decrease in the revenue reserve at 1 April 2005 as a result of the adjustment to the treatments of loan stock investments now held at amortised cost as determined by the Effective Interest Rate method.

In accordance with FRS 21 "Events after the balance sheet date", comparatives for revenue reserves at 31 March 2005 have been restated in recognition of a change in accounting policy. The adoption of FRS 21 has resulted in a decrease in the distribution liability as a result of the de-recognition of proposed dividends thereon and an increase in the revenue reserves as at 31 March 2005.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

3. Restatement and adjustment to revenue and unrealised capital reserves as at 31 March 2005 (continued)

A reconciliation of reserves incorporating the adjustments and restatements required by the adoption of the revised FRS 21 and FRS 26 is illustrated below:

Reconciliation of revenue reserves

	£'000
Revenue reserves previously reported at 31 March 2005	36
Restatement as required by adoption of FRS 21– change in accounting for dividends	367
Restated revenue reserves at 31 March 2005	403
Adjustment as required by adoption of FRS 26 – change in valuation of loan stock investments to amortised cost using the EIR method	25
Revenue reserves as at 1 April 2005 as restated and adjusted	428

4. Gains on investments

	31 March 2006 £'000	**31 March 2005 £'000**
Realised gains on disposal	468	323
Increase in unrealised appreciation/(depreciation)	312	(251)
	780	72

5. Investment income

	31 March 2006 £'000	**31 March 2005 £'000**
Income from qualifying shares and securities		
UK franked investment income	82	56
UK unfranked investment income	1,107	822
Other	–	24
	1,189	902
Non-qualifying income		
Bank deposit interest	131	206
Other income	–	7
Total income	1,320	1,115
Total income comprises:		
Dividends	82	56
Interest	1,238	1,028
Other	–	31
	1,320	1,115

6. Investment management fees

	31 March 2006			**31 March 2005**		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Investment management fees	121	363	484	88	264	352

Further details of the Management Agreement under which the investment management fees are paid are given in the Report of the Directors on pages 16 and 17, along with details of the management performance incentive fee. The total management fee for the year ended 31 March 2006 includes irrecoverable VAT of £71,982.84.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

7. Other expenses

	31 March 2006 £'000	31 March 2005 £'000
Secretarial and administrative fee	33	33
Directors' fees	68	58
Auditors' remuneration - audit fees	20	14
Other	65	61
Total expenses	186	166

8. Directors' fees

The amounts paid on behalf of Directors during the year were as follows:

	31 March 2006 £'000	31 March 2005 £'000
Directors' fees	60	51
National insurance and VAT	7	6
Expenses	1	1
Total	68	58

9. Tax on ordinary activities

	Year ended 31 March 2006			Year ended 31 March 2005		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK Corporation tax at 30%	59	–	59	132	–	132
Tax attributable to capital expenses	119	(119)	–	85	(85)	–
	178	(119)	59	217	(85)	132

	Year ended 31 March 2006			Year ended 31 March 2005		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return before taxation	1,013	417	1,430	861	(192)	669
Tax on profit at the standard rate	304	125	429	258	(57)	201
Factors affecting the charge						
Tax refund in respect of prior years	(35)	–	(35)	(8)	–	(8)
Consortium relief in respect of prior years	(55)	–	(55)	–	–	–
Capital gains not subject to taxation	–	(234)	(234)	–	(22)	(22)
Tax attributable to capitalised expenses	119	(119)	–	85	(85)	–
Expenses charged to capital	(109)	109	–	(79)	79	–
Non-taxable income	(31)	–	(31)	(17)	–	(17)
Marginal relief	(15)	–	(15)	(22)	–	(22)
UK Corporation tax charge/(credit) for the year	178	(119)	59	217	(85)	132

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 30% 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 30%.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

10. Dividends

	31 March 2006 £'000	31 March 2005 Restated £'000
Final dividend – year ended 31 March 2005 of 1.50p per share (2004: 1.00p per share)	367	243
First interim dividend paid on 25 August 2005 – 1.80p per share (2004: 1.2p per share)	445	295
Second interim dividend paid on 31 March 2006 – 1.20p per share (2005: nil)	296	–

The Board has declared a dividend of 2 pence paid out of realised capital gains, which will be paid on 25 August 2006 to shareholders registered on 28 July 2006.

In accordance with FRS 21 this dividend has not been accrued as a liability in these financial statements.

11. Basic and diluted return per share

	Year ended 31 March 2006			Year ended 31 March 2005		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return attributable to equity shares	835	536	1,371	644	(107)	537
Weighted average shares in issue	24,443,063	24,443,063	24,443,063	24,443,063	24,443,063	24,443,063
Return attributable per equity share (pence)	3.4	2.2	5.6	2.6	(0.4)	2.2

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

12. Fixed asset investments

	31 March 2006 £'000	31 March 2005 £'000
Qualifying AIM investments	2,393	4,062
Qualifying asset-based investments	16,369	12,366
Non-Qualifying loan investments	145	–
Non-qualifying AIM investments	1,665	1,676
	20,572	18,104
Adjustment as required by adoption of FRS 26		
– change in valuation of unlisted loan stock investment to amortised cost using the EIR method (see note 3)	–	25
– reclassification of loan stock interest debtors to fixed asset investments	–	65
Total	20,572	18,194

NOTES TO THE FINANCIAL STATEMENTS
(continued)

12. Fixed asset investments (continued)

	Qualifying AIM investments £'000	Non-qualifying loan investments £'000	Qualifying asset-based investments £'000	Non-qualifying AIM investments £'000	Total £'000
Opening book cost	5,704	–	11,788	1,677	19,169
Opening accrued amortised loan stock interest (as adjusted)	–	–	90	–	90
Opening adjusted unrealised (loss)/gain	(1,642)	–	578	(1)	(1,065)
Adjusted opening valuation	4,062	–	12,456	1,676	18,194
Purchases at cost	26	145	3,415	–	3,586
Sales - proceeds	(1,389)	–	(525)	(3)	(1,917)
Gross realised gains/(losses) on disposal	476	–	–	(8)	468
Movement in loan stock carrying value	–	–	(71)	–	(71)
(Increase)/decrease in unrealised depreciation	(782)	–	1,095	(1)	312
Closing valuation	2,393	145	16,370	1,664	20,572
Closing book cost	4,818	145	14,678	1,666	21,307
Accrued amortised loan stock interest	–	–	19	–	19
Closing unrealised (loss)/gain	(2,425)	–	1,673	(2)	(753)
Closing valuation	2,393	145	16,370	1,664	20,572
Gains/(losses) on investments					
Net movement in realised gain in the year	476	–	–	(8)	468
Net movement in unrealised (loss)/gain in the year	(782)	–	1,095	(1)	312
Gains/(losses) on investments in the year	(306)	–	1,095	(9)	780

Investments held at fair value through profit or loss amount to £10,714,000. Investments held at amortised cost total £9,865,000.

13. Significant interests

The Company has interests of greater than 20% of the nominal value of the allotted shares of any class of shares in the investee companies as at 31 March 2006 as described below:

Name of Undertaking	Country of incorporation	Principal activity	% Class and shares type	% voting rights
Applecroft Care Homes Limited	Great Britain	Operation of a care home for the elderly in Dover, Kent	23% Ordinary shares	23%
Barleycroft Care Homes Limited	Great Britain	Operation of a care home for the elderly in Romford, Essex	23% Ordinary shares	23%
City Screen (Liverpool) Limited	Great Britain	Art house cinema in Liverpool	23% Ordinary shares	23%
Kew Green VCT (Stansted) Limited	Great Britain	Ownership and operation of the Express by Holiday Inn, Stansted Airport	20% Ordinary shares	20%
Maplecroft VCT Limited	Great Britain	Residential property development (in Members Voluntary Liquidation)	42% Ordinary shares	42%
Youngs VCT Limited	Great Britain	Residential property development	21% Ordinary shares	21%
Wickenhall Mill VCT Limited	Great Britain	Residential property development	27% Ordinary shares	27%

As permitted by FRS 9, the investments listed above are held as part of an investment portfolio and their value to the Company is through their marketable value as part of a portfolio of investments. Therefore these investments are not considered to be associated undertakings.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

14. Debtors

	31 March 2006 £'000	31 March 2005 £'000
Other debtors	5	15
Accrued income	19	95
	24	110

15. Creditors: amounts falling due within one year

	31 March 2006 £'000	31 March 2005 £'000
Operating creditors and accruals	224	145
Corporation tax payable	94	107
	318	252

16. Called up share capital

	31 March 2006 £'000	31 March 2005 £'000
Authorised:		
50,000,000 ordinary shares of 50 pence each (2005: 50,000,000)	25,000	25,000
Allotted, called up and fully-paid:		
24,443,063 ordinary shares of 50 pence each (2005: 24,443,063)	12,222	12,222

	Shares in issue Number	Nominal value £'000
Shares in issue at the start of the year	24,443,063	12,222
Shares in issue at the end of the year	24,443,063	12,222

17. Reserves

	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 March 2005	9,647	1,716	(411)	(1,065)	36	9,923
FRS 21 prior year adjustment (note 3)	–	–	–	–	367	367
Restated opening reserves as at 31 March 2005	9,647	1,716	(411)	(1,065)	403	10,290
Adjustment at 1 April 2005 for FRS 26 (note 3)	–	–	–	–	25	25
Restated and adjusted opening reserves as at 1 April 2005	9,647	1,716	(411)	(1,065)	428	10,315
Gain on realisation of investments	–	–	468	–	–	468
Unrealised appreciation	–	–	–	312	–	312
Cost charged to capital net of tax	–	–	(244)	–	–	(244)
Retained net revenue for the year	–	–	–	–	(273)	(273)
At 31 March 2006	9,647	1,716	(187)	(753)	155	10,578

NOTES TO THE FINANCIAL STATEMENTS
(continued)

18. Net asset value per share

Net asset value per ordinary share is based on net assets at the year end of £22,800,000, and on 24,443,063 Ordinary shares, (2005: 24,443,063) being the number of Ordinary shares in issue at the year end.

19. Reconciliation of movements in shareholders' funds

	31 March 2006 £'000	31 March 2005 £'000
Opening shareholders' funds	22,512	22,317
Adjustment to opening reserves for FRS 21 (note 3) recognition of final dividend for year ended 31 March 2005	–	367
Opening shareholders' funds (restated)	22,512	22,684
Adjustment to opening reserves for FRS 26 (note 3)	25	–
Cancellation of own shares	–	(47)
Total return to shareholders before dividends	1,371	537
Dividends	(1,108)	(662)
Closing shareholders' funds	22,800	22,512

20. Analysis of changes in cash during the year

	31 March 2006 £'000	31 March 2005 £'000
Beginning of year	4,550	5,112
Decrease in cash in the year	(2,028)	(562)
End of year	2,522	4,550

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

	31 March 2006 £'000	31 March 2005 £'000
Net revenue before finance costs and taxation	1,013	861
Investment management fee charged to capital	(363)	(264)
Decrease in accrued income	69	–
Increase in operating creditors	79	27
Net cash inflow from operating activities	798	624

22. Financial instruments and risk management

The Company's financial assets comprise equity and loan stock investments in predominantly unquoted companies, loan stock investments listed on recognised exchanges, cash balances and short term debtors which arise from its operations. The Company has no financial liabilities other than short term creditors. The Company does not use any derivatives.

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

- Market and investment price risk (which includes fair value interest rate risk and credit risk);
- liquidity risk; and
- cash flow interest rate risk.

The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below:

Market price risk

As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio in unquoted investments, details of which are shown on pages 10 to 15. The Manager monitors this risk on an ongoing basis, and the Board reviews these risks on a formal basis when investments are made and at Board meetings.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

22. Financial instruments and risk management (continued)

Fair value interest rate risk

The majority of investments are unquoted and hence not subject to movements as a result of interest rate movements.

Credit risk

The Manager evaluates credit risk on loan stock instruments prior to investment, and as part of its ongoing monitoring of investments. Typically all loan stock instruments have a first charge over the assets of the investee company.

Investment price risk

As a venture capital trust, it is the Company's specific business to price evaluate and control the investment risk in its portfolio of unquoted companies, the results of which are detailed in the Chairman's statement on pages 5 and 6. To mitigate investment risk, the strategy of the Company is to invest in a broad spread of industries with approximately two thirds of the investment comprising debt securities, which, owing to the structure of their yield, have a lower level of price volatility than equity. Details of the industries in which investments have been made are contained in the Portfolio of Investments section on pages 10 to 15.

Liquidity risk

The Company has no committed borrowing facilities as at 31 March 2006 (2005: £nil) and had cash balances of £2,521,523. The main cash outflows are for investments, which are within the control of the Company.

In view of this, the Company is subject to low liquidity risk.

Cash flow interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. 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 2006 profits before tax by approximately 2 per cent. (2005: 4 per cent.).

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 14% (2005: 14%). The weighted average period to maturity for the fixed rate assets is 3.7 years (2005: 4 years).

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 March 2006 are stated at fair value as determined by the directors, with the exceptions of loans and receivables, which are carried at cost, in accordance with FRS 26. In the opinion of the Directors, the amortised cost of loan stock approximates to the fair value of the loan stock. See note 2 of the financial statements for accounting policies.

The Company's financial assets and liabilities as at 31 March 2006, all denominated in pounds sterling consist of the following:

	31 March 2006				31 March 2005			
Currency	**Fixed rate £'000**	**Floating rate £'000**	**No interest £'000**	**Total £'000**	**Fixed rate £'000**	**Floating rate £'000**	**No interest £'000**	**Total £'000**
Equity	–	–	8,904	8,904	–	–	8,736	8,736
Loan stock	9,563	301	–	9,865	7,454	259	–	7,713
Non-qualifying loans	145	–	–	145	–	–	–	–
FRN	1,658	–	–	1,658	1,655	–	–	1,655
Debtors	–	–	24	24	–	–	110	110
Liabilities	–	–	(318)	(318)	–	–	(252)	(252)
Cash	–	2,522	–	2,522	–	4,550	–	4,550
	11,366	2,823	8,610	22,800	9,109	4,809	8,594	22,512

The maturity value of loan stock investments held at amortised cost is as follows:

	£'000
Less than one year	–
1-2 years	732
2-3 years	2,330
3-5 years	6,803
Total	9,865

The contractual repricing of the floating rate notes held in the portfolio will occur within one year.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

23. Contingencies, guarantees and financial commitments

There are no contingencies or financial commitments of the Company at the year end which have not been accrued for.

24. Post balance sheet events

Since 31 March 2006 the Company has entered into the following material transactions:

- Invested £800,000 in the Weybridge Club Limited
- Invested a further £13,000 in Tower Bridge Health Clubs Limited
- Invested a further £350,000 in The Crown Hotel Harrogate Limited
- Invested a further £45,000 in Churchill Taverns VCT Ltd
- Disposed of two quoted stocks for total proceeds of approximately £70,000
- Disposal of Applecroft Care Home Limited for £2,374,717
- Disposal of Barleycroft Care Home for £2,887,300

25. Related party transactions

The Manager, Close Venture Management Limited, is considered to be a related party by virtue of the fact that it is a party to a management contract from the Company (details disclosed on page 8 of this report). During the year, services of a total value of £484,000 (including VAT) were purchased by the Company from Close Venture Management Limited. At the financial year end, the amount due to Close Venture Management Limited disclosed as accruals and deferred income was £137,000.

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Close Brothers Protected VCT PLC will be held at 11:30a.m. on 6 September 2006 at 10 Crown Place, London EC2A 4FT for the purpose of dealing with the following business of which items 6 to 8 are 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 2006.

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

3. To approve the Directors' remuneration report.

4. To re-elect Martin Bralsford as a Director.

5. To re-elect Christopher Holdsworth Hunt as a Director.

Special Business

6. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That the Directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount of £1,222,153 which comprises 10% of the Ordinary Share capital, such authority to expire on 6 December 2007, but so that the Company may before the expiry of such period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period, and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority had not expired.

7. To consider and, if thought fit, pass the following resolution as a special resolution:

That subject to and conditional on the passing of resolution number 4, the directors be empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94 (2) to section 94 (3A) of the Act) for cash pursuant to the authority conferred by resolution number 4 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

(a) in connection with an offer of such securities by way of rights issue; and

(b) otherwise than pursuant to sub-paragraph above up to an aggregate nominal amount of £611,077 equal to 5% of the Ordinary Share capital;

and shall expire on 6 December 2007, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired.

In this resolution, 'rights issue' means an offer of equity securities open for acceptance for a period fixed by the directors to holders on the register on a fixed record date in proportion as nearly as may be to their respective holdings, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any fractional entitlements or legal or practical difficulties under the laws of, or the requirement of any recognised regulatory body or any stock exchange in, any territory.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of the resolution the words "pursuant to the authority conferred by resolution number 4" were omitted.

NOTICE OF MEETING
(continued)

8. To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

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 ("Ordinary Shares") in the capital of the Company provided that:

(a) the maximum aggregate number of shares authorised to be purchased is 2,444,306 Ordinary Shares (representing 10 per cent of the current issued Ordinary share capital);

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

(c) the maximum price that may be paid on the exercise of this authority will not exceed the higher of (a) 105 per cent of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase; and (b) the higher of the price of the last independent trade and the highest independent bid on the London Stock Exchange;

(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

Close Venture Management Limited
Company Secretary

Registered Office
10 Crown Place
London
EC2A 4FT

Date: 18 July 2006

NOTICE OF MEETING
(continued)

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 service contract or contract for services with the Company.
5. The Company pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995 specifies that only those shareholders registered in the register of members of the Company as at 11:30a.m. on 4 September 2006 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at this meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 11:30a.m. on 4 September 2006 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
6. Copies of the Company's existing Articles of Association are available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays and public holidays) from the date of this notice until close of business on 4 September 2006 and will also be available for inspection at the place of the meeting for at least 15 minutes before, and during the meeting until the close of, the meeting.

PROTECTED VCT PLC

Close Brothers Protected VCT PLC