Annual Report and
Financial Statements for the year
ended 31 March 2008

Close Brothers Protected VCT PLC

closeventures

Contents

Investment Objectives

Close Brothers Protected VCT PLC (the "Company") 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, leisure and residential development sectors, with 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; this portfolio is in the process of being wound down and re-invested in asset-based investments.

- Non-qualifying Investments

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

Financial Calendar

Annual General Meeting	11 August 2008
Record date for first dividend	25 July 2008
Payment of first dividend	22 August 2008
Announcement of interim results for the six months ending 30 September 2008	November 2008
Payment of second dividend	January 2009

Financial Highlights

	Year ended 31 March 2008	Year ended 31 March 2007
Total return per share (pence)	(3.5)	11.4
Dividends paid per share (pence)	5.00	4.00
Net asset value per share (pence)	92.6	101.0

Total shareholder net asset value return to 31 March 2008:	**pence per share**[i]
Total dividends paid during the year ended 31 March 1998	1.10
Total dividends paid during the year ended 31 March 1999[ii]	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[iii]	4.50
Total dividends paid during the year ended 31 March 2007	4.00
Total dividends paid during the year ended 31 March 2008	5.00
Total dividends paid to 31 March 2008	34.95
Net asset value as at 31 March 2008	92.55
Total shareholder net asset value return as at 31 March 2008	**127.50**

In addition to the above dividends paid, the Directors have declared a first dividend of 2.50 pence per Ordinary share to be paid out of revenue profits, payable on 22 August 2008 to shareholders on the register on 25 July 2008.

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.

(iii) Total dividend for the period to 31 March 2006 reflects the adoption of FRS 21 which requires that only dividends paid or approved by shareholders be disclosed in each period.

Chairman's Statement

Introduction

The financial performance for the year to 31 March 2008 was disappointing, with a negative total return of 3.5 pence per share, compared with a positive total return of 11.4 pence for 2007 and 5.6 pence for 2006. Of the decline 3.0 pence was caused by the reduction in the value of your Company's residual portfolio of AIM investments which has been much reduced since the investment policy change in 2002. In addition the slow down in consumer spending adversely affected both trading in our pub investments, and property sales within our residential development companies, while the decline in property values generally resulted in a reduction in the value of our successful hotel at Stansted airport. These in turn affect both the capital value of our portfolio and the income received from our investments. In line with the Company's objective, dividends of 5 pence per share were paid in the year, resulting in a fall in asset value to 92.6 pence.

Investment Progress and Performance

Some £2.0 million was invested and a further £900,000 committed for investment, into new and existing asset-based investee companies. The biggest investment was of £1.0 million in Sky Hotel Heathrow Limited to purchase The Stanwell Hotel, a 19 bedroom hotel close to Heathrow's Terminal Five and also to extend it to 53 bedrooms. We disposed of our investment in The Bold Pub Company Limited, realising a profit of £440,000 on the investment of £990,000 in addition to a running yield of over 10 per cent. on funds invested. In addition we disposed of our investment in The Pelican Inn Limited, realising a loss of £88,000 on our cost of £245,000.

Trading in all of our hotels continues to improve as actions taken by their management teams have more than offset the effects of a slowing economy, leading to increases in two of the valuations. Despite strong trading performance, the third party valuation of our Stansted hotel has fallen in line with sections of the commercial property market. Our cinemas are performing well, while our newly-opened health and fitness clubs saw strong growth in membership. Against this, our pub investments saw markedly tougher trading as a result of reduced consumer spending and the effects of the smoking ban. In addition, we are in the process of largely withdrawing from our exposure to the residential development market, where we have seen a sharp decline in sales.

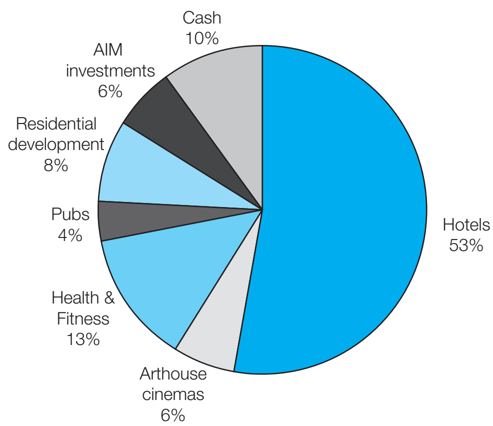
We continued to wind down the residual portfolio of AIM-quoted stocks, realising profits of £350,300 on cost of £327,000. AIM valuations suffered in general, and our remaining portfolio was not immune. The AIM portfolio saw a sharp decline in value to £1.2 million, with unrealised losses of £723,000 during the year, net of realised gains.

Continuation Vote and Tender Offer

At the Annual General Meeting in July 2007, approximately 96.5 per cent. of those voting approved the continuation of the Company for a further 5 years. In addition, the Tender Offer for the purchase of 10 per cent. of the share capital was taken up in full at a price of 98 pence per share (which was at a small discount to the prevailing NAV at the Tender Offer date).

The following is the sector split of the portfolio by valuation as at 31 March 2008:

Portfolio split by sector as at 31 March 2008



Source: Close Ventures Limited

Risks and uncertainties and prospects

The key risk continues to be the outlook for the UK economy which, while currently still growing, is being affected by the current unease in the wholesale financial and housing markets. While this has had an overall adverse effect on asset values, we believe that the resulting shortage of available bank finance will give rise to additional investment opportunities. This is because your Company's policy of providing both equity and debt finance, without the use of external borrowings, not only reduces the risk to the existing portfolio, but also makes our form of investments more attractive at a time when banks are reducing their lending activities. Further detailed analysis of the other risks and uncertainties facing the business are shown on page 16 of the Directors Report and Business Review.

New opportunities in progress include a psychiatric hospital in the South Downs, north of Portsmouth, where we have already exchanged contracts subject to planning. This would take the VCT back into the healthcare sector, which we left two years ago, following the sale of our final two care homes in Romford and Dover. We are reviewing our options for

Chairman's Statement continued

substantial investment in the Stansted hotel; if we decide to sell the investment, the profit that would arise would underpin our dividend objective and provide liquidity for further investment.

Dividend Reinvestment Scheme

I draw to shareholders' attention a Dividend Reinvestment Scheme whereby shareholders may elect to reinvest the whole of the dividend due for payment on 22 August 2008 by subscribing for New Ordinary Shares.

Benefits to individual shareholders arising on participating in the Dividend Reinvestment Scheme include:

- income tax relief on the reinvestment at the rate of 30 per cent. (VCT investments cannot exceed £200,000 in one tax year to be able to obtain this relief and new shares need to be held for at least five years);
- any gains arising on disposal of shares in a VCT will be exempt from tax (any loss will not be an allowable capital loss); and
- any future dividends on the new shares are not subject to income tax.

The Circular dated 11 July 2008 which is enclosed with this Annual Report and Financial Statements, 'Introduction of a Dividend Reinvestment Scheme', details the mechanics of this Scheme.

Proposed change to the Company's Articles of Association

At the Annual General meeting, a special resolution will be proposed to adopt new Articles (the "New Articles") in order to update the Company's existing Articles of Association (the "Current Articles") and to take account of the changes that have been brought into force by Companies Act 2006. Whilst the Company will be incorporating the new provisions of the Companies Act 2006 in relation to electronic and/or website communications, it does not yet intend to communicate with its shareholders via such means. A further resolution will be proposed to enable the Directors to manage the conflicts of interest as permitted by the Companies Act 2006 and which will come into force on 1 October 2008 or such later date as section 175 of Companies Act 2006 provides. The Directors are proposing this resolution to allow Directors to approve actual or potential conflicts situations, should it be in the Company's best interests to do so, and to allow conflicts of interest to be dealt with in a similar way to the current position. A summary of the principal changes that are proposed to be made to the current Articles by resolutions 10 and 11 are contained in the Directors' Report and Business Review on page 20.

Results, dividends and prospects

As at 31 March 2008, the net asset value was £19.6 million or 92.6 pence per share compared to £24.2 million or 101.0 pence per share as at 31 March 2007. Revenue return after taxation was £745,000 for the period compared to £720,000 for the year to 31 March 2007. The Board now declares a first dividend of 2.50 pence per share from revenue reserves. The dividend will be paid on 22 August 2008 to shareholders on the register on 25 July 2008. This is in line with the Board's objective of paying out a dividend of 5 pence per share per annum, subject to the availability of realised capital and revenue reserves and liquidity considerations.

Martin Bralsford

Chairman 11 July 2008

The Board of Directors

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

Martin Bralsford (60) MSc, FCA, FCT, Chairman, (appointed 4 February 1997). After qualifying as a chartered accountant, Martin Bralsford 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. He was chief executive of C.I. Traders Limited, a Jersey based leisure, retail and property conglomerate until July 2007. He is a resident of Jersey.

Giles Pitman (69) MA, FCA, ACMA, (appointed 4 February 1997) 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 (65) MSI, (appointed 31 March 1999) 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, responsible for overseeing numerous flotations and secondary fundraisings, especially of AIM companies. 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. He is 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 (48) MA, ACA, (appointed 7 October 2003) 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 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 Ventures Limited with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996. He is director of Close Technology & General VCT PLC, Close Income & Growth VCT PLC, Healthcare and Leisure Property Fund plc, and Close Enterprise VCT PLC, all managed or advised by Close Ventures Limited.

The Manager

Close Ventures Limited, is authorised and regulated by the Financial Services Authority and is the Manager of Close Brothers Protected VCT PLC. In addition to Close Brothers Protected VCT PLC, it manages a further six venture capital trusts, and has currently total funds under management of approximately £255 million.

The Manager's ultimate parent company is Close Brothers Group plc, an 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 VCTs managed by Close Ventures Limited, including Close Brothers Protected VCT PLC.

Patrick Reeve, (48), MA, ACA, details included in the Board of Directors section.

Isabel Dolan, (43), BSc (Hons), ACA, MBA, is Operations Director of Close Ventures 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 Ventures Limited in 2005.

Dr Andrew Elder, (37), 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 Ventures Limited in 2005.

Will Fraser-Allen, (37), BA (Hons), ACA, qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 before specialising in corporate finance and investigation. He joined Close Ventures Limited in 2001.

Emil Gigov, (37), 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 Ventures Limited in 2000.

David Gudgin, (35), 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 Ventures Limited in 2005.

Michael Kaplan, (31), BA, MBA. After graduating from the University of Washington in 1999 with a BA in International Finance, he joined Marakon Associates as an Analyst. In 2000, he became the Chief Financial Officer of Widevine Technologies, a security software company based in Seattle. After graduation with his MBA from INSEAD, in 2004 he joined the Boston Consulting Group focusing on the retail and financial services industries. He joined Close Ventures Limited in 2007.

Ed Lascelles, (32), 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 Ventures Limited in 2004.

Henry Stanford, (43), MA, ACA, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of Close Brothers Group plc in 1992. He transferred to Close Ventures Limited in 1998 to concentrate on VCT investment.

Robert Whitby-Smith, (33), 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 Ventures Limited in 2005.

Marco Yu (30), MPhil, MA, MRICS, qualified as a chartered surveyor in 2004. From 2002 to 2005, he worked at Bouygues (UK), developing cost management systems for PFI schemes, before moving to EC Harris in 2005, where he advised senior lenders on large capital projects. He joined Close Ventures Limited in 2007.

The Portfolio of Investments

The following is a summary of investments as at 31 March 2008:

			At 31 March 2008			At 31 March 2007		
	% Company voting rights	% voting rights held by CVL[2] managed Companies	Investments at cost £'000	Cumulative movement in carrying/ fair value[1] £'000	Total carrying/ fair value £'000	Investments at cost £'000	Cumulative movement in carrying/ fair value[1] £'000	Total carrying/ fair value £'000
Qualifying investments								
Hotels								
Kew Green VCT (Stansted) Limited	15.79	50.0	3,000	2,306	5,306	3,000	2,416	5,416
The Crown Hotel Harrogate Limited	8.44	50.0	1,566	(281)	1,285	1,550	(213)	1,337
The Bear Hungerford Limited	14.62	50.0	1,167	(140)	1,027	1,167	(264)	903
Sky Hotel Heathrow Limited	16.67	50.0	1,000	8	1,008	–	–	–
The Place Sandwich VCT Limited	13.75	50.0	688	43	731	688	8	696
The Charnwood Pub Company (Hotels) Limited	13.90	50.0	900	(202)	698	900	(60)	840
Churchill Taverns (Hotels) Limited	15.57	50.0	520	(130)	390	–	–	–
Total investments in the hotel sector			**8,841**	**1,604**	**10,445**	**7,305**	**1,887**	**9,192**
Leisure								
Kensington Health Club Limited	6.07	50.0	1,100	14	1,114	1,000	9	1,009
The Weybridge Club Limited	6.00	50.0	980	59	1,039	980	40	1,020
CS (Greenwich) Limited	7.55	50.0	415	(9)	406	415	(35)	380
City Screen (Liverpool) Limited	22.72	50.0	250	67	317	250	154	404
Premier Leisure (Suffolk) Limited	4.78	50.0	390	(112)	278	390	5	395
Churchill Taverns VCT Limited	3.25	50.0	280	(50)	230	185	13	198
Towerbridge Health Clubs Limited	2.93	50.0	183	24	207	183	37	220
The Dunedin Pub Company VCT Limited	4.00	50.0	200	(4)	196	200	(18)	182
Bravo Inns Limited	5.10	50.0	230	(62)	168	–	–	–
CS (Brixton) Limited	2.96	50.0	115	11	126	115	10	125
River Bourne Health Club Limited	5.00	50.0	100	10	110	100	1	101
GB Pub Company VCT Limited	8.70	50.0	123	(36)	87	120	(14)	106
The Charnwood Pub Company Limited	2.80	50.0	110	(25)	85	110	10	120
Novello Pub Limited	3.00	50.0	86	(39)	47	86	(29)	57
CS (Exeter) Limited	2.98	50.0	45	(10)	35	45	4	49
CS (Norwich) Limited	1.25	50.0	20	1	21	–	–	–
Pelican Inn Limited	8.30	50.0	3	–	3	248	(65)	183
The Bold Pub Company Limited	–	–	–	–	–	990	244	1,234
Total investments in the leisure sector			**4,630**	**(161)**	**4,469**	**5,417**	**366**	**5,783**

The Portfolio of Investments continued

			At 31 March 2008			At 31 March 2007		
	% Company voting rights	% voting rights held by CVL[2] managed Companies	Investments at cost £'000	Cumulative movement in carrying/ fair value[1] £'000	Total carrying/ fair value £'000	Investments at cost £'000	Cumulative movement in carrying/ fair value[1] £'000	Total carrying/ fair value £'000
Residential development								
Youngs VCT Limited	21.19	50.0	1,000	–	1,000	1,000	–	1,000
Wickenhall Mill VCT Limited	27.34	50.0	547	(260)	287	875	(219)	656
Chase Midland VCT Limited	4.76	50.0	200	(5)	195	200	–	200
Maplecroft VCT Limited			–	–	–	79	(79)	–
Total investments in residential development			**1,747**	**(265)**	**1,482**	**2,154**	**(298)**	**1,856**
AIM investment portfolio								
Pilat Media Global PLC			314	10	324	314	400	714
Pennant International Group PLC			499	(273)	226	499	(82)	417
Bond International Software PLC			28	100	128	136	253	389
Food and Drink PLC			–	–	–	225	(33)	192
Intelligent Environments Group PLC			–	–	–	64	96	160
Tepnel Life Sciences PLC			193	(106)	87	–	–	–
Clipper Ventures PLC			297	(211)	86	–	–	–
Other qualifying AIM investments			2,212	(1,870)	342	2,614	(1,914)	700
Total AIM investments			**3,543**	**(2,350)**	**1,193**	**3,852**	**(1,280)**	**2,572**
Total qualifying investments			**18,761**	**(1,172)**	**17,589**	**18,728**	**675**	**19,403**
Non-qualifying investments								
AIM investments			3	(2)	1	7	1	8
Citigroup March 2009 Floating Rate Note			–	–	–	1,655	2	1,657
Total non-qualifying investments			**3**	**(2)**	**1**	**1,662**	**3**	**1,665**
Total investments			**18,764**	**(1,174)**	**17,590**	**20,390**	**678**	**21,068**

[1] Included in this movement is net capital depreciation of equity and loan instruments amounting to £945,000 (2007: capital appreciation £511,000) and the decrease in carrying value of loans and receivables of £227,000 (2006: increase £164,000) for the unquoted non-qualifying investments. Also included in this movement on non-qualifying investments, is capital depreciation of £2,000 (2007: capital appreciation £3,000).

[2] CVL is Close Ventures Limited, the Manager

* The residual AIM portfolio investments hold minimal voting rights, and they are therefore not noted individually.

Portfolio Companies

The top ten qualifying investments by total aggregate value of equity and loan stock are as follows: (Unquoted loan stock held by the investments are classified as loans and receivables in accordance with FRS 26 and carried at amortised cost using the effective interest rate).

Kew Green VCT (Stansted) Limited

The company was established to develop and operate a limited service hotel under the "Express by Holiday Inn" brand at Stansted Airport on a 125 year lease. The 183 bedroom hotel opened in January 2005 with a 71 room extension opening in 2007. Trading has been strong.

Latest audited results – year to 31 August 2007

	£'000
Turnover	4,586
Profit before tax	201
Profit after tax	90
Net assets	3,005
Basis of equity valuation:	Net asset value supported by third party valuation
Website:	www.expressstanstedairport.co.uk

Investment at value	£'000
Equity	3,178
Loan stock	2,128
Voting rights	15.79 per cent.

The Crown Hotel Harrogate Limited

The company owns and operates the historic 108 bedroom Crown Hotel in Harrogate, Yorkshire which has just finished an 18 month refurbishment programme. Trading has been steadily improving as a result of an improved product and tighter management.

Latest audited results – year to 1 April 2007

	£'000
Turnover	1,508
Loss before tax	(1,622)
Loss after tax	(1,622)
Net assets	293
Basis of equity valuation:	Net asset value supported by third party valuation
Website:	www.crownhotelharrogate.com

Investment at value	£'000
Equity	164
Loan stock	1,121
Voting rights	8.44 per cent.

Kensington Health Clubs Limited

This company has developed a 29,000 square foot health and fitness club on a 999 year lease in West London which opened in December 2007. Membership is currently building up well.

Latest audited results – As a new company, Kensington Health Club Limited has not yet filed statutory accounts

Basis of equity valuation:	Net asset value supported by third party valuation
Website:	www.thirtysevendegrees.co.uk/olympia

Investment at value	£'000
Equity	363
Loan stock	751
Voting rights	6.07 per cent.
Website:	www.expressstanstedairport.co.uk

Portfolio Companies continued

The Weybridge Club Limited

The company bought a 30 acre freehold site near to the centre of Weybridge, Surrey, which it developed into a premium health and fitness club. The club opened in May 2007 and membership is currently building up well.

Latest audited results – year to 31 August 2006

	£'000
Turnover	nil
Loss before tax	(42)
Loss after tax	(42)
Net assets	1,002
Basis of equity valuation:	Net asset value supported by third party valuation
Website:	www.theweybridgeclub.com

Investment at value	£'000
Equity	256
Loan stock	783
Voting rights	6.00 per cent.

The Bear Hungerford Limited

The company was formed to acquire the historic 41 bedroom Bear Hotel in Hungerford. This hotel was acquired in 2005 and a refurbishment programme has taken place. Trading continues to improve following the enhancement of the facilities and strong performance by current management.

Latest audited results – year to 31 March 2007

	£'000
Turnover	1,350
Loss before tax	(511)
Loss after tax	(511)
Net liabilities	(228)
Basis of equity valuation:	Net asset value supported by third party valuation
Website:	www.thebearhotelhungerford.co.uk

Investment at value	£'000
Equity	145
Loan stock	882
Voting rights	14.62 per cent.

Sky Hotel Heathrow Limited

The company was formed to acquire and operate the Stanwell Hotel near Heathrow Terminal 5.

Latest audited results – As a new company, Sky Hotel Heathrow Limited has not yet filed statutory accounts

Basis of equity valuation:	Cost (reviewed for impairment)
Website:	www.thestanwellhotelheathrow.com

Investment at value	£'000
Equity	330
Loan stock	678
Voting rights	16.67 per cent.

Portfolio Companies continued

Youngs VCT Limited

The company is a residential development company. It has successfully completed five developments along the south coast. Following completion of the last development it will be wound down and proceeds returned to the shareholders.

Latest audited results – year ended 30 June 2007

	£'000
Turnover	1,710
Profit before tax	233
Profit after tax	188
Net assets	1,202
Basis of equity valuation:	Cost (reviewed for impairment)

Investment at value	£'000
Equity	450
Loan stock	550
Voting rights	21.19 per cent.

The Place Sandwich VCT Limited

The company owns the freehold of the 34 bedroom, Bell Hotel at Sandwich in Kent. Following refurbishment the hotel has been performing strongly.

Latest audited results – year to 30 June 2007

	£'000
Turnover	1,169
Loss before tax	(241)
Loss after tax	(241)
Net assets	324
Basis of valuation:	Net asset value supported by third party valuation
Website:	www.bellhotelsandwich.co.uk

Investment at value	£'000
Equity	250
Loan stock	481
Voting rights	13.75 per cent.

The Charnwood Pub Company (Hotels) Limited

The company owns and operates two freehold hotels in Rutland.

Latest audited results – year to 31 October 2006 (abbreviated)

	£'000
Net assets	670
Basis of equity valuation:	Cost (reviewed for impairment)

Investment at value	£'000
Equity	32
Loan stock	666
Voting rights	13.90 per cent.

Portfolio Companies continued

CS (Greenwich) Limited

The company owns and operates an art house cinema in Greenwich, London.

Latest audited results – year to 31 December 2007 (abbreviated)

	£'000
Turnover	2,018
Loss before tax	(48)
Loss after tax	(178)
Net assets	800
Basis of equity valuation:	Net asset value supported by third party valuation
Website:	www.picturehouses.co.uk

Investment at value	£'000
Equity	111
Loan stock	295
Voting rights	7.55 per cent.

Net assets of investee companies where a recent third party valuation has taken place may have a higher valuation in Close Brothers Protected VCT PLC accounts than in their own, in cases where the investee company does not have a policy of revaluing their fixed assets.

Directors Report and Business Review

The Directors submit their Annual Report and the audited Financial Statements on the affairs of Close Brothers Protected VCT PLC (the "Company") for the year ended 31 March 2008.

BUSINESS REVIEW

Principal activity and status

The principal activity of the Company is that of a venture capital trust. It has been provisionally approved by H.M. Revenue & Customs (HMRC) as a venture capital trust in accordance with Part 6 of the Income Taxes Act 2007 and in the opinion of the Directors the Company has conducted its affairs so as to enable it to continue to maintain such approval. Approval for the year ended 31 March 2008 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.

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 in order for the Company to pay dividends from realised capital profits. The Company is listed on The London Stock Exchange.

Under current tax legislation, shares in the Company provide tax-free capital growth and income distribution, in addition to the tax relief some investors would have obtained when they invested at the time of the initial fundraising.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 15.

The Company's share capital comprises Ordinary shares. The Ordinary shares are designed for individuals who seek to protect the capital value of their investment whilst still providing an attractive level of return. Currently Ordinary shares represent 100 per cent. of the total share capital and voting rights. All shares rank *pari passu* for dividend and voting purposes. Each Ordinary share is currently entitled to one vote. The Directors are not aware of any restrictions on the transfer of shares or on voting rights.

Dividend reinvestment scheme

The Company is introducing a Dividend reinvestment scheme whereby shareholders may elect to reinvest the whole of the dividend to be paid on 22 August 2008 by subscribing for New Ordinary Shares.

Benefits to participating shareholders arising on participating in the Dividend Reinvestment Scheme include:

- income tax relief on the reinvestment at the rate of 30 per cent. (VCT investments cannot exceed £200,000 in one tax year to be able to obtain this relief and new shares need to be held for at least five years);
- any gains arising on disposal of shares in a VCT will be exempt from tax (any loss will not be an allowable capital loss);
- any future dividends on the new shares are not subject to income tax.

The Circular dated 11 July 2008 which is enclosed with this Annual Report and Financial Statements, 'Introduction of a Dividend Reinvestment Scheme', details the mechanics of this Scheme.

Investment policy

The Company's investment policy 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 managed by Close Ventures Limited, a subsidiary of Close Brothers Group plc, which is authorised and regulated by the Financial Services Authority, currently fall into the following categories:

- Qualifying asset-based investments
- Qualifying AIM investments
- Non-qualifying investments

The Company currently holds a small portfolio of AIM investments which it is gradually realising over time. The Company does not currently intend to make new investments in AIM quoted shares. Qualifying asset-based investee companies do not normally have any external borrowing with a charge ranking ahead of the VCT. Up to two thirds of qualifying assets by cost will comprise loan stock secured with a first charge on the investee company's assets.

Venture Capital Trust status

In order to maintain status under Venture Capital Trust legislation, the following tests must be met:

(1) the Company's income must be derived wholly or mainly from shares and securities;

(2) at least 70 per cent. of the HMRC value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings';

(3) at least 30 per cent. by HMRC value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares';

(4) at no time in the year must the Company's holdings in any one company (other than another VCT) have exceeded 15 per cent. by HMRC value of its investments;

(5) the Company must not have retained greater than 15 per cent. of its income earned in the period from shares and securities;

(6) eligible shares must comprise at least 10 per cent. by value of the total of the shares and securities that the Company holds in any one investee company; and

(7) the Company's shares, throughout the year must have been listed in the Official List of the Stock Exchange.

These tests drive a spread of investment risk through disallowing holdings of more than 15 per cent. in one investee company. The tests have been carried out and independently reviewed for the year ended 31 March 2008. The Company has complied with all these tests and continues to do so.

'Qualifying holdings', for Close Brothers Protected VCT PLC include shares or securities (including loans with a five year or greater maturity period) in companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking, and agriculture. Details of the sectors in which the Company is invested in can be found in the pie chart on page 4 of the Chairman's statement.

Investee Company gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter and there is an annual investment limit of £1 million in each company.

As defined under the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. As at 31 March 2008, the Company's maximum exposure was £1,957,000 (2007: £2,417,000) and its actual short term and long term gearing at this date was £nil (2007: £nil). The Directors do not currently have any intention to utilise long term gearing.

As at 31 March 2008 the portfolio was 94 per cent. invested for HMRC purposes. The investments held are diversified to ensure a spread of risk across the portfolio.

The Directors do not foresee any major changes in the activity undertaken by the Company in the current year. The Company continues with its objective to invest in unquoted companies throughout the United Kingdom with a view to providing both capital growth and a reliable dividend income to shareholders over the long term.

Details of the principal investments made by the Company are shown in the portfolio of investments on page 8. A detailed review of the Company's business during the year and future prospects is contained in the Chairman's Statement on page 4. Details of significant events which occurred since the end of the financial year are listed in note 20 and details of related party transactions are shown in note 21.

The Company has delegated the investment management of the portfolio to Close Ventures Limited, a subsidiary of Close Brothers Group plc, which is authorised and regulated by the Financial Services Authority. Close Ventures Limited also provides company secretarial and other accounting and administrative support to the Company. Further details regarding the terms of engagement of the Manager are shown on page 18.

Results and dividends

	Ordinary Shares £'000
Net revenue return for the year ended 31 March 2008	745
Revenue dividend of 1.4p per share paid on 10 August 2007	(335)
Revenue dividend of 0 .7p per share paid on 4 January 2008	(150)
Transferred to revenue reserves	260
Net capital loss for the year ended 31 March 2008	(1,519)
Capital dividend of 1.1p per share paid on 10 August 2007	(263)
Capital dividend of 1.8p per share paid on 4 January 2008	(388)
Transferred to realised and unrealised capital reserves	(2,170)
Net assets as at 31 March 2008	19,574
Net asset per share as at 31 March 2008 (pence)	92.6p

Directors Report and Business Review continued

The Company paid dividends of 5.00 pence per share (2007: 4.0 pence) during the year ended 31 March 2008.

As described in the Chairman's Statement, the Board has declared a dividend of 2.50 pence per share payable on 22 August 2008 to shareholders on the register as at 25 July 2008.

As shown in the Company's Income Statement on page 29 of the financial statements, the investment income has increased to £1,176,000 (2007: £1,149,000). The revenue return to equity holders has improved to £745,000 (2007: £720,000). This is due to greater investment income being received in the year as a result of higher investment levels.

The capital return for the year was a loss of £1,519,000, primarily as a result of the unrealised losses on investments arising in the year (2007: profit £2,041,000).

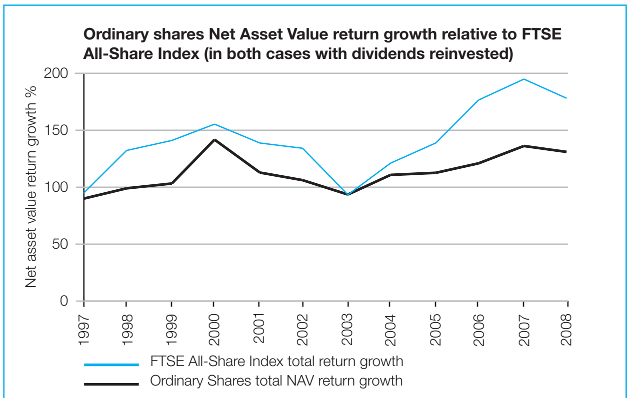
The total return per share was a loss of 3.5 pence per share (2007: profit of 11.4 pence per share).

The Balance Sheet on page 30 of the financial statements shows that the net asset value per share has decreased over the last year to 92.6 pence per share (2007: 101.0 pence per share). This decrease is due to the payment of 5 pence per share dividends during the year, the purchase of own shares for Treasury through Tender Offer, purchase of shares for cancellation and the unrealised devaluation of investments during the year.

The cash flow for the business has been negative for the year, reflecting the buy-back of 10 per cent. of the share capital via the Tender Offer, the payment of dividends and the purchase of qualifying investments.

Key Performance Indicators

The graph below shows Close Brothers Protected VCT PLC's net asset value return growth against the FTSE All-Share Index return growth, in both instances with dividends reinvested.



The total expense ratio for the year to 31 March 2008 was 6 per cent. (2007: 9 per cent.). The increase was mainly due to the one-off cost relating to the Tender Offer and Continuation Vote during the year and as a result of the decline in Net Asset Value.

The Company operates a policy of buying back shares either for cancellation or for holding in Treasury. The Manager has an objective of maintaining the discount of the share price to net asset value at around 10 per cent. During the year the Company purchased 386,945 shares for cancellation, purchased 2,392,955 shares for Treasury at a cost of £2,345,000 and cancelled 301,270 shares previously held in Treasury.

In the Directors' view, there are no other non-financial performance indicators material to the business.

Principal risks and uncertainties

In addition to the current economic risks outlined in the Chairman's Statement, the Board considers that the Company faces the following major risks and uncertainties:

1. Investment risk
   This is the risk of investment in poor quality assets which reduces the capital and income returns to shareholders, and negatively impacts on the Company's reputation. By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more fragile than larger, long established businesses.

   To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and their strong track record for investing in this segment of the market. In addition, the Manager operates a formal and structured investment process, which includes an Investment Committee, comprising investment professionals from the Manager and senior investment personnel from within the Close Brothers Group plc. The Manager also invites comments from all non-executive Directors on investments discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on investee company boards) and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings.

2. Venture Capital Trust approval risk
   The current approval as a venture capital trust allows investors to take advantage of tax reliefs on initial investment and ongoing tax free capital gains and

dividend income. Failure to meet the qualifying requirements could result in investors losing the tax relief on initial investment and loss of tax relief on any tax free income or capital gains received. In addition, failure to meet the qualifying requirements could result in a loss of listing of the shares.

To reduce this risk, the Board has appointed the Manager, who has significant experience in venture capital trust management, and is used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed Ernst & Young LLP as its taxation advisors. Ernst & Young LLP report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation.

3. Compliance risk

The Company is listed on The London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act, Accounting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Act or from financial reporting oversight bodies. Delisting of shares could result in a loss of the Company's venture capital trust approval.

Board members and the Manager have considerable experience of operating at the most senior levels within quoted businesses. In addition, the Board and the Manager receive regular updates on new regulation from its auditors, lawyers and other professional bodies.

4. Internal control risk

Failures in key controls, within the Board or within the Manager's business, could put assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or to shareholders.

The Audit Committee meets with the Head of Internal Audit from Close Brothers Group plc at least once a year, receiving a report regarding the last formal internal audit performed on the Manager, and providing the opportunity for the Audit Committee to ask specific and detailed questions. The Manager has a comprehensive business continuity plan in place in the event that operational continuity is threatened. Further details regarding the Board's management and review of the Company's internal controls through the implementation of the Turnbull guidance are detailed on page 26.

Measures are in place to mitigate information risk in order to ensure the integrity, availability and confidentiality of information used within the business.

5. Reliance upon third parties risk

The Company is reliant upon the services of Close Ventures Limited for the provision of investment management and administrative functions. There are provisions within the Management Agreement for the change of Manager under certain circumstances (for more detail, see the Management Agreement paragraph on page 18). In addition, the Manager has demonstrated to the Board that there is no undue reliance placed upon any one individual within Close Ventures Limited, or its parent company Close Brothers Group plc.

6. Financial risks

By its nature, as a venture capital trust, the Company is exposed to investment risk, credit risk and liquidity risk. The Company's policies for managing these risks and its financial instruments are outlined in full in note 19 to the financial statements.

The Company is financed through equity and does not have any borrowings.

Environment

The management and administration of Close Brothers Protected VCT PLC is undertaken by the Manager. Close Ventures Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the Company's impact on the environment include recycling and reducing energy consumption as shown in the financial statements of Close Ventures Limited.

Employees

The Company is managed by Close Ventures Limited and hence has no employees other than Directors.

Directors Report and Business Review continued

Directors
The biographies of the Directors are shown on page 6.

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

	31 March 2008	31 March 2007
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 2008 and the date of this Report.

Details of Directors' remuneration are shown in the Directors' Remuneration report on page 27.

No Director has a service contract with the Company and there are no agreements with Directors providing compensation in the event of a takeover bid.

All Directors, except for Patrick Reeve, who is a director of the Manager, are members of the Audit Committee of which Giles Pitman is Chairman.

Patrick Reeve, as director of Close Ventures Limited is deemed to have an interest in the management contract and management performance incentive to which the Company is party.

No options over the share capital, long term incentive or retirement benefits of the Company have been granted to Directors personally, nor does the Company make a contribution to any pension scheme on behalf of the Directors.

Directors' retirement and re-election is subject to the Articles of Association and the Combined Code on Corporate Governance. At the forthcoming Annual General Meeting, Martin Bralsford and Giles Pitman will retire and offer themselves for re-election. Further details can be found in the Statement of Corporate Governance on page 24.

Management agreement
The Company and Close Ventures Limited have entered into a Management Agreement dated 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 on the insolvency of either party.

Following ratification by shareholders at the Extraordinary General Meeting on 26 February 2005, the management fee was, from 1 April 2005, standardised to 1.8 per cent. (plus any applicable VAT) of the investments of the Company. The fee is payable quarterly in arrears.

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

Management Performance Incentive
In order to provide the Manager with an incentive to maximise the return to investors, the Company has entered into a management performance incentive arrangement with the Manager.

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 per cent. (plus VAT). The hurdle rate has been set at an annual return of 5 per cent. per annum, representing dividends paid and growth in net asset value, over the preceding year's net asset value. No management performance incentive fee is payable for the year ended 31 March 2008.

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 1 April 2005, with any shortfall resulting in payments not being made until performance catches up.

Evaluation of the Manager
The Board through the Audit Committee has evaluated the performance of the Manager based on the returns generated by the Company, the long term prospects of the current investments, a review of the management agreement and the services provided therein, and benchmarking the performance of the Manager to other service providers. The Board believes that it is in the interests of shareholders as a whole, and of the Company, to continue the appointment of the Manager for the forthcoming year.

Valuation of investments
As described in note 2 of the financial statements, the unquoted equity investments held by the Company are valued at fair value through profit or loss in accordance with the International Private Equity and Venture Capital Valuation Guidelines. These Guidelines set out recommendations, intended to represent current best practice on the valuation of venture capital investments. Unquoted investments are

valued on the basis of forward looking estimates and judgements about the business itself, its market and the environment in which it operates, together with the state of the mergers and acquisitions market, stock market conditions and other factors. In making these judgements the valuation takes into account all known material facts up to the date of approval of the financial statements by the Board. Unquoted loan stock is valued at amortised cost.

Investment and co-investment

The Company co-invests with other venture capital trusts and funds managed or advised by Close Ventures Limited. Allocation of investments is on the basis of an allocation agreement which is based, inter alia, on the ratio of funds available for investment.

Auditors

During the year, the Board, advised by the Audit Committee, decided to put the audit of the Company out to tender. Following a formal selection process which considered expertise within the VCT market, depth of expertise within the audit firm and value for money, the Board have appointed PKF (UK) LLP as auditors to fill the casual vacancy. As a result of this process Deloitte & Touche have formally resigned as auditors.

A resolution to re-appoint PKF (UK) LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

Substantial interests

As at 31 March 2008 and at the date of this report, the Company was aware that Pershing Keen Nominees Limited had a beneficial interest of 10.1 per cent. of the issued share capital of the Company.

Supplier payment policy

The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. Creditor days for the year were nil. There were no overdue trade creditors at 31 March 2008 (2007: Nil).

Annual General Meeting

The Annual General Meeting will be held at 10 Crown Place, London EC2A 4FT at 12 noon on 11 August 2008. The notice of the Annual General Meeting is at the end of this document.

The proxy form enclosed with this Annual Report and Financial Statements permits shareholders to disclose votes 'for', 'against' and'withheld'. A 'vote withheld' is not a vote in law and will not be counted in the proportion of the votes for and against the resolution.

Summary of proxies lodged at the Annual General Meeting will be published at www.closeventures.co.uk within the 'Our Funds' section by clicking on Close Brothers Protected VCT PLC.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting for which shareholder approval is required in order to comply either with the Companies Act or the Listing Rules of the Financial Services Authority.

Power to allot shares

Ordinary resolution number 7 will request the authority for directors to allot up to an aggregate nominal amount of £1,057,500 representing approximately 10 per cent. of the issued ordinary share capital of the Company (excluding shares held in Treasury) as at 31 March 2008. This authority will expire on 11 January 2010.

The Directors do not currently have any intention to allot shares, with the exception of reissuing shares where it is in the Company's interest to do so. This resolution replaces the authority given to the directors at the Annual General Meeting in 2007.

Dis-application of pre-emption rights

Special resolution number 8 will request authority for directors to disapply pre-emption rights in circumstances of a rights or other pre-emptive issue, in connection with the Dividend Reinvestment Scheme and otherwise for the allotment of up to 5 per cent. of the share capital in Ordinary resolution 7. Members will note that this resolution also relates to treasury shares.

Directors Report and Business Review continued

Purchase of own shares

Special resolution number 9 will request the authority to purchase up to 14.99 per cent. of the Company's issued ordinary share capital subject to the provisions shown in the notice of the meeting attached to the back of the financial statements. Shares bought back under this authority may be cancelled and up to 10 per cent, can be held in Treasury.

The authority sought at the Annual General Meeting will expire eighteen months from the date this resolution is passed or at the conclusion of the next annual general meeting of the Company, whichever is the earlier.

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 2007 authority, which was in similar terms. During the financial year under review the Company purchased 2,392,955 of its Ordinary shares, which are held in Treasury. The Company holds a total of 2,392,955 shares in Treasury, representing 10 per cent. of the Ordinary shares in issue (excluding Treasury shares) as at 31 March 2007. All shares were purchased during the year.

During the year the Company also purchased for cancellation 386,945 shares, representing 1.6 per cent. of the Ordinary shares in issue (excluding Treasury shares) as at 31 March 2007. A further 301,270 shares previously held in Treasury were cancelled.

Treasury shares

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, shares purchased by the Company out of distributable profits can be held as Treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 9 is intended to apply equally to shares to be held by the Company as Treasury shares in accordance with the Regulations. The Board will only authorise repurchases of Treasury shares at prices representing a discount to the NAV per share which would have the effect of enhancing the NAV per share for remaining shareholders.

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 which allow the Directors to sell Treasury shares at a price not less than that at which they were purchased.

Changes to the Company's Articles of Association

At the Annual General Meeting, special resolution number 10 will be proposed to adopt new Articles of Association (the "New Articles") in order to update the Company's existing Articles of Association (the "Current Articles") and to implement changes that have been brought into force by the Companies Act 2006. A further special resolution 'special resolution number 11' will be proposed to enable the Company manage potential conflicts in accordance with provisions that will come into force on 1 October 2008 or such later date as section 175 of Companies Act 2006 provides.

The principal changes introduced in the New Articles are set out below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted below. A copy of the New Articles showing all the changes to the Current Articles will be available for inspection at the Company's registered office from the date of the Notice during normal business hours until the conclusion of the Annual General Meeting, at the place of the Annual General Meeting for at least 15 minutes prior to the Annual General Meeting until its conclusion.

Principle changes to the Company's Articles of Association

1. Articles which duplicate statutory provisions

   Provisions in the Current Articles which duplicate statutory provisions already contained in the Companies Act 2006 are being removed in line with the approach advocated by the Government that a company's constitution ought not to duplicate the statutory provisions contained in the Companies Act 2006. This includes, for example, provisions as to the form of resolutions, variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes being made to reflect this approach are detailed below.

2. Form of resolution

   Under the Companies Act 2006, the concept of an extraordinary resolution has been abolished. As a result, requirements under the Current Articles for an extraordinary resolution will be replaced in the New Articles by the requirement for a special resolution.

   The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions are, therefore, being removed in the New Articles.

Directors Report and Business Review continued

3. Variation of class rights
   The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions are, therefore, being amended in the New Articles.

4. Convening general meetings
   The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform with the revised notice periods set out in the new provisions of the Companies Act 2006. In particular a general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

5. Votes of members
   Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that they must be received no later than 48 hours before the meeting or, in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. A company's articles cannot shorten these time limits by specifying that they should be received before the time limits provided for in the Companies Act 2006. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles are being amended to reflect all of these new provisions.

6. Conflicts of interest
   The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

   There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

   It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

7. Notice of board meetings
   Under the Current Articles, when a director is abroad he can request that notice of directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision is being removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. It is being replaced with a more general provision that a director is treated as having waived his entitlement to notice, unless he supplies the Company with the information necessary to ensure that he receives notice of a meeting before it takes place.

8. Records to be kept
   The provision in the Current Articles requiring the Board to keep accounting records is being amended to refer to the relevant provisions of the Companies Act 2006.

9. Electronic and web communications
   Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to

communicate with members by electronic and/or website communications. The New Articles to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information. Whilst the Company will be incorporating the new provisions of the Companies Act 2006 in relation to electronic and/or website communications, it does not yet intend to communicate with its Shareholders via such means. If and at such time as the Company deems it appropriate to communicate with Shareholders via electronic and/or website communications, it shall write to Shareholders, as described above, regarding such use.

10. Directors' indemnities and loans to fund expenditure
    The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. The existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

Recommendation

Your Board believes that the resolutions above are in the best interests of the Company and its Shareholders as a whole and, accordingly, unanimously recommend that you vote in favour of the resolutions.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the income statement of the Company for the year. In preparing these financial statements, the Directors are required to:

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

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

We confirm to the best of our knowledge:

- The financial statements, prepared in accordance with UK GAAP, give a true and fair view of the asset liabilities, financial position and profit and loss of the Company; and
- The Directors' report includes a fair review of the development and performance of the business and the position of the Company, together with the description of the principal risks and uncertainties they face.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors Report and Business Review continued

In the case 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.

This disclosure is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

By Order of the Board

Close Ventures Limited Company Secretary
10 Crown Place
London, EC2A 4FT 11 July 2008

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") and updated in June 2006.

The Board of Close Brothers Protected VCT PLC has also considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to Close Brothers Protected VCT PLC.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.

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. It has been thought appropriate to combine the roles of Chairman and Senior Independent Director due to the small size of the board and Mr Bralsford's independence. Mr Pitman is considered an independent Director. Christopher Holdsworth Hunt is a director of another fund managed by Close Investments Limited, a subsidiary of Close Brothers Group plc. Under the Listing Rules, with effect from October 2010, the Company will be required to have an independent Chairman and a majority of independent Directors (where to be independent, a Director cannot serve on the Board of more than one Company managed by the parent of the Manager). The Board is keeping this under review and will report on this in future periods. Martin Bralsford and Giles Pitman have been Directors of the Company for more than nine years. The Board does not consider that a Director's length of service reduces their ability to act independently of the Manager. Mr Reeve is not considered an independent Director as he is the Managing Director of Close Ventures 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 6. 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 four times during the year ended 31 March 2008 as part of its regular programme of Board meetings. All of the Directors attended each meeting with the exception of one where Mr Holsworth Hunt 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 the 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;
- application of the principles of the Combined Code, corporate governance and internal control;
- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of auditors;
- 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

Statement of Corporate Governance continued

- monitoring shareholder profile and considering shareholder communications.

Committees' and Directors' performance evaluation
Performance of the Board and the Directors is assessed on the following:

- attendance at Board and Committee meetings;
- the contribution made by individual Directors at, and outside of, Board and Committee meetings; and
- completion of a detailed internal assessment process and annual performance evaluation conducted by the Chairman.

The Board believes that it has the right balance of independence, skills, experience and knowledge for the effective governance of the Company.

Directors' retirement and re-election is subject to the Articles of Association and the AIC Code on Corporate Governance. Martin Bralsford and Giles Pitman have been Directors for more than nine years, and in accordance with the AIC Code will both retire and offer themselves for re-election at the forthcoming Annual General Meeting, and annually thereafter.

As a result of the performance evaluation process, the Directors are considered effective and demonstrate strong commitment to the role; on this basis, the Board believes it to be in the best interest of the Company to reappoint these Directors at the forthcoming Annual General Meeting.

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 excluding Mr Reeve. Mr Pitman is Chairman of the Audit Committee. 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 2008; all members attended.

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

- providing an overview of the Company's accounting policies and financial reporting;
- considering and reviewing the effectiveness of the Company's internal controls and risk management systems;
- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- meeting the Company's external auditors annually, approving their appointment, reappointment, remuneration, terms of engagement and providing an ongoing review of auditor independence and objectivity;
- developing and implementing a policy for the supply of non-audit services by the external auditors;
- 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 that these issues, where raised, are subject to proportionate and independent investigation, and appropriate action;
- reporting to the Board, identifying any matters in respect of which action or improvement is needed and recommending appropriate steps to be taken; and
- undertaking the duties of the Engagement Committee, and therefore reviewing the performance of the Manager and all matters arising under the management agreement.

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

- formally reviewing the final report and accounts, the Half-yearly report, and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the Head of Internal Audit of Close Brothers Group plc;
- meeting with the external auditors and reviewing their findings;
- undertaking a tender process for the provision of audit services to the Company, evaluating the tenders, and recommending the re-appointment of PKF (UK) LLP to the Board with a view to their appointment at the Annual General Meeting; and
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board.

Statement of Corporate Governance continued

Nomination Committee

A nomination committee has not been formed as the size of the Board does not warrant its formulation and no positions have become vacant.

Internal Control

In accordance with principle C.2 of the Combined Code, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the Internal Control Guidance for Directors in the Combined Code published in September 1999 and updated in 2005 (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 misstatement 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 are, and 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 come to the Manager'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.

As the Board has delegated the investment management and administration to Close Ventures Limited, the Board feels that it is not necessary to have its own internal audit function. Instead, the Board has continual access to the internal audit department of Close Brothers Group plc, which undertakes periodic examination of the business processes and controls environment at Close Ventures Limited, and ensures that any recommendations to implement improvements in controls are carried out. The internal audit department of Close Brothers Group plc reports formally to the Board on an annual basis. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

Going concern

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

Relationships with shareholders

The Company's Annual General Meeting on 11 August 2008 will be used as an opportunity to communicate with investors. The Board and the Chairman of the Audit Committee 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.

The Annual General Meeting will also include a presentation from the Manager on the portfolio and on the Company, and a presentation from an investee company.

Shareholders are able to access the latest information on the Company via the Close Ventures Limited website www.closeventures.co.uk under the "Our Funds" section.

Any enquiries relating to shareholdings and share certificates or changes to personal details can be directed to Capita Registrars plc:

Tel: 0871 664 0300
(Calls cost 10p per minute plus network extras)
E-mail: ssd@capitaregistrars.com

Specific enquiries relating to the performance of the Fund should be directed to Close Ventures Limited:

Tel: 020 7422 7830
E-mail: enquiries@closeventures.co.uk

The company's share buy-back programme operates in the market through brokers. In order to sell shares, as they are quoted on the London Stock Exchange, investors should approach a broker to undertake the sale. Banks may be able to assist shareholders with a referral to a broker within their banking group.

Statement of compliance

With the exception of the requirements to have a Remuneration Committee and Nomination Committee, the Directors consider that the Company has complied throughout the year ended 31 March 2008 with all the relevant provisions set out in Section 1 of the Code, and with the AIC Code of Corporate Governance. 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 of tothe 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 the Director's remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting.

UNAUDITED INFORMATION

Remuneration Committee

Since the Company consists solely of non-executive Directors, a Remuneration Committee is not considered necessary.

Directors' remuneration policy

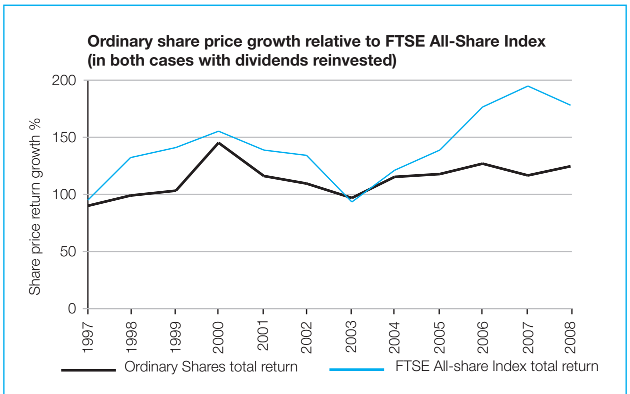
The Company's policy is that fees payable to non-executive Directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration market equivalents are considered in comparison to the overall activities and size of the Company.

The maximum level of non-executive Directors' remuneration is fixed by the Company's Articles of Association, not to exceed £60,000 per annum; amendment to this is by way of a special resolution subject to ratification by shareholders. No change in the level is expected in the near future.

Performance graph

The graph that follows show Close Brothers Protected VCT PLC's share price growth against the FTSE All-Share Index growth, in both instances with dividends reinvested. The Directors consider this to be the most appropriate benchmark. Investors should however be reminded that shares in VCTs generally trade at a discount to the actual net asset value of the Company.

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



Source: Close Ventures Ltd

Service contracts

None of the Directors has a service contract with the Company.

Directors' remuneration

The following items have been audited.

The following table shows an analysis of the remuneration of individual directors, exclusive of National Insurance or VAT:

	2008 Fees £'000	2007 Fees £'000
Martin Bralsford	15	15
Giles Pitman	15	15
Christopher Holdsworth Hunt	15	15
Close Ventures Limited (for Patrick Reeve's services)	15	15
	60	60

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.

Each Director of the Company was remunerated personally, save for Patrick Reeve whose services are provided by Close Ventures Limited.

In addition to Directors' remuneration, the Company pays annual premiums of £10,000 in respect of Directors' & Officers' Liability Insurance.

By Order of the Board

Close Ventures Limited
Company Secretary

10 Crown Place
London, EC2A 4FT

11 July 2008

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 2008 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movement in Shareholders' Funds, the Cash Flow Statement and the related notes. The 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, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the Directors' Responsibilities Statement.

Our responsibility is to audit the Financial Statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant 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 and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements. The information in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referenced from the business review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We review whether the Statement of Corporate Governance reflects the Company's compliance with the nine provisions of the 2006 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 other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. The other information comprises only the Chairman's Statement, Portfolio of Investments, Portfolio Companies, Directors' Report and Business Review, the Statement of Corporate Governance and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

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 to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations 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 to be 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 to be 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 the company's affairs as at 31 March 2008 and of its loss for the year then ended;
- the Financial Statements and the part of the Directors' Remuneration Report to be 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.

PKF (UK) LLP
Registered Auditors
London, UK

11 July 2008

Income Statement

		Year ended 31 March 2008			Year ended 31 March 2007		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	3	–	(1,303)	(1,303)	–	2,288	2,288
Investment income	4	1,176	–	1,176	1,149	–	1,149
Investment management fees	5	(114)	(340)	(454)	(122)	(367)	(489)
Other expenses	6	(250)	–	(250)	(204)	–	(204)
Return/(loss) on ordinary activities before tax		812	(1,643)	(831)	823	1,921	2,744
Tax (charge)/credit on ordinary activities	8	(67)	124	57	(103)	120	17
Return/(loss) attributable to shareholders		745	(1,519)	(774)	720	2,041	2,761
Basic and diluted return per share (pence) (excluding Treasury shares)	10	**3.3**	**(6.8)**	**(3.5)**	**3.0**	**8.4**	**11.4**

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

The accompanying notes on pages 33 to 44 form an integral part of these financial statements.

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

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

Note of Historical Cost Profits and Losses

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
(Loss)/profit on ordinary activities before taxation	(831)	2,744
Add back: unrealised losses/(profits) on investments	1,931	(1,268)
Historical cost return on ordinary activities before taxation	**1,100**	**1,476**
Historical cost return for the year after taxation and dividends	**21**	**522**

Balance Sheet

	Note	31 March 2008 £'000	31 March 2007 £'000
Fixed asset investments			
Qualifying		17,589	19,403
Non-qualifying		1	1,665
Total fixed asset investments	11	17,590	21,068
Current assets			
Debtors	13	127	65
Cash at bank		2,035	3,235
		2,162	3,300
Creditors: amounts falling due within one year	14	(178)	(198)
Net current assets		1,984	3,102
Net assets		19,574	24,170
Capital and reserves			
Called up share capital	15	11,771	12,116
Special reserve		8,886	9,476
Capital redemption reserve		2,167	1,822
Realised capital reserve		(139)	101
Unrealised capital reserve		(1,416)	515
Own treasury shares reserve		(2,345)	(250)
Revenue reserve		650	390
Shareholders' funds		19,574	24,170
Net asset value per share (pence) (excluding Treasury shares)	16	92.6	101.0

The accompanying notes on pages 33 to 44 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors, and authorised for issue on 11 July 2008 and were signed on its behalf by

Martin Bralsford
Chairman

Reconciliation of Movement in Shareholders' Funds

	Called-up share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Treasury shares £'000	Revenue reserve £'000	Total £'000
As at 1 April 2007	12,116	9,476	1,822	101	515	(250)	390	24,170
Purchase of own shares for cancellation	(345)	(590)	345	–	–	250	–	(340)
Purchase of own Treasury shares	–	–	–	–	–	(2,345)	–	(2,345)
Capitalised investment management fees net of tax	–	–	–	(217)	–	–	–	(217)
Realised gains on investments	–	–	–	628	–	–	–	628
Unrealised losses on investments	–	–	–	–	(1,931)	–	–	(1,931)
Revenue return attributable to shareholders	–	–	–	–	–	–	745	745
Dividends paid	–	–	–	(651)	–	–	(485)	(1,136)
As at 31 March 2008	11,771	8,886	2,167	(139)	(1,416)	(2,345)	650	19,574
As at 1 April 2006	12,222	9,647	1,716	(187)	(753)	–	155	22,800
Purchase of own shares for cancellation	(106)	(171)	106	–	–	–	–	(171)
Purchase of own Treasury shares	–	–	–	–	–	(250)	–	(250)
Capitalised investment management fees net of tax	–	–	–	(246)	–	–	–	(246)
Realised gains on investments	–	–	–	1,020	–	–	–	1,020
Unrealised gains on investment	–	–	–	–	1,268	–	–	1,268
Revenue return attributable to shareholders	–	–	–	–	–	–	720	720
Dividends paid	–	–	–	(486)	–	–	(485)	(971)
As at 31 March 2007	12,116	9,476	1,822	101	515	(250)	390	24,170

Cash Flow Statement

	Note	Year to 31 March 2008 £'000	Year to 31 March 2007 £'000
Operating activities			
Investment income received		934	778
Deposit interest received		160	189
Investment management fees paid		(488)	(528)
Other cash payments		(237)	(145)
Net cash inflow from operating activities	18	369	294
Taxation			
UK corporation tax paid		(3)	(117)
Capital expenditure and financial investments			
Purchase of investments		(1,984)	(4,453)
Disposals of investments		4,238	6,211
Net cash inflow from investing activities		2,254	1,758
Equity dividends paid			
Revenue dividends paid	9	(485)	(485)
Capital dividends paid	9	(651)	(486)
Net cash inflow before financing		1,484	964
Financing			
Purchase of own shares	15	(2,684)	(251)
Net cash outflow from financing		(2,684)	(251)
Cash (outflow)/inflow in the year	17	(1,200)	713

Notes to the Financial Statements

1. Accounting convention

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

2. Accounting policies

Investments

Quoted and unquoted equity investments

In accordance with FRS 26 "Financial Instruments Recognition and Measurement", quoted and unquoted equity investments are designated as fair value through profit or loss ("FVTPL"). Investments listed on recognised exchanges are valued at the closing bid 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 (IPEVCV guidelines).

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

Unquoted loan stock

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

Loan stocks which are not impaired or past due are considered fully performing in terms of contractual interest and capital repayments and the Board does not consider that there is a current likelihood of a shortfall on security cover for these assets. For unquoted loan stock, the amount of the impairment is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the effective interest rate.

Floating rate notes

In accordance with FRS 26 "Financial Instruments; Recognition and Measurement", floating rate notes are designated as fair value through profit or loss ("FVTPL"). Floating rate notes are valued at market bid price at the balance sheet date.

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.

Dividend income is not recognised as part of the fair value movement of an investment, but is recognised separately as investment income through the Revenue reserve when a share becomes ex-dividend.

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

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

Investment income

Quoted and Unquoted equity income

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

Unquoted Loan stock income

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

Bank interest income

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

Floating Rate Note Income

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

Investment management fees and other expenses

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

- 75 per cent. of Management fees are allocated to the capital account to the extent that these relate to an enhancement in the value of the investments and in line with the Board's expectation that over the long term 75 per cent. of the Company's investment returns will be in the form of capital gains; and
- expenses which are incidental to the purchase or disposal of an investment are charged through the Realised capital reserve.

Performance incentive fee

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

Taxation

Taxation is applied on a current basis in accordance with FRS 16 "Current tax". Taxation associated with capital expenses is applied in accordance with the SORP. In accordance with FRS 19 "Deferred tax", deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

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

Reserves

Realised capital reserves
The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments;
- expenses, together with the related taxation effect, charged in accordance with the above policies; and
- dividends paid to equity holders.

Unrealised capital reserves
The following are disclosed to this reserve:

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

Special reserve
The cancellation of the share premium account has created a special reserve that can be used to fund market purchases and subsequent cancellation of own shares and for other distributable purposes.

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

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

Dividends

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

Notes to the Financial Statements continued

3. (Losses)/gains on investments

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Unrealised (losses)/gains on investments held at fair value through profit and loss account	(1,922)	1,268
Unrealised (impairments)/gains on investments held at amortised cost	(9)	–
Unrealised (losses)/gains sub total	**(1,931)**	**1,268**
Realised gains on investments held at fair value through profit and loss account	630	1,020
Commission on purchase and disposal of investments held at fair value through profit or loss account	(2)	–
	(1,303)	**2,288**

Investments valued on amortised cost basis are unquoted loan stock investments.

4. Investment income

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Income recognised on investments held at fair value through profit and loss		
UK dividend income	18	6
Management fees received from equity investments	63	47
Floating rate note interest	22	83
Bank deposit interest	132	191
	235	327
Income recognised on investments held at amortised cost		
Return on loan stock investments	941	822
	1,176	**1,149**

Interest income earned on impaired investments at 31 March 2008 for Ordinary shares amounted to £2,000 (2007: £1,000). These investments are all held at amortised cost.

5. Investment management fee

	Year ended 31 March 2008			Year ended 31 March 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	114	340	454	122	367	489

Total management fees for the year ended 31 March 2008 include irrecoverable VAT amounting to approximately £69,000 (2007: £73,000). Further details of the Management Agreement under which the investment management fee is paid are given in the Directors Report and Business Review on page 18.

Notes to the Financial Statements continued

6. Other expenses

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Secretarial and administration fee	33	25
Directors' fees	67	67
Other	129	89
Auditor's remuneration:		
Audit fees	20	23
Assurance services pursuant to legislation	1	–
	250	**204**

£20,000 of the above audit fees are for PKF (UK) LLP, the current auditors.

Administration fees of £33,000, including VAT (2007: £25,000) were paid by the Company in the year to Close Ventures Limited. Other expenses includes costs of the Tender Offer of £50,000 (2007: £nil)

7. Directors' fees

The amounts paid to Directors during the year are as follows:

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Directors' fees	60	60
National Insurance and/or VAT	7	7
	67	**67**

Further information regarding Directors' remuneration can be found on the Directors' Remuneration Report on page 27.

8. Tax charge/(credit) on ordinary activities

	Year ended 31 March 2008			Year ended 31 March 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK Corporation tax	117	(21)	96	(7)	(10)	(17)
Adjustments in respect of prior periods	(153)	–	(153)	–	–	–
Tax attributable to capital expenses	103	(103)	–	110	(110)	–
	67	**(124)**	**(57)**	**103**	**(120)**	**(17)**

Notes to the Financial Statements continued

8. Tax charge/(credit) on ordinary activities (continued)

The tax charge for the year is lower than the standard rate of corporation tax of 30 per cent. The differences are explained below.

	Year ended 31 March 2008			Year ended 31 March 2007		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Return on ordinary activities before Taxation	812	(1,643)	(831)	823	1,921	2,744
Tax on profit at the standard rate	244	(493)	(249)	247	576	823
Factors affecting the charge:						
Tax refund in respect of prior years	–	(13)	(13)	–	–	–
Consortium relief in respect of prior years	(153)	–	(153)	(123)	–	(123)
Capital losses not subject to taxation	–	390	390	–	(686)	(686)
Tax attributable to capitalised expenses	103	(103)	–	110	(110)	–
Expenses charged to capital	(103)	103	–	(110)	110	–
Non-taxable income	(6)	–	(6)	(2)	–	(2)
Marginal relief	(18)	(8)	(26)	(19)	(10)	(29)
	67	**(124)**	**(57)**	**103**	**(120)**	**(17)**

During the year, a tax rebate of £153,000 was received in relation to consortium relief claimed.

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 expenses by reference to the applicable corporation tax rate of 30 per cent. and allocating the relief between revenue and capital in accordance with the SORP.

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

9. Dividends

	Year ended 31 March 2008			Year ended 31 March 2007		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
First dividend paid on 25 August 2006 – 2.00 pence per share	–	–	–	–	486	486
Second dividend paid on 26 January 2007 – 2.00 pence per share	–	–	–	485	–	485
First dividend paid on 10 August 2007 – 2.50 pence per share	335	263	598	–	–	–
Second dividend paid on 4 January 2008 – 2.50 pence per share	150	388	538	–	–	–
	485	**651**	**1,136**	**485**	**486**	**971**

In addition to the dividends summarised above, the Directors have declared a first dividend of 2.50 pence per share to be paid on 22 August 2008 to shareholders on the register as at 25 July 2008.

10. Basic and diluted return per share

	Year ended 31 March 2008			Year ended 31 March 2007		
	Revenue pence	**Capital pence**	**Total pence**	**Revenue pence**	**Capital pence**	**Total pence**
Ordinary Shares	3.3	(6.8)	(3.5)	3.0	8.4	11.4

Revenue return per share is based upon the net revenue return attributable to shareholders for the year of £745,000 (2007: £720,000) in respect of the weighted average number of shares in issue during the year, being 22, 281,375 (2007: 24,267,095).

Capital return per share is based upon the net capital loss attributable to shareholders for the year of £1,519,000 (2007: profit £2,041,000) in respect of the same weighted average number of shares as for the revenue return above.

There are no dilutive elements and hence the return per share is the same as the diluted return per share.

Notes to the Financial Statements continued

11. Fixed asset investments

	31 March 2008 £'000	31 March 2007 £'000
Qualifying unquoted investments	16,396	16,830
Qualifying AIM investments	1,193	2,573
Non-qualifying investments	1	1,665
Total	**17,590**	**21,068**

	Qualifying unquoted investments £'000	Qualifying AIM investments £'000	Non-qualifying AIM and quoted investments £'000	Total £'000
Opening valuation as at 1 April 2007	16,830	2,573	1,665	21,068
Purchases at cost	1,984	20	–	2,004
Disposal proceeds	(1,914)	(677)	(1,663)	(4,254)
Realised gains	275	350	5	630
Movement in loan stock carrying value	73	–	–	73
Unrealised depreciation	(852)	(1,073)	(6)	(1,931)
Closing valuation as at 31 March 2008	**16,396**	**1,193**	**1**	**17,590**
Movement in loan stock carrying value				
Opening accumulated movement in loan stock carrying value	156	–	–	156
Movement in loan stock carrying value	73	–	–	73
Closing accumulated movement in loan stock carrying value	**229**	**–**	**–**	**229**
Movement in unrealised gains (losses)				
Opening accumulated unrealised gains/(losses)	1,801	(1,278)	3	526
Unrealised movement on disposals	(206)	(236)	(5)	(447)
Movement in unrealised losses	(646)	(837)	(1)	(1.484)
Closing accumulated unrealised losses	**949**	**(2,351)**	**(3)**	**(1,405)**
Historic cost basis				
Opening book cost	14,876	3,852	1,662	20,390
Purchases at cost	1,984	20	–	2,004
Sales at cost	(1,642)	(327)	(1,659)	(3,628)
Closing book cost	**15,218**	**3,545**	**3**	**18,766**

Fixed asset investments held at fair value through the profit or loss account total £7,155,000 (2007: £10,857,000). Included within the Qualifying unquoted investments shown above, are loan stock investments held at a total amortised cost of £10,435,000 (2007: £10,217,000). There has been no re-designation of fixed asset investments during the period.

There have been three material disposals in the year. The Bold Pub Company Limited disposal resulted in net proceeds of £1,430,000 with cost of £990,000 and an opening carrying value of £1,234,000. Pelican Inn Limited net disposal proceeds were £157,000 with cost of £245,000 and an opening carrying value as at 1 April 2007, of £183,000. The Floating Rate Note was disposed of during the year with proceeds of £1,658,000 on an initial cost of £1,655,000 and an opening carrying value as at 1 April 2007 of £1,657,000.

The disposal proceeds per the Cashflow Statement do not agree to the disposal proceeds above by £20,000 because the disposal of Sirius Financial Solution was a cash and share offer. The Fund received shares in SSP Holdings PLC as a result of the corporate action.

Notes to the Financial Statements continued

11. Fixed asset investments (continued)

Fixed asset investment class valuation methodologies

Quoted equity investments (both qualifying and non-qualifying) and floating rate notes are valued at market bid price as at the balance sheet date.

Unquoted loan stock investments are valued on an amortised cost basis. Loan stocks in the Ordinary share portfolio using a fixed interest rate total £10,435,000 (2007: £10,217,000).

Loan stocks in the Ordinary share portfolio valued using a floating rate total £nil (2007: £1,657,000).

The Directors believe that the carrying value on loan stock is not materially different to fair value.

The Company does not hold any assets as the result of the enforcement of security during the period, and believes that the carrying values for both impaired and past due assets are covered by the value of security held for these loan stock investments.

Unquoted equity investments, are valued in accordance with the IPEVCV guidelines as follows;

Investment methodology	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Cost (reviewed for impairment)	1,039	1,208
Net asset value	4,922	5,405
Total	**5,961**	**6,613**

The equity investments held had the following movements between valuation methodologies between 31 March 2007 and 31 March 2008:

Change in investment methodology (2006 to 2007)	Value as at 31 March 2008 £'000	Explanatory note
Cost to net asset value	402	Cost was used as the best approximation to fair value for the first year of investment

In the absence of a more appropriate valuation methodology, investments held for less than 12 months are valued at cost. Thereafter, the valuation will move to the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEVCV Guidelines. The Directors believe that, within these parameters, there are no reasonable possible alternative methods of valuation of the investments as at 31 March 2008, other than those used.

12. Significant interests

The Company has interests of greater than 20 per cent. in the nominal value of the allotted shares of any class of shares in the investee companies as at 31 March 2008 as described below:

Company	Country of incorporation	Principal activity	% class and share type	% voting rights
City Screen (Liverpool) Limited	Great Britain	Art House Cinema	23% Ordinary shares	23%
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, "Associates and joint ventures", 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

13. Debtors

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Other debtors	20	14
Accrued income	5	8
Corporation tax debtor	102	43
	127	**65**

The Directors consider that the carrying amount of debtors approximates their fair value.

14. Creditors: amounts falling due within one year

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Other creditors	137	16
Accruals and deferred income	41	182
	178	**198**

The Directors consider that the carrying amount of creditors approximates their fair value.

15. Called up share capital

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Authorised		
50,000,000 Ordinary shares of 50p each (2007: 50,000,000)	25,000	25,000
	25,000	**25,000**
Allotted, called up and fully paid		
23,542,956 Ordinary shares of 50p each (2007: 24,231,172)	11,771	12,116
	11,771	**12,116**
Allotted, called up and fully paid (excluding Treasury shares)		
21,150,001 Ordinary shares of 50p each (2007: 23,929,902)	10,575	11,965
	10,575	**11,965**

The Company repurchased 386,945 Ordinary shares for cancellation during the year at a cost of £325,034 (2007:nil shares). A further 301,270 shares previously held in Treasury, were cancelled prior to the Tender Offer at a 10 per cent. buy back. The Company purchased 2,392,955 Ordinary shares (2007: 386,945) to be held in Treasury at a cost of £2,345,096 (2007: £325,034) representing 10 per cent. of the share capital as at 1 April 2007. Stamp duty totalling £14,000 was paid in respect of these transactions.

Notes to the Financial Statements continued

16. Net asset value per share

	Year ended 31 March 2008	Year ended 31 March 2007
Net asset value per share attributable (pence)	92.6	101.0

The net asset value per share at the year end is calculated in accordance with the Articles of Association and is based upon net assets of £19,574,000 (2007: £24,170,000 and) total shares in issue of 23,542,956, less the 2,392,955 Treasury shares as at 31 March 2008.

17. Reconciliation of net cash to net funds

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Opening net funds	3,235	2,522
Net cash (outflow)/inflow	(1,200)	713
	2,035	**3,235**

18. Reconciliation of cash inflow/(outflow) from operating activities

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Revenue return on ordinary activities before taxation	812	823
Investment management fee charged to capital	(340)	(367)
(Increase) in debtors	(62)	(42)
(Decrease) in creditors	(41)	(120)
Net cash inflow from operating activities	**369**	**294**

19. Capital and financial instruments risk management

Financial assets and liabilities

The Company's capital and financial assets comprise equity and loan stock investments in unquoted companies, equity in AIM quoted companies, cash balances, short term debtors and creditors which arise from its operations. The main purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short term creditors. The Company does not use any derivatives for the management of its balance sheet.

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

- Investment (or market) risk (which comprises investment price, and cash flow interest rate risk);
- credit risk; and
- liquidity risk.

Notes to the Financial Statements continued

19. Capital and financial instruments and risk management (continued)

The Board regularly reviews and agrees policies for managing each of these risks. There have been no changes in the nature of the risks that the Company has faced during the past year, and apart from where noted below, there have been no changes in the objectives, policies or processes for managing risks during the past year. The key risks are summarised as follows:

Investment 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 and in quoted investments, details of which are shown on pages 8 to 9. Investment risk is the exposure of the Company to the revaluation and devaluation of investments. The main driver of investment risk is the operational and financial performance of the investee company. The Manager receives management accounts from investee companies, and members of the investment management team often sit on the boards of unquoted investee companies; this enables the close identification, monitoring and management of investment risk.

The Manager and the Board formally reviews investment risk (which includes market price risk), both at the time of initial investment and at quarterly Board meetings.

The Board monitors the prices at which sales of investments are made to ensure that profits to the Company are maximised, and that valuations of investments retained within the portfolio appear sufficiently prudent and realistic compared to prices being achieved in the market for sales of unquoted investments.

The maximum investment risk as at the balance sheet date is the value of the fixed asset investment portfolio which is £17,590,000 (2007: £21,068,000). Fixed asset investments form 90 per cent. of the net asset value as at 31 March 2008 (2007: 87 per cent.).

More details regarding the classification of fixed asset investments are shown in Note 11.

Investment price risk

Investment price risk is the risk that the fair value of future investment cash flows will fluctuate due to factors specific to an investment instrument or to a market in similar instruments. To mitigate the investment price risk for the Company as a whole, the strategy of the Company is to invest in a broad spread of industries with approximately two-thirds of the unquoted investments comprising debt securities, which, owing to the structure of their yield and the fact that they are usually secured, 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 8 to 9 and in the Chairman's Statement.

In accordance with the International Private Equity and Venture Capital Valuation Guidelines, in the absence of a more appropriate methodology, investments held for less than 12 months are valued at cost. Thereafter, the valuation will move to the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEVCV Guidelines. The Directors believe that, within these parameters, there are no reasonable possible alternative methods of valuation of the investments as at 31 March 2008.

The Board considers that the value of investments in equity and loan stock instruments are sensitive to a 5 per cent. change. The impact of a 5 per cent. change has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and share expectations.

The sensitivity to a 5 per cent. increase or decrease in the equity valuation (keeping all other variables constant) would be a decrease in net asset value and return for the year of £132,000 (2007: £200,000).

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 net assets and return before tax for the year by approximately £28,000 (2007: or £135,000).

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 14 per cent. (2007: 14 per cent.). The weighted average period to maturity for the fixed rate assets is approximately 2.9 years (2007: 3.4 years).

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company is exposed to credit risk through its debtors, investment in unquoted loan stock, and through the holding of cash on deposit with banks.

The Manager evaluates credit risk on loan stock instruments prior to investment, and as part of its ongoing monitoring of investments. In doing this, it takes into account the extent and quality of any security held. Typically loan stock instruments have a first fixed charge or a fixed and floating charge over the assets of the investee company in order to mitigate the gross credit risk. The Manager receives management accounts from investee companies, and members of the investment management team often sit on the boards of unquoted investee companies; this enables the close identification, monitoring and management of investment-specific credit risk.

Notes to the Financial Statements continued

19. Capital and financial instruments and risk management (continued)

Credit risk (continued)

Bank deposits are held with banks which have a Moody's credit rating of at least 'A'.

Since the year end, the Company has an informal policy of limiting counterparty banking and floating rate note exposure to a maximum of 20 per cent. of net asset value for any one counterparty.

The Manager and the Board formally review credit risk (including debtors) and other risks, both at the time of initial investment and at quarterly Board meetings.

The Company's total gross credit risk as at 31 March 2008 is limited to £10,435,000 (2007: £10,217,000) of unquoted loan stock instruments and £2,035,000 (2007: £3,235,000) cash deposits with banks.

The cash held by the Company is held with the Royal Bank of Scotland plc, Bank of Scotland plc and BNP Paribas Securities Services Custody Bank Limited. Credit risk on cash transactions is mitigated by transacting with counterparties that are regulated entities subject to prudential supervision, with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

Liquid assets are held as cash on current account, cash on deposit or short term money market account and as floating rate notes. Under the terms of its Articles, the Company has the ability to borrow up to 10 per cent. of its adjusted share capital and reserves, which amounts to £1,957,000 as at 31 March 2008 (2007: £2,417,000).

The Company has no committed borrowing facilities as at 31 March 2008 (2007: £nil) and had cash balances of £2,035,000 (2007: £3,235,000). The main cash outflows are for new investments, which are within the control of the Company. The Manager formally reviews the cash requirements of the Company on a monthly basis, and the Board on a quarterly basis as part of its review of management accounts and forecasts. All the Company's financial liabilities are short term in nature and total £178,000 for the year to 31 March 2008 (2007: £198,000).

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

Foreign currency exposure risk

As at 31 March 2008, the Company has no foreign currency exposure.

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 March 2008 are stated at fair value through profit and loss as determined by the Directors, with the exception of loans and receivables included within investments, which are carried at amortised cost, in accordance with FRS 26. In the opinion of the Directors, the carrying value of loan stock (valued using amortised cost) was not materially different to the fair value. There are no financial liabilities other than creditors. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the fair value of the financial liabilities approximates to the book value, that all are payable within one year and that the Company is subject to low financial risk as a result of having nil gearing and positive cash balances.

The Company's financial assets and liabilities at 31 March 2008, all denominated in pounds sterling, consist of the following:

	31 December 2008				31 December 2007			
	Fixed rate £'000	Floating rate £'000	Non interest bearing £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Non interest bearing £'000	Total £'000
Equity	–	–	7,155	7,155	–	–	9,194	9,194
Loan stock	10,435	–	–	10,435	10,217	–	–	10,217
Debtors	–	–	127	127	–	–	65	65
Current liabilities	–	–	(178)	(178)	–	–	(198)	(198)
Cash	–	2,035	–	2,035	–	3,235	–	3,235
FRN	–	–	–	–	–	1,657	–	1,657
Total net assets	**10,435**	**2,035**	**7,104**	**19,574**	**10,217**	**4,892**	**9,061**	**24,170**

Notes to the Financial Statements continued

19. Capital and financial instruments and risk management (continued)

Fair values of financial assets and financial liabilities (continued)

The carrying value of loan stock investments held at amortised cost at 31 March 2008 as follows:

	Fully performing loan stock £'000	Renegotiated loan stock £'000	Past due(i) loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	175	550	2,128	–	2,853
1-2 years	263	1,116	–	147	1,526
2-3 years	337	1,158	–	40	1,535
3-5 years	1,990	2,515	–	16	4,521
Total	**2,765**	**5,339**	**2,128**	**203**	**10,435**

(i) Interest of £41,000 is overdue on this Loan Stock in one company, as a result of a temporary timing difference. All outstanding amounts as at 31 March 2008 had been repaid by 30 April 2008.

The carrying value of loan stock investments held at amortised cost as at 31 March 2007 is as follows:

	Fully performing loan stock £'000	Renegotiated loan stock £'000	Past due(i) loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	175	550	–	–	725
1-2 years	2,100	–	–	239	2,339
2-3 years	1,121	481	–	–	1,602
3-5 years	2,227	3,324	–	–	5,551
Total	**5,623**	**4,355**	**–**	**239**	**10,217**

20. Post balance sheet events

Since 31 March 2008 the Company has completed the following investments:

- Further investment in Sky Hotel Heathrow Limited of £900,000 on 7 April 2008.
- Further investment in Crown Hotel Limited of £108,000 on 2 April 2008.
- Further investment in Churchill Taverns VCT Limited of £4,586 on 18 June 2008.
- Further investment in Churchill Taverns VCT (Hotels) Limited of £7,784 on 18 June 2008.

21. Related party transactions

The Manager, Close Ventures Limited, is considered to be a related party by virtue of the fact that it is party to a Management agreement from the Company (details disclosed on page 18 of this report). During the year, services of a total value of £454,000 (2007: £489,000) were purchased by the Company from Close Ventures Limited in relation to management fees and £33,000 (2007: £25,000) purchased in relation to company secretarial and administration services. At the financial year end, the amount due to Close Ventures Limited disclosed as accruals and deferred income was £123,185 (2007: £139,212).

Patrick Reeve, a Director of the Company, is also the Managing Director of Close Ventures Limited who are Managers to the Fund.

Buy-backs of shares during the year were transacted through Winterflood Securities Limited, a subsidiary of Close Brothers Group plc. A total of 386,945 shares were purchased for cancellation at an average price of 84 pence per share. This represents 1.6 per cent. of the issued share capital as at 31 March 2007.

Company Information

Company Number	3265074
Directors	D M Bralsford MSc, FCA, FCT, Chairman G W Pitman MA, FCA, ACMA C Holdsworth Hunt, MSI P H Reeve MA, ACA
Company secretary and registered office	Close Ventures Limited 10 Crown Place London, EC2A 4FT
Manager	Close Ventures Limited 10 Crown Place London, EC2A 4FT Tel: 020 7422 7830 Fax: 020 7422 7849 Website: www.closeventures.co.uk Email: enquiries@closeventures.co.uk
Registrar and shareholders' helpline	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield, HD8 0LA Tel: 0871 664 0300 Fax: 0871 664 0399 (Calls cost 10p per minute plus network extras) Email: ssd@capitaregistrars.com
Custodian	Capita Trust Company Limited Phoenix House 7th Floor 18 King William Street London, EC4N 7HE BNP Paribas Liberty House 19-23 La Motte Street St Helier Jersey JE4 5RL
Auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London, EC1M 3AP
Taxation adviser	Ernst & Young LLP 1 More London Place London, SE1 2AF
Legal advisers	Berwin Leighton Paisner Adelaide House London Bridge London, EC4R 9HA

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Close Brothers Protected VCT PLC (the "Company") will be held at 12.00 noon on 11 August 2008 at 10 Crown Place, London, EC2A 4FT for the purpose of dealing with the following business, of which items 7 to 11 are special business and to consider and, if thought fit, pass the following resolutions, of which numbers 1 to 7 will be proposed as ordinary resolutions and numbers 8 to 11 as special resolutions.

Ordinary Business

1. To receive and adopt the Company's accounts and the reports of the Directors and auditors for the year ended 31 March 2008.
2. To appoint PKF (UK) LLP as auditors of the Company from conclusion of the meeting to the conclusion of the next meeting at which the accounts are to be laid.
3. To authorise the Directors to agree the auditors' remuneration.
4. To approve the Directors' Remuneration report for the year ended 31 March 2008.
5. To re-elect Martin Bralsford as a Director of the Company.
6. To re-elect Giles Pitman as a Director of the Company.

Special Business

7. That the Directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount in the case of Ordinary shares of 50p each in the capital of the Company ("Ordinary shares") of £1,057,500 (which comprises 10 per cent. of the Ordinary share capital excluding Treasury shares) such authority to expire on 11 January 2010, 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; and all unexercised authorities previously granted to the Directors to allot relevant securities be, and are hereby, revoked.

8. That subject to and conditional on the passing of resolution number 7, 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 7 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, open offer or other offer of securities in favour of the holders of shares on the register of members at such record date as the Directors shall determine where the equity securities respectively attributable to the interest of the shareholder are proportionate (as nearly as may be) to the respective numbers of shares held by them on any such record date, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange by virtue of shares being represented by depository receipts or any other matter whatsoever;

    (b) in connection with any Dividend Reinvestment Scheme introduced and operated by the Company; and

    (c) otherwise than pursuant to sub-paragraphs (a) and (b)up to an aggregate nominal amount of £528,750 (equal to 5 per cent. of the Company's ordinary share capital excluding Treasury shares); and

    shall expire on 11 January 2010, 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 recognized 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 7" were omitted.

Notice of Annual General Meeting continued

9. That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 50 pence each in the capital of the Company ("Ordinary Shares") on such terms as the Directors think fit, and where such shares are held as Treasury shares, the Company may use them for the purposes set out in section 162D of the Act, provided that;

   (a) the maximum aggregate number of shares hereby authorised to be purchased is 3,529,089 Ordinary Shares (representing approximately 14.99 per cent. of the issued ordinary capital);

   (b) the minimum price exclusive of any expenses which may be paid for an Ordinary Share is 50p;

   (c) the maximum price exclusive of any expenses that may be paid for each Ordinary Share is on amount equal to the higher of (a) 105 per cent. of the average of the middle market quotations as derived from the London Stock Exchange Daily Official List for a share over the five business days immediately preceding the date on which the Ordinary Share is purchased; and (b) the amount stipulated by Article 5(1) of the Buyback and Stabilisation Regulations 2003;

   (d) this authority hereby conferred shall, unless previously revoked or varied, expire 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 Ordinary 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 Ordinary Shares in pursuance of any such contract or contracts.

   Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, shares purchased by the Company out of distributable profits can be held as Treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 9 is intended to apply equally to shares to be held by the Company as Treasury shares in accordance with the Regulations.

   The Directors seek authority to sell Treasury shares at a price not less than that at which they were purchased.

10. Changes to the Current Articles
    That, with immediate effect, the Articles of Association of the Company contained in the document produced to the Annual General Meeting (and signed by the Chairman for the purposes of identification) be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the Current Articles.

11 Changes to the New Articles
   That, subject to resolution 10 set out in this Notice of the Annual General Meeting of the Company convened for 11 August 2008 being passed and with effect on and from 1 October 2008 or such later date as section 175 of the Companies Act 2006 shall be brought into force (i) article 93 of the New Articles adopted pursuant to resolution 10 be deleted in its entirety and articles 93 and 94 as set out in the document produced to the Annual General Meeting (and signed by the Chairman for the purposes of identification) be substituted therefor and the remaining articles be re-numbered and (ii) article 101 of the New Articles adopted pursuant to resolution 10 be deleted in its entirety and article 102 as set out in the document produced to the Annual General Meeting (and signed by the Chairman for the purposes of identification) be substituted therefor.

BY ORDER OF THE BOARD

Close Ventures Limited
Company Secretary

10 Crown Place, London EC2A 4FT

11 July 2008

Notice of Annual General Meeting continued

Notes

1. This Notice is being sent to all members and to any person nominated by a member of the Company under section 146 of the Companies Act 2006 to enjoy information rights.

2. Only holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend, vote and speak at the meeting. A member so entitled may appoint (a) proxy(ies), who need not be (a) member(s), to attend, speak and vote on his/her behalf. A proxy form is enclosed with this Notice. To be valid a proxy appointment must reach the office of the Company's Registrars, Capita Registrars The Registry, 34 Beckenham Road, Beckenham BR3 4TU A not less than 48 hours before the time fixed for the meeting or any adjournment thereof.

3. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered member who hold shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members on the register of members of the Company as at 12.00 noon on 9 August 2008 (or, if the meeting is adjourned, members on the register of members not later than 48 hours before the time fixed for the adjourned meeting) are entitled to attend and vote at the meeting in respect of the shares registered in their names at that time. Subsequent changes to the register shall be disregarded in determining the rights of any person to attend and vote at the meeting.

5. Copies of contracts of service and letters of appointment between the Directors and the Company will be available for inspection at the Registered Office of the Company during normal business hours from the date of this Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion. In addition, a copy of the new and the revised articles of association will be available for inspection at the Company's registered office from the date of this Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion.

6 Members should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

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