



Octopus Protected VCT plc

Annual Report and Accounts
For the year ended 31 January 2009

Contents

	Page
About Octopus Protected VCT plc	2
Financial Summary	2
Chairman's Statement	3
Investment Manager's Review	5
Shareholder Information	9
Details of Advisers	10
Details of Directors	11
Directors' Report	12
Directors' Remuneration Report	18
Corporate Governance	20
Directors' Responsibility Statement	23
Report of the Independent Auditor	24
Income Statement	26
Note of Historical Cost Profits and Losses	27
Reconciliation of Movements in Shareholders' Funds	27
Balance Sheet	28
Cash Flow Statement	29
Notes to the Financial Statements	30
Notice of Annual General Meeting	40
Proxy Form	

About Octopus Protected VCT plc

Octopus Protected VCT plc (“Protected,” “Company” or “Fund”) is a venture capital trust (“VCT”) and is managed by Octopus Investments Limited (“Octopus”).

The Fund was launched in July 2006 and raised over £27.1 million (£25.9 million net of expenses) through an offer for subscription by the time it closed on 5 April 2008. The objective of the Fund is to invest in a diversified portfolio of UK smaller companies in order to generate income and capital growth over the long-term.

Financial Summary

Ordinary Shares	Year to 31 January 2009	Year to 31 January 2008
Net assets (£'000s)	25,139	26,114
Net revenue return after tax (£'000s)	582	498
Net total (loss)/return after tax (£'000s)	(101)	337
Net asset value per share (NAV)	92.2p	95.5p
Proposed dividend per share	1.5p	1.5p

The table below shows the movement in NAV per share and lists the dividends that have been paid and proposed since the launch of Protected:

Period Ended	NAV	Dividends paid in period	NAV + cumulative dividends
31 January 2007	93.70p	–	93.70p
31 July 2007	94.90p	–	94.90p
31 January 2008	95.50p	–	95.50p
31 July 2008	94.20p	1.50p	95.70p
31 January 2009	92.20p	1.50p	95.20p

Chairman's Statement

Introduction

I am pleased to present the third annual report of Octopus Protected VCT plc for the year ended 31 January 2009.

Performance

At 31 January 2009 the total return (being NAV plus dividends paid) of the Fund was 95.2p, which compares to 95.5p at 31 January 2008. The performance of the Fund has been relatively stable because a large proportion of its assets are held in cash and cash equivalent securities, and because there have been minimal changes in the valuations of the companies in its portfolio. The investments held are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines and Financial Reporting Standards and are therefore subject to regular valuation reviews.

Given your Company's performance, and in line with HM Revenue & Customs ("HMRC") requirements, your Board has proposed a final dividend of 1.5p per share (comprising 1.5p from revenue reserves) in respect of the year ended 31 January 2009. This dividend, if approved by shareholders at the AGM, will be paid on 25 June 2009 to those shareholders on the register on 29 May 2009. In addition to the 1.5p interim dividend paid in October, this will take dividends for the year ended 31 January 2009 to 3.0p.

Investment Portfolio

During the year the Fund made two new investments, totalling £1,606,000, into Hydrobolt Limited and Vulcan Services II Limited. Hydrobolt manufactures special fasteners and bolts for the energy industries (www.hydrobolt.co.uk). Vulcan II is a company that has been set up to find investments in the energy sector. Both of these investments are discussed further in the Investment Manager's Review. No disposals took place during the year. The Fund's portfolio included investments in six companies with a total valuation of £4.7m at the end of the year. As noted in the Outlook section below, a further six investments were made after the year end bringing the total amount invested in VCT qualifying companies to £10.7m as at the date of signing this report.

Pending investment in VCT qualifying companies, we have engaged Goldman Sachs International to manage the cash portion of the Fund in a range of money market securities. These securities comprise money market cash funds, bonds and floating rate notes. The volatility of these instruments has, at times over the last six months, been higher than one may usually expect. However, your Board has reviewed the management of the funds by Goldman Sachs and has confirmed that the priority of the investment mandate is capital preservation. The Board will continue to monitor closely the performance of Goldman Sachs during these uncertain times.

Investment Strategy

The Fund is being invested on the basis of taking less risk than a typical VCT. Typically the Fund will receive its return from interest paid on secured loan notes as well as an exposure to the value of the shares of a company. The investment strategy is to derive sufficient return from the secured loan notes to achieve the Fund's investment aims and to use the equity exposure to boost returns. As portfolio companies are unquoted the Fund will receive a return from an equity holding when a company is sold.

The Manager of the Fund aims to reduce risk by investing in well managed and profitable businesses with strong recurring cash-flows. Furthermore with the majority of the investment being made in the form of a secured loan, in the event of the business failing the Fund will rank ahead of unsecured creditors and equity investors.

VCT Qualifying Status

PricewaterhouseCoopers LLP provides the Board and Investment Manager with advice on the ongoing compliance with HMRC rules and regulations concerning VCTs. As at 31 January 2009, over 18.7% of the portfolio (as measured by HMRC rules) was invested in VCT qualifying investments. The Manager does not foresee any issues with reaching the required investment hurdle of 70% before the third anniversary of the end of the financial year in which investors subscribed to the Fund.

VAT on Management Fees

The Government has announced that VCTs will be exempt from paying VAT on investment management fees with effect from 1 October 2008 and with retrospective application. This follows a European Court of Justice Judgement against the Government in a case relating to VAT payable by investment trusts. It is now expected that a repayment will be obtained for VAT paid on management fees for the life of the fund. However, the timing of the repayment is not yet known. A claim has been submitted to HMRC by Octopus on behalf of the VCT. For the purposes of these accounts, and with guidance from our advisers at Octopus, we have accrued an anticipated VAT rebate of £110,000.

Outlook

The general outlook remains uncertain. Significant steps have been taken to stabilise the world's financial system but it is difficult to predict how long this will take to feed through to consumer and business confidence. Whilst smaller companies can suffer from limited options in these circumstances, tighter management structures mean that they have the ability to respond quickly to changing economic conditions. Portfolio companies have also benefited from the actions of the Investment Manager who remains fully involved and committed to supporting them through these tough times. These companies were originally selected for their relatively high level of financial security, stable trading history and predictable revenues. The current economic conditions make these criteria harder to achieve in the short-term and thus the challenge is to ensure that they remain well positioned to exploit the longer-term opportunities.

Your Board remains confident that the Fund will be able to meet its investment objectives and produce good returns for shareholders. The imperative is to find lower risk investments and take advantage of current market conditions whenever possible. Since 31 January 2009, the Fund has made two such investments in CSL Dualcom Limited and Diagnos Limited. Both of these companies are profitable. The Fund was able to take the investment position historically taken by banks in that the Fund has first security over the assets of the businesses.

This year Octopus has launched a further VCT called Octopus Protected VCT 2 plc. This new VCT will invest alongside Protected and two other VCTs under the management of Octopus that have the same investment policy. It is expected that co-investment will allow Protected 2 to invest in larger, safer companies and to invest on more favorable terms. Your Board monitors the development of Octopus closely. The growing resources of Octopus as well as its day-to-day management of the Fund continue to give us confidence that Octopus will perform well as Manager of the Fund.



Tony Morgan
Chairman

12 May 2009

Investment Manager's Review

Personal Service

At Octopus, we have a dual focus on managing your investments and keeping you informed throughout the investment process. We are committed to providing our investors with regular and open communication. Our updates are designed to keep you informed about the progress of your investment. During this time of economic upheaval, we consider it particularly important to be regularly in contact with our investors. We are working hard to manage your money in the current climate.

Review of Investments

Given the tumultuous economic events we are broadly pleased with our current portfolio. We are actively monitoring those businesses that are under-performing. We are pleased with how management are responding and the actions they are taking to both reduce costs and improve trading.

As mentioned in the Chairman's Statement, two new investments totalling £1,606,000 were made during the period into Hydrobolt Limited and Vulcan Services II Limited. Hydrobolt is one of the UK's leading manufacturers and distributors of nuts and bolts for the oil, gas and power generation markets and Vulcan Services II Limited has been set up to seek lower risk investments in the energy sector.

Investment Portfolio

British Country Inns 3 plc

British Country Inns 3 plc owns and operates traditional, food-led freehold and long leasehold pubs in the West Midlands.

In the last few months it has been apparent that, in the current environment, the company is facing some challenges. As a result of the business being behind its budget we have made a small impairment to in the company's valuation. Your investment manager is in discussions with the company's Board and an update will be provided in the half-yearly report later in the year.

Investment date:	April 2007
Cost:	£100,000 (ordinary shares)
Valuation:	£84,000
Valuation basis:	Fair Value (being earnings multiple)
Equity held:	1.3% (1.3% held by all funds managed by Octopus)
Last audited accounts:	N/A

Funeral Services Partnership Limited

FUNERAL SERVICES

 PARTNERSHIP LIMITED

Funeral Services Partnership is an independent funeral services group made up of funeral parlours and their associated services. It currently owns 14 funeral parlours and a stonemason and is continuing to grow via acquisition. Due to the nature of the company's business it is not affected by the current economic environment.

Investment date:	October 2007
Cost:	£1,000,000 (ordinary shares and loan notes)
Valuation:	£1,000,000
Valuation basis:	Fair Value (being cost)
Equity held:	2.5% 'B shares' (6.8% 'B shares' held by all funds managed by Octopus)
Last audited accounts:	March 2008
Loss before interest & tax:	£0.4million
Net assets:	£0.7million

Investment Manager's Review (continued)

Bruce Dunlop & Associates International Limited ('BDA')



BDA provides promotion and design services to broadcasters and advertisers worldwide and also creates brand films and internal communications for leading UK corporations, including Hallmark, Barclays, Discovery and Sony. Due to the poor market conditions for broadcasters and advertisers trading towards the end of 2008 and into 2009 have been below budget. Management are running the business to counteract this position and we are monitoring the business closely.

Investment date:	December 2007
Cost:	£1,000,000 (ordinary shares and loan notes)
Valuation:	£1,000,000
Valuation basis:	Fair Value (being cost)
Equity held:	1.7% 'A shares' (33.3% 'A shares' held by all funds managed by Octopus)
Last audited accounts:	June 2007
Profit before interest & tax:	£1.1 million
Net assets:	£2.8 million

Tristar Worldwide Limited



Tristar is one of the world's leading chauffeur companies, carrying over 400,000 passengers for over 400 clients in 2008. The market for chauffeur services has been heavily affected in the current market. Tristar has achieved a robust performance in the circumstances. The company's focus on a joined up international service is proving to be an important selling feature for clients, with further opportunities opening up in the Far East. We continue to work closely with the management team to contain overheads and manage cash flow in the short to medium term.

Investment date:	January 2008
Cost:	£1,000,000 (ordinary shares and loan notes)
Valuation:	£1,000,000
Valuation basis:	Fair Value (being cost)
Equity held:	2.5% 'A shares' (35.0% 'A shares' held by all funds managed by Octopus)
Last audited accounts:	31 May 2008
Revenues:	£40.4 million
Profit before interest & tax:	£1.8 million
Net assets:	£5.0 million

Hydrobolt Limited



Hydrobolt manufactures and distributes specialty fasteners for use in hostile environments such as oil & gas exploration and production as well as power. To date the business has been unaffected by the current economic environment. We are pleased with its trading.

Investment date:	April 2008
Cost:	£606,300 (ordinary shares and loan notes)
Valuation:	£606,300
Valuation basis:	Fair Value (being cost)
Equity held:	2.73% 'A shares' (48.1% 'A shares' held by all funds managed by Octopus)
Last audited accounts:	N/A

Investment Manager's Review (continued)

Vulcan Services II Limited

Vulcan II has been established to seek the acquisition of businesses engaged in any of the activities of design, manufacture, development, marketing or sale of equipment and components for use in the oil and gas sector.

Investment date:	November 2008
Cost:	£1,000,000
Valuation:	£1,000,000
Valuation basis:	Fair Value (being cost)
Equity held:	24.5% 'A shares' (49.0% 'A shares' held by all funds managed by Octopus)
Last audited accounts:	N/A

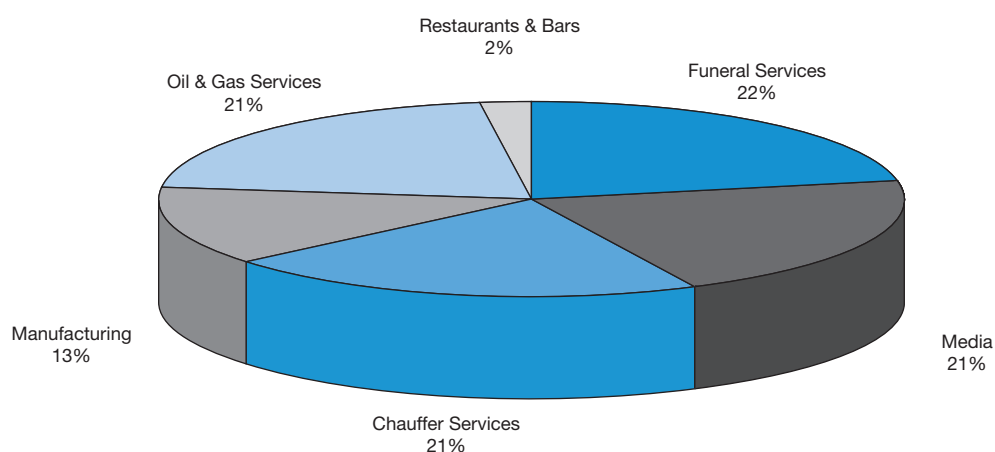
Investment Portfolio Summary

Unquoted Qualifying Investments	Sector	Investment at cost (£'000)	Unrealised profit/(loss) (£'000)	Carrying value at 31 January 2009 (£'000)	% equity held by Protected	% equity held by all funds managed by Octopus
Funeral Services Partnership	Funeral Services	1,000	–	1,000	2.5%	6.8%
Bruce & Dunlop Associates	Media	1,000	–	1,000	1.7%	33.3%
Tristar Limited	Chauffer Services	1,000	–	1,000	2.5%	35.0%
Vulcan Services II Limited	Oil & Gas Services	1,000	–	1,000	24.5%	49.0%
Hydrobolt Limited	Manufacturing	606	–	606	2.73%	48.1%
British Country Inns plc	Restaurants & Bars	100	(16)	84	1.3%	1.3%
Total unquoted qualifying investments		4,706	(16)	4,690		
Bonds		2,860	16	2,876		
Floating rate notes		2,301	–	2,301		
Money market funds		12,281	(611)	11,670		
Total Fixed Income Securities		17,442	(595)	16,847		
Total investments		22,148	(611)	21,537		
Net current assets		–	–	3,766		
Total net assets				25,303		

Please refer to notes 10 & 12 in the Notes to the Financial Statements to provide clarity on the unrealised loss carried forward.

Sector Analysis

Total Qualifying Investments by Book Cost



Investment Manager's Review (continued)

Recent Transactions

Since the end of the period under review, six further investments have been made. The Fund invested £1,000,000 into CSL Dualcom Limited and £1,000,000 into Diagnos Limited. Furthermore, in April 2009, your VCT invested a total of £4.0m into four companies which are actively seeking investments in the healthcare, environment, business support and pub sectors.



CSL DualCom Limited

CSL DualCom (www.csldual.com) is the UK's leading supplier of dual path signalling devices, which link burglar alarms to the police or a private security firm. The devices communicate using a telephone line or broadband connection and a wireless link from Vodafone, which has been a partner since 2000.



Diagnos Limited

Diagnos (www.autologic-diagnos.co.uk) develops and sells sophisticated automotive diagnostic software and hardware (branded as "Autologic") that enables independent mechanics, dealerships and garages to service and repair vehicles. Mechanics require a diagnostic tool to communicate with the in-car computer in order to measure, monitor and, where necessary, fix the electronic process or system.

Outlook

We will continue to consider investments in sound companies and to support existing holdings that merit capital for sensible expansion plans, including well priced acquisitions. Taking a longer term view, which a VCT affords, we expect economic conditions to improve, enabling the portfolio to develop and generate successful exits that will bring rewards for shareholders.

If you have any questions on any aspect of your investment, please call one of the team on 0800 316 2347.

Simon Rogerson
Chief Executive
Octopus Investments

Shareholder Information

The Company

Octopus Protected VCT plc is a venture capital trust ("VCT") managed by Octopus Investments Limited which aims to provide shareholders with attractive tax-free dividends and long-term capital growth. The Company invests primarily in unquoted UK smaller companies and aims to deliver absolute returns on its investments, and generate income and capital growth over the long-term. The Company was launched in July 2006 and raised over £27 million through an offer for subscription.

Octopus Investments Limited is an independent specialist fund management company which is based in the City of London. Octopus also acts as the manager of 14 other VCTs and has approximately £750 million under management.

Venture Capital Trusts

VCTs were introduced in the Finance Act 1995 to provide a means for private individuals to invest in smaller companies in the UK. Subsequent Finance Acts have introduced changes to VCT legislation. The tax benefits which were available to investors in the original offer of this VCT included:

- up-front income tax relief of 30%
- exemption from income tax on dividends paid
- exemption from capital gains tax on disposals of shares in VCTs

The Company has been provisionally approved as a VCT by HMRC. In order to maintain its approval the Company must comply with certain requirements on a continuing basis. By the end of the Company's third accounting period at least 70% of the Company's investments must comprise "qualifying holdings" of which at least 30% must be in eligible ordinary shares. A "qualifying holding" consists of up to £1 million invested in any one year in new shares or securities in an unquoted company (including companies listed on AIM) which is carrying on a qualifying trade and whose gross assets do not exceed £7 million at the time of investment, and whose total number of employees is less than 50, also at the time of investment. The Company will continue to ensure its compliance with these qualification requirements.

Financial Calendar

The Company's financial calendar is as follows:

10 June 2009	–	Annual General Meeting
25 June 2009	–	2009 final dividend paid
September 2009	–	Half-yearly results to July 2009 published
April/May 2010	–	Final results for year to 31 January 2010 announced; annual report and financial statements published

Share Price

The Company's mid-market share price at the date of publication stands at 70p. The Company's share price is published daily in the Financial Times and its FTSE classification is "Investment Companies" "VCTs".

Annual and Half-Yearly Reports

Previously published Annual Reports and Half-Yearly Reports are available for viewing on the Investment Manager's website at www.octopusinvestments.com by navigating to the VCT Meetings & Reports under the 'Services' section. The result of any poll on a resolution put before shareholders will also be found there.

Details of Advisers

Secretary and Registered office

Celia L Whitten FCIS
8 Angel Court
London
EC2R 7HP
Company number: 05840377

Investment manager

Octopus Investments Limited
8 Angel Court
London
EC2R 7HP

Cash managers

Goldman Sachs International
Christchurch Court
10-15 Newgate Street
London
EC1A 7HD

Solicitors

Howard Kennedy
19 Cavendish Square
London
W1A 2AW

Independent auditor and taxation adviser

Grant Thornton UK LLP
1 Westminster Way
Oxford
OX2 0PZ

VCT status adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Stockbroker

Brewin Dolphin Limited
34 Lisbon Street
Leeds
LS1 4LX

Bankers

HSBC Bank plc
31 Holborn
London
EC1N 2HR

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Details of Directors

Tony Morgan (Chairman – Age 77) spent seven years as Chairman and Chief Executive of a highly successful and multi-national company, Purle Bros, until its merger with Redland in 1971 when he joined their main board. He became a Governor of the BBC in the same year. He was later to become Deputy Chairman and shareholder in a joint venture with Wimpey Construction developing their substantial environmental business. In 1992 he was appointed Chief Executive of The Industrial Society. Tony has had more than seven years specific VCT experience as a non executive director of Phoenix VCT plc and is currently a non-executive director of a number of private companies.

Neil Wilson (Director – Age 41) has spent his entire professional career in recruitment consultancy having joined the MPS Group in 1990 as a recruitment consultant and rising through the ranks to become managing director of group company, Badenoch and Clark, in 2003. Badenoch and Clark is one of the UK's largest recruitment agencies and has attained a top-20 placing in the last three annual 'Sunday Times Best Companies to Work for' surveys.

Matt Cooper (Director – Age 42) is the Chairman of Octopus Investments Limited, the Investment Manager of Octopus Protected VCT plc. Prior to joining Octopus, Matt was the Principal Managing Director of Capital One (Bank) Europe plc where he was responsible for all aspects of the company's strategic direction and day-to-day operations in Europe. He led the UK portion of the business from start-up to two million customers, generating revenues of over £275 million and employing over 2,000 people.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 January 2009.

This report has been prepared by the Directors in accordance with the requirements of s417 of the Companies Act 2006. The Company's independent auditor is required by law to report on whether the information given in the directors' report (including the review of business activities) is consistent with the financial statements. The auditor's opinion is included in their report on pages 24 and 25.

Principal Activity and Status

The principal activity of the Company is to invest in a diversified portfolio of unquoted UK smaller companies in order to generate capital growth over the long-term as well as an attractive tax-free dividend stream. The Company has been granted provisional approval as a VCT by HMRC. In order to maintain approved status, the Company must comply on a continuing basis with the provisions of s274 of the Income Tax Act 2007. By the end of the third accounting period, in which shares were subscribed the Company is required to hold at least 70% of its investments (as defined in the legislation) in VCT qualifying holdings, of which at least 30% must comprise eligible ordinary shares. For this purpose, a "VCT qualifying holding" consists of up to £1 million invested in any one year in new shares or securities of a UK quoted company (which may be quoted on AIM) or unquoted company which is carrying on a qualifying trade, and whose gross assets and number of employees at the time of investment do not exceed a prescribed limit. The definition of "qualifying trade" excludes certain activities such as property investment and development, financial services and asset leasing.

The Company is an investment company in accordance with s833 of the Companies Act 2006.

The Directors are required by the Articles of Association to propose an ordinary resolution at the Company's 15th Annual General Meeting in 2021 that the Company shall continue in being and at each fifth subsequent Annual General Meeting thereafter. If any such resolution is not passed, the Directors shall within four months convene a general meeting to consider the proposals for the reorganisation or reconstruction of the business and if that is not passed propose the winding-up of the Company.

Review of Business Activities

The Directors are required by s417 of the Companies Act 2006 to include a business review to shareholders. The business review is set out below and also includes the Chairman's Statement on pages 4 and 5, and the Investment Manager's Review on pages 5 to 8 by reference.

The purpose of this review is to provide shareholders with a snapshot summary setting out the business objectives of the Company, the Board's strategy to achieve those objectives, the risks faced, the regulatory environment and the key performance indicators used to measure performance.

Since the period end there has been a number of significant post balance sheet events;

- On 5 February 2009, the Fund invested £1,000,000 in CSL Dualcom Limited, acquiring 10,000,000 ordinary shares and £900,000 in loan notes
- On 19 February 2009, the Fund invested £1,000,000 in Diagnos Limited, acquiring 3,000,000 ordinary shares and £700,000 in loan notes
- On 2 April 2009, Protected invested £1,000,000 into each of Salus Services I Limited, PubCo Services Limited, GreenCo Services Limited and BusinessCo Services Limited. These are companies which have been set up to seek suitable qualifying investments across a range of sectors

Performance and Key Performance Indicators

As a venture capital trust, the Company's objective is to provide shareholders with an attractive income and capital return by investing its funds in a broad spread of unquoted UK smaller companies which meet the relevant criteria for venture capital trusts. The Board has a number of performance measures to assess the Company's success in meeting its objectives. Performance, measured by the change in NAV and total return per share, is also measured against the FTSE All-Share index and the FTSE UK Smaller Companies index. This is shown in the graph on page 19 of the Directors' Remuneration Report. These indices have been adopted as an informal benchmark. The Chairman's Statement, on pages 3 and 4, includes a review of the Company's activities and future prospects; further details are also provided within the Investment Manager's Review on pages 5 to 8. Further details of the Company's risk management policies are provided in note 16 to the financial statements.

Results and Dividend

	Year ended 31 January 2009 £'000	Year ended 31 January 2008 £'000
Net (loss)/return attributable to shareholders	(101)	337
Appropriations:		
Final dividend proposed – 1.50p per share (2008: 1.50p)	(409)	(410)

The proposed final dividend will, if approved by shareholders at the AGM, be paid on 25 June 2009 to shareholders on the register on 29 May 2009. In addition to the 1.5p interim dividend paid in October, this will take dividends for the year ended 31 January 2009 to 3.0p.

Objective and Investment Policy

The Objective of the Company is to invest in a diversified portfolio of investments with a view to minimising risk to capital. In this respect, a significant percentage of the qualifying investments will be into companies known to the team at Octopus where the fund managers are confident that there is a high level of capital security.

The Company's investment policy has been designed to enable the Company to comply with the VCT qualifying conditions set out above. It is intended that the long-term disposition of the Company's assets will be not less than 80% in a portfolio of unquoted investments and up to 20% in cash or near-cash investments to provide a reserve of liquidity which will maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buy-backs.

Investments will be structured using various unquoted investment instruments, including ordinary and preference shares, loan stocks and convertible securities, to achieve an appropriate balance of income and capital growth, having regard to the VCT legislation. The portfolio will be diversified by investing in a broad range of industry sectors and by holding investments in companies at various stages of maturity in the corporate development cycle, though it is not intended that investments will be made in early stage unquoted companies which have yet to achieve profitability and cash generation. The normal investment holding period will be in the range from three to seven years. Any uninvested funds will typically be held in cash and money market securities.

Risk is spread by investing in a number of different businesses within different industry sectors using a mixture of securities. The maximum amount invested in any one company is limited to £1 million in a fiscal year and generally no more than 15% of the Fund's assets, at cost, will be invested in the same company. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale. However shareholders should be aware that the Company's VCT qualifying investments are held with a view to long-term capital growth as well as income and will often have limited marketability; as a result it is possible that individual holdings may grow in value to the point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available. Investments will normally be made using the shareholders' funds and it is not intended that the Company will take on any long-term borrowings.

No material changes may be made to the Company's investment policy described above without the prior approval of shareholders by the passing of an ordinary resolution. The Directors will continually monitor the investment process and ensure compliance with the investment policy.

Principal Risks, Risk Management and Regulatory Environment

The Board carries out a regular review of the risk environment in which the Company operates. The main areas of risk identified by the Board are as follows:

VCT qualifying status risk: the Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 for the maintenance of approved VCT status. The loss of such approval could lead to the Company losing its exemption from corporation tax on capital gains, to investors being liable to pay income tax on dividends received from the Company and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment. The investment manager keeps the Company's VCT qualifying status under continual review and reports to the Board regularly throughout the year. The Board has also retained PricewaterhouseCoopers LLP to undertake an independent VCT status monitoring role.

Investment risk: the majority of the Company's investments will be in small and medium-sized companies which are VCT qualifying holdings, which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies. The directors and the managers aim to limit the risk attached to the portfolio as a whole by careful selection and timely realisation of investments, by carrying out rigorous due diligence procedures and by maintaining a

Directors' Report (continued)

wide spread of holdings in terms of financing stage, industry sector and geographical location. The Board reviews the investment portfolio with the managers on a regular basis.

Financial risk: as most of the Company's investments involve medium to long-term commitment and are relatively illiquid, the directors consider that it is inappropriate to finance the Company's activities through borrowing. Accordingly, they seek to maintain a proportion of the Company's assets in cash or cash equivalents in order to be in a position to take advantage of new investment opportunities. The Company has very little exposure to foreign currency risk and does not enter into derivative transactions. The Company has cash deposits which are held on the balance sheet of HSBC Bank plc and in a cash fund managed by Goldman Sachs. The risk of loss to this cash is deemed to be extremely low, due to HSBC's historical credit rating and a current S&P rating of AA. The Goldman Sachs fund has a S&P rating of AAA. The Company also has exposure via direct holdings to a small portfolio of AA rated corporate bonds and floating rate notes. These will be held to maturity. Given their credit rating and recent Government intervention, the risk of loss of value at maturity is deemed to be low.

Regulatory: the Company is required to comply with the Companies Acts, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

Internal control risk: the Board reviews annually the system of internal controls, financial and non-financial, operated by the Company and the Manager. These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained.

Competitive Risk: retention of key personnel is vital to the success of the Company. Incentives to the Manager's key staff are continuously monitored.

Due to the nature of the Company, environmental, social and employee issues do not apply and therefore no disclosures in respect of these have been included in the Directors report.

Further details of the Company's risk management policies are provided in note 16 to the financial statements.

The Board seeks to mitigate the internal risks by setting policy, regular review of performance, enforcement of contractual obligations and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in the revised 'Turnbull' guidance. Details of the Company's internal controls are contained in the Corporate Governance section on pages 20 to 22.

Directors

The Directors of the Company, during the period and their interests, (in respect of which transactions are notifiable under Disclosure and Transparency Rule 3.1.2R) in the issued ordinary shares of 10p are shown in the table below:

	31 January 2009	31 January 2008
Tony Morgan (Chairman)	5,000	5,000
Neil Wilson	9,970	9,970
Matt Cooper	10,023	10,023

All of the Directors' shares were held beneficially. There have been no changes in the Directors' share interests between 31 January 2009 and the date of this report.

Mr Neil Wilson retires by rotation and being eligible offers himself for re-election. The Board has considered provision A.7.2 of the Combined Code 2006 and believes that Mr Wilson continues to be effective in demonstrating his commitment to his role, the Board and the Company. The Board therefore has no hesitation in recommending Mr Wilson for re-election at the forthcoming Annual General Meeting.

Brief biographical notes on the Directors are given on page 11.

Directors' and Officers' Liability Insurance

The Company has, as permitted by s236 of the Companies Act 2006, maintained insurance cover on behalf of the Directors and Company Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

Management

Octopus Investments Limited acts as investment manager to the Company. The principal terms of the Company's management agreement with Octopus are set out in Notes 3 & 19 to the financial statements. Matt Cooper is Chairman of Octopus. Octopus also provides secretarial, administrative and custodian services to the Company. Liquid resources (being cash and money market securities) are managed by Goldman Sachs International.

As required by the Listing Rules, the Directors confirm that in their opinion the continuing appointment of Octopus as investment manager is in the best interests of the shareholders as a whole. In reaching this conclusion the Directors have taken into account the performance of the investment portfolio and the efficient and effective service provided by Octopus to the company.

The Company has established a performance incentive scheme whereby the investment manager is entitled to an annual performance related incentive fee in the event that certain performance criteria are met, commencing at the end of the 2011 financial year. Further details of this scheme are disclosed within note 19 to the financial statements.

Share Issues and Open Offers

No shares (2008: 20,537,582) were allotted during the year to 31 January 2009. As at 31 January 2009, there were no open offers for subscription.

Share Buy-backs

During the year, the Company purchased 64,225 (2008: 50,582) shares for cancellation for a weighted average price of 83p per share for total consideration of £53,377.

Share Capital, Rights Attaching to the Shares and Restrictions on Voting and transfer

The Company's Ordinary share capital is £5,000,000 divided into 50,000,000 shares of 10p each, of which as at 31 January 2009, 27,272,119 shares were in issue (as at that date none of the issued shares were held by the Company as treasury shares).

Subject to any suspension or abrogation of rights pursuant to relevant law or the Company's Articles of Association, the shares confer on their holders (other than the Company in respect of any treasury shares) the following principal rights:

- (a) the right to receive out of profits available for distribution such dividends as may be agreed to be paid (in the case of a final dividend in an amount not exceeding the amount recommended by the Board as approved by shareholders in general meeting or in the case of an interim dividend in an amount determined by the Board). All dividends unclaimed for a period of 12 years after having become due for payment are forfeited automatically and cease to remain owing by the Company;
- (b) the right, on a return of assets on a liquidation, reduction of capital or otherwise, to share in the surplus assets of the Company remaining after payment of its liabilities *pari passu* with the other holders of ordinary shares; and
- (c) the right to receive notice of and to attend and speak and vote in person or by proxy at any general meeting of the Company. On a show of hands every member present or represented and voting has one vote and on a poll every member present or represented and voting has one vote for every share of which that member is the holder; the appointment of a proxy must be received not less than 48 hours before the time of the holding of the relevant meeting or adjourned meeting or, in the case of a poll taken otherwise than at or on the same day as the relevant meeting or adjourned meeting, be received after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll.

These rights can be suspended. If a member, or any other person appearing to be interested in shares held by that member, has failed to comply within the time limits specified in the Company's Articles of Association with a notice pursuant to s793 of the Companies Act 2006 (notice by Company requiring information about interests in its shares), the Company can until the default ceases suspend the right to attend and speak and vote at a general meeting and if the shares represent at least 0.25% of their class the Company can also withhold any dividend or other money payable in respect of the shares (without any obligation to pay interest) and refuse to accept certain transfers of the relevant shares. Shareholders, either alone or with other shareholders, have other rights as set out in the Company's Articles of Association and in company law (principally the Companies Act 2006 and, so far as still applicable, the Companies Act 1985).

A member may choose whether his shares are evidenced by share certificates (certificated shares) or held in electronic (uncertificated) form in CREST (the UK electronic settlement system). Any member may transfer all or any of his shares, subject in the case of certificated shares to the rules set out in the Company's Articles of Association or in the

Directors' Report (continued)

case of uncertificated shares to the regulations governing the operation of CREST (which allow the directors to refuse to register a transfer as therein set out); the transferor remains the holder of the shares until the name of the transferee is entered in the register of members. The directors may refuse to register a transfer of certificated shares in favour of more than four persons jointly or where there is no adequate evidence of ownership or the transfer is not duly stamped (if so required). The directors may also refuse to register a share transfer if it is in respect of a certificated share which is not fully paid up or on which the Company has a lien provided that, where the share transfer is in respect of any share admitted to the Official List maintained by the UK Listing Authority, any such discretion may not be exercised so as to prevent dealings taking place on an open and proper basis, or if in the opinion of the directors (and with the concurrence of the UK Listing Authority) exceptional circumstances so warrant, provided that the exercise of such power will not disturb the market in those shares. Whilst there are no squeeze-out and sell out rules relating to the shares in the Company's Articles of Association, shareholders are subject to the compulsory acquisition provisions in s974 to s991 of the Companies Act 2006.

Appointment and replacement of Directors

A person may be appointed as a director of the Company by the shareholders in general meeting by ordinary resolution (requiring a simple majority of the persons voting on the relevant resolution) or by the directors; no person, other than a director retiring by rotation or otherwise, shall be appointed or reappointed a director at any general meeting unless he is recommended by the directors or, not less than seven nor more than 42 clear days before the date appointed for the meeting, notice is given to the Company of the intention to propose that person for appointment or re-appointment in the form and manner set out in the Company's Articles of Association. Each director who is appointed by the directors (and who has not been elected as a director of the Company by the members at a general meeting held in the interval since his appointment as a director of the Company) is to be subject to election as a director of the Company by the members at the first Annual General Meeting of the Company following his appointment. At each Annual General Meeting of the Company one third of the directors for the time being, or if their number is not three or an integral multiple of three the number nearest to but not exceeding one-third, are to be subject to re-election. The Companies Act allows shareholders in general meeting by ordinary resolution (requiring a simple majority of the persons voting on the relevant resolution) to remove any director before the expiration of his or her period of office, but without prejudice to any claim for damages which the director may have for breach of any contract of service between him or her and the Company. A person also ceases to be a director if he or she resigns in writing, ceases to be a director by virtue of any provision of the Companies Act, becomes prohibited by law from being a director, becomes bankrupt or is the subject of a relevant insolvency procedure, or becomes of unsound mind, or if the Board so decides following at least six months' absence without leave or if he or she becomes subject to relevant procedures under the mental health laws, as set out in the Company's Articles of Association.

Powers of the Directors

Subject to the provisions of the Companies Acts, the Memorandum and Articles of Association of the Company and any directions given by shareholders by special resolution, the Articles of Association specify that the business of the Company is to be managed by the directors, who may exercise all the powers of the Company, whether relating to the management of the business or not. In particular the directors may exercise on behalf of the Company its powers to purchase its own shares to the extent permitted by shareholders.

International financial reporting standards

As the Company is not part of a group it is not mandatory for it to comply with International Financial Reporting Standards. The Company does not anticipate that it will voluntarily adopt International Financial Reporting Standards.

Creditor payment policy

The Company's payment policy for the forthcoming financial year is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms. The Company does not follow any code or standard with regard to creditor payment practice. At 31 January 2009 there were £1,000 trade creditors (31 January 2008: £nil).

Going concern

After making enquiries, the directors believe that it is appropriate to continue to apply the going concern basis in preparing the financial statements. This is appropriate as cash reserves are significantly greater than average annual running costs of the Fund.

Substantial shareholdings

As at the date of this report, no disclosures of major shareholdings had been made to the Company under Disclosure and Transparency Rule 5 (Vote Holder and Issuer Notification Rules).

Annual General Meeting

Notice convening the 2009 Annual General Meeting of the Company and a form of proxy in relation to the meeting can each be found at the end of this document.

Independent auditor

Grant Thornton UK LLP offers themselves for re-appointment as auditor. A resolution to re-appoint Grant Thornton UK LLP as auditor and to authorise the directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

Directors' authority to allot shares, to disapply pre-emption rights

The authority proposed under Resolution 6 is required so that the Directors may offer existing shareholders the opportunity to add to their investment or to offer to potential shareholders an opportunity to invest in the Company in a tax efficient manner without the Company having to incur substantial costs. Any consequent modest increase in the size of the Company will, in the opinion of the Directors, be in the interests of shareholders generally. Any issue proceeds will be available for investment in line with the Company's investment policy and may be used, in part, to purchase ordinary shares in the market. Resolution 6 renews the Directors' authority to allot ordinary shares. This would enable the Directors until June 2010, to allot up to 2,727,212 ordinary shares (representing approximately 10 per cent of the Company's issued share capital as at 31 January 2009).

Resolution 7 renews and extends the Directors' authority to allot equity securities for cash without pre-emption rights applying in certain circumstances. This resolution would authorise the Directors, until the date falling 15 months after the date of the passing of the Resolution or, if earlier, the conclusion of the next Annual General Meeting of the Company, to issue ordinary shares for cash without pre-emption rights applying by way of an offer to existing shareholders, or re-issuing shares out of Treasury up to a maximum of 2,727,212 ordinary shares (representing approximately 10 per cent of the Company's issued share capital as at 31 January 2009). This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders, as a whole.

Directors' authority to make market purchase of its own shares

The authority proposed under Resolution 8 is required so that the Directors may make purchases of up to approximately 5 per cent of the Company's issued share capital and Resolution 10 seeks renewal of such authority until the next Annual General Meeting (or the expiry of 15 months, if earlier). The price paid for shares will not be less than the nominal value nor more than the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase. This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests of shareholders as a whole. Any shares repurchased under this authority will either be cancelled or held in Treasury for future re-sale in appropriate market conditions.

By Order of the Board



Celia L Whitten FCIS
Company Secretary

12 May 2009

Directors' Remuneration Report

Introduction

This report is submitted in accordance with the Companies Act 1985, Schedule 7A in respect of the year ended 31 January 2009. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The Company's auditor, Grant Thornton UK LLP, is required to give its opinion on certain information included in this report; this comprises the Directors' emoluments section below only. Their report on these and other matters is set out on pages 24 and 25.

Consideration by the Directors of matters relating to Directors' remuneration

The Board as a whole considers Directors' remuneration and has not appointed a separate committee in this respect. The Board has not sought advice or services from any person in respect of its consideration of Directors' remuneration during the year (although the directors expect from time to time to review the fees against those paid to the boards of directors of other venture capital trusts).

Statement of the Company's policy on Directors' remuneration

The Board consists entirely of non-executive directors, who meet at least four times a year and on other occasions as necessary, to deal with the important aspects of the Company's affairs. Directors are appointed with the expectation that they will serve for, at least, a period of three years. All directors retire at the first General Meeting after election and thereafter one third of all directors are subject to retirement by rotation at subsequent Annual General Meetings. Re-election will be recommended by the Board but dependent upon shareholder vote.

Each Director received a letter of appointment. A Director may resign by notice in writing to the Board at any time. None of the directors are entitled to compensation payable upon early termination of their contract other than in respect of any unexpired notice period.

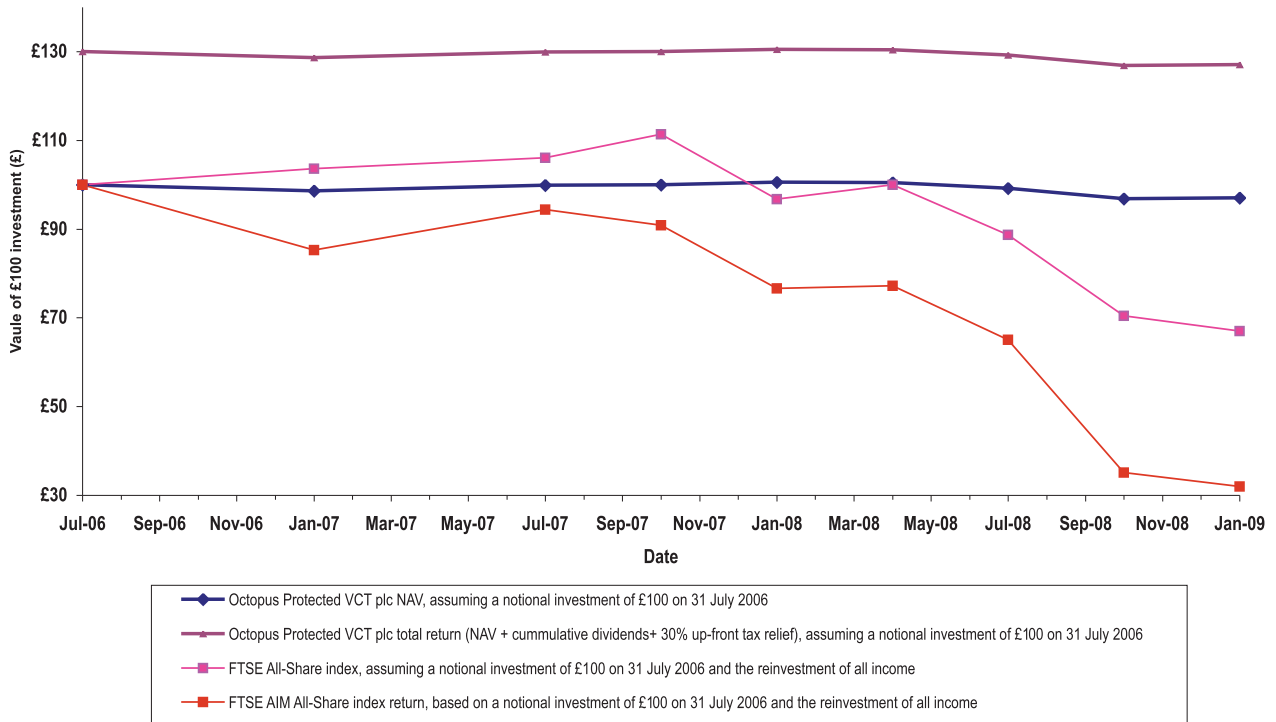
The Company's policy is that the fees payable to the directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the directors. They should be sufficient to attract candidates of high calibre to be recruited. The policy is for the Chairman of the Board to be paid higher fees than the other directors in recognition of his more onerous role. The policy is to review these rates from time to time, although such review will not necessarily result in any changes.

The Company's policy is for the directors to be remunerated in the form of fees, payable quarterly in arrears. The fees are not specifically related to the directors' performance, either individually or collectively. There are no long-term incentive schemes, share option schemes or pension schemes in place. No other remuneration or compensation was paid or payable by the Company during the year to any of the current directors.

Company performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to in the Directors' Report. The graph below compares the NAV return and total return (including dividends and up-front tax relief, rebased to 100) of Protected over the period from July 2006 to 31 January 2009, with the total return from a notional investment (rebased to 100) in the FTSE All-Share index and the FTSE AIM All-Share index over the same period. These indices are considered to be the most appropriate broad equity market indices for comparative purposes. However, the Directors wish to point out that VCTs are not able to make qualifying investments in companies quoted on the Main Market in their observance of the VCT rules.

Octopus Protected VCT plc Portfolio Performance



Directors' emoluments (excluding employers NI)

(information subject to audit):

	Year ended 31 January 2009 £'000	Year ended 31 January 2008 £'000
31 January 2008		
Mr Tony Morgan (Chairman)	£19,500	£17,500
Mr Neil Wilson	£15,000	£13,500
Mr Matt Cooper	£15,000	£13,500
Total	£49,500	£44,500

The Directors do not receive any other form of emoluments in addition to the directors' fees.

The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears. The fees are not specifically related to the Directors' performance, either individually or collectively. There are no service contracts, long-term incentive schemes, share option schemes or pension schemes in place. No other remuneration or compensation was paid or payable by the Company during the year to any of the current Directors.

By Order of the Board

Celia L Whitten FCIS
Secretary

12 May 2009

Corporate Governance

The Board of Octopus Protected VCT plc has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (AIC Code) by reference to the Association of Investment Companies 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 the Company. The Board considers that reporting against principles and recommendations of the AIC Code, by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company is committed to maintaining high standards in corporate governance. The Directors consider that the Company has, throughout the year under review, complied with the provisions set out in the 2006 Combined Code on Corporate Governance with the exceptions set out in the Compliance Statement at page 22.

Board of Directors

The Company has a board of three non-executive Directors, two of whom are considered to be independent of the Company's investment manager Octopus Investments Limited. Mr Matt Cooper is not considered to be independent due to his role as a director of Octopus. The Board meets regularly on a quarterly basis, and on other occasions as required, to review the investment performance and monitor compliance with the investment policy laid down by the Board.

The Board has a formal schedule of matters specifically reserved for its decision which include:

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;
- approval of the appropriate dividend to be paid to the 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 to the share price; and
- monitoring shareholder profiles and considering shareholder communications.

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda, and has no involvement in the day to day business of the Company. He facilitates the effective contribution of the directors and ensures that they receive accurate, timely and clear information and that they communicate effectively with shareholders.

The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. All of the directors have access to the advice and services of the Company Secretary, who has administrative responsibility for the meetings of the Board and its committees. Directors may also take independent professional advice at the Company's expense where necessary in the performance of their duties.

The Company's articles of association and the schedule of matters reserved to the Board for decision provide that the appointment and removal of the Company Secretary is a matter for the full Board.

During the period the following were held:

4 full board meetings

All Directors attended

2 Audit Committee meeting

All Members attended

Nil Nomination Committee meeting

No meeting held

Additional meetings were held as required to address specific issues including considering recommendations from the investment manager and share repurchases. A brief biographical summary of each Director is given on page 11.

The Company's Articles of Association require that one third of Directors should retire by rotation each year and seek re-election at the Annual General Meeting and that Directors appointed by the board should seek re-appointment at the next Annual General Meeting. All Directors are required to submit themselves for re-election at least every three years. This practice was followed during the year under review.

The Board has appointed two committees to make recommendations to the Board in specific areas:

Audit Committee:

Mr N Wilson (Chairman)
Mr T Morgan

The audit committee, chaired by Mr Wilson, consists of two independent Directors. The audit committee believes Mr Wilson possesses appropriate and relevant financial experience as per the requirements of the Combined Code. The Board considers that the members of the committee are independent and have collectively the skills and experience required to discharge their duties effectively.

The audit committee's terms of reference include the following roles and responsibilities:

- reviewing and making recommendations to the board in relation to the company's published financial statements and other formal announcements relating to the company's financial performance;
- reviewing and making recommendations to the board in relation to the company's internal control (including internal financial control) and risk management systems;
- periodically considering the need for an internal audit function;
- making recommendations to the board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional regulatory requirements;
- monitoring the extent to which the external auditor is engaged to supply non-audit services; and
- ensuring that the investment manager has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to propriety of financial reporting or other matters.

The committee reviews its terms of reference and its effectiveness annually and recommends to the board any changes required as a result of the review. The terms of reference are available on request from the Company Secretary. The committee meets twice per year and has direct access to Grant Thornton UK LLP, the Company's external auditor. The audit committee has reviewed the non audit services provided by the external auditor and does not believe they are sufficient to influence their independence or objectivity.

The Company does not have an independent internal audit function as it is not deemed appropriate given the size of the company and the nature of the Company's business. However, the committee considers annually whether there is a need for such a function and if so would recommend this to the board.

During the year ended 31 January 2009, the audit committee discharged its responsibilities by:

- reviewing and approving the external auditor's terms of engagement and remuneration;
- reviewing the external auditor's plan for the audit of the Company's financial statements, including identification of key risks and confirmation of auditor independence;
- reviewing Octopus Investments Limited's statement of internal controls in relation to the Company's business and assessing the effectiveness of those controls in minimising the impact of key risks;
- reviewing periodic reports on the effectiveness of Octopus Investments Limited's compliance procedures;
- reviewing the appropriateness of the Company's accounting policies;
- reviewing the Company's draft annual financial and interim results statement prior to board approval; and
- reviewing the external auditor's detailed reports to the committee on the annual financial statements.

Nomination Committee:

Mr N Wilson (Chairman)
Mr T Morgan

The nomination committee considers the selection and appointment of Directors and makes recommendations to the board as to the level of Directors' fees. It has not yet been necessary for the Committee to meet and so terms of reference will be agreed if and when appropriate. The Board does not have a separate remuneration committee as the Company has no employees or executive Directors. Detailed information relating to the remuneration of Directors is given in the Directors' remuneration report on pages 18 and 19.

Internal Control

The Directors have overall responsibility for keeping under review the effectiveness of the Company's systems of internal controls. The purpose of these controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can only provide reasonable and not absolute assurance against material

Corporate Governance (continued)

misstatement or loss. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the business objectives. The Board regularly reviews financial results and investment performance with its investment managers.

Octopus identifies the investment opportunities for the consideration of the Board who ultimately make the decision whether to proceed with that opportunity. Octopus monitors the portfolio of investments and makes recommendations to the Board in terms of suggested disposals and further acquisitions.

Octopus is engaged to carry out the accounting function and retains physical custody of the documents of title relating to unquoted investments. Quoted investments are held in Crest, although no quoted investments were held at the year end. Octopus regularly reconciles the client asset register with the physical documents.

The Directors confirm that they have established a continuing process throughout the year and up to the date of this report for identifying, evaluating and managing the significant potential risks faced by the Company and have reviewed the effectiveness of the internal control systems. As part of this process an annual review of the internal control systems is carried out in accordance with the Financial Reporting Council guidelines for internal control.

Financial Risk Management Objectives and Policies

The Company is exposed to the risks arising from its operational and investment activities. Further details can be found in note 16 to the Financial Statements and within the Directors report on pages 12 to 17.

Relations with Shareholders

Shareholders have the opportunity to meet the Board at the Annual General Meeting. In addition to the formal business of the AGM, the Board is available to answer any shareholder questions.

The Board is also happy to respond to any written queries made by shareholders during the course of the year and can be contacted at 8 Angel Court, London, EC2R 7HP. Alternatively, the team at Octopus is happy to answer any questions and can be contacted on 0800 316 2347.

Compliance Statement

The Listing Rules require the Board to report on compliance with the forty-eight Combined Code provisions throughout the accounting year. The preamble to the Combined Code does, however, acknowledge that some provisions may have less relevance for investment companies. With the exception of the limited items outlined below, the Company has complied throughout the accounting year to 31 January 2009 with the provisions set out in Section 1 of the Combined Code 2006.

1. New directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise.
2. Due to the size of the Board and the nature of the Company's business, a formal performance evaluation process of the Board, its committees, the individual directors and the Chairman has not been put in place or a formal evaluation been undertaken. Specific performance issues are dealt with as they arise.
3. The Company has two independent Directors, Tony Morgan and Neil Wilson, as defined by the Combined Code issued in July 2006. Matt Cooper holds directorships of other companies with the same investment manager and with the investment manager itself. The Board considers that all directors have sufficient experience to be able to exercise proper judgement within the meaning of the Combined Code.
4. The Company does not have a chief executive officer or senior independent director. The Board does not consider this necessary for the size of the Company.
5. The Company conducts a formal review as to whether there is a need for an internal audit function. However, the Directors do not consider that an internal audit would be an appropriate control for a venture capital trust.
6. The non-executive directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts.
7. The Company has no major shareholders so shareholders are not given the opportunity to meet any new non-executive directors at a specific meeting other than the Annual General Meeting.
8. The Company does not have a remuneration committee as it does not have any executive directors.

Directors' Responsibility Statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 profit or loss of the Company for that period. 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 applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on a 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are responsible for preparing a Directors' Report (including Business Review), Directors' Remuneration Report and Corporate Governance Statement which comply with that law and those regulations.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Company's financial statements are published on the Octopus Investments website. The investment manager is responsible for the maintenance and integrity of the corporate and financial information set out on their website; this is not the responsibility of the Company. The work carried out by Grant Thornton UK LLP as independent auditor of the Company does not involve consideration of the maintenance and integrity of the website and accordingly they accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

To the best of my knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On Behalf of the Board



Tony Morgan
Chairman

12 May 2009

Report of the Independent Auditor to the members of Octopus Protected VCT plc

We have audited the financial statements of Octopus Protected VCT plc for the year ended 31 January 2009 which comprise the income statement, the note of historical cost profits and losses, the reconciliation of movements in shareholders' funds, the balance sheet, the cash flow statement, and notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with s235 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 Auditor's 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 the Auditor

The Directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with United Kingdom law and 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 given in the Directors' Report includes that specific information presented in the Chairman's Statement and Investment Manager's Review that is cross referred from the Review of Business Activities 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 Corporate Governance Statement 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. This other information comprises only the Financial Highlights, Chairman's Statement, Investment Manager's Review, Shareholder Information, Details of Advisers, Details of Directors, Directors' Report, the unaudited part of the Directors' Remuneration Report, the Corporate Governance Statement and the Directors' Responsibility Statement. 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 judgements 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 which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report 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 January 2009 and of its loss for the period 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.

Grant Thornton UK LLP.

Grant Thornton UK LLP

Registered Auditor
Chartered Accountants
Oxford
12 May 2009

Income Statement

	Notes	Year ended 31 January 2009			Year ended 31 January 2008		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain on disposal of current asset investments	12	–	58	58	–	99	99
Loss on valuation of fixed asset investments	10	–	(16)	(16)	–	–	–
(Loss)/gain on valuation of current asset investments	12	–	(595)	(595)	–	124	–
Investment income	2	1,453	–	1,453	988	–	988
Investment management fees	3	(147)	(444)	(591)	(128)	(384)	(512)
VAT management fee rebate	3	27	83	110	–	–	–
Other expenses	4	(338)	–	(338)	(362)	–	(362)
Return/(loss) on ordinary activities before tax		995	(914)	81	498	(161)	337
Taxation on return/(loss) on ordinary activities	6	(413)	231	(182)	–	–	–
Return/(loss) on ordinary activities after tax		582	(683)	(101)	498	(161)	337
Earnings/(loss) per share – basic and diluted	8	2.1p	(2.5)p	(0.4)p	2.1p	(0.7)p	1.4p

- The 'Total' column of this statement is the profit and loss account of the Company; the supplementary revenue return and capital return columns have been prepared under guidance published by the Association of Investment Companies
- all revenue and capital items in the above statement derive from continuing operations
- the accompanying notes are an integral part of the financial statements
- the Company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds

The Company has no recognised gains or losses other than the results for the year as set out above.

Note of Historical Cost Profits and Losses

	Year ended 31 January 2009 £'000	Year ended 31 January 2008 £'000
Return on ordinary activities before taxation	81	337
Loss on valuation of fixed asset investments	16	–
Loss/(gain) on valuation of current asset investments	595	(124)
Historical cost profit on ordinary activities after taxation	692	213

Reconciliation of Movements in Shareholders' Funds

	Year ended 31 January 2009 £'000	Year ended 31 January 2008 £'000
Shareholders' funds at start of year	26,114	6,417
(Loss)/return on ordinary activities after tax	(101)	337
Net proceeds of share issue	–	19,407
Purchase of own shares	(54)	(47)
Dividends paid	(820)	–
Shareholders' funds at end of year	25,139	26,114

Balance Sheet

	Notes	As at 31 January 2009		As at 31 January 2008	
		£'000	£'000	£'000	£'000
Fixed asset investments	10		4,690		3,100
Current assets:					
Debtors	11	212		252	
Investments	12	16,847		22,904	
Cash at bank		3,685		16	
		20,744		23,172	
Creditors: amounts falling due within one year	13	(295)		(158)	
Net current assets			20,449		23,014
Net assets			25,139		26,114
Called up equity share capital	14	2,727		2,734	
Capital redemption reserve	15	11		5	
Special distributable reserve	15	23,039		23,092	
Capital reserve – realised	15	(868)		(201)	
– unrealised	15	(16)		–	
Revenue reserve	15	246		484	
Total shareholders' funds			25,139		26,114
Net asset value per share	9		92.2p		95.5p

The statements were approved by the Directors and authorised for issue on 12 May 2009 and are signed on their behalf by:



Tony Morgan
Chairman

The accompanying notes are an integral part of the financial statements.

Cash Flow Statement

	Notes	Year to 31 January 2009 £'000	Year to 31 January 2008 £'000
Net Cash inflow/(outflow) from operating activities		647	(602)
Taxation		(18)	-
Financial investment:			
Purchase of fixed asset investments	10	(1,606)	(3,100)
Management of resources:			
Purchase of current asset investments	12	(13,249)	(67,426)
Sales of current asset investments	12	18,769	51,082
Dividends paid		(820)	-
Financing			
Issue of own shares	14	-	20,374
Share issue expenses		-	(967)
Purchase of own shares	14	(54)	(48)
Increase/(decrease) in cash		3,669	(687)

Reconciliation of Return before Taxation to Cash Flow from Operating Activities

	Year to 31 January 2009 £'000	Year to 31 January 2008 £'000
Return on ordinary activities before tax	81	337
Decrease/(increase) in debtors	40	(249)
Increase in creditors	(27)	(467)
Gains on disposal of current assets	(58)	(99)
Loss on valuation of fixed asset investments	16	-
Loss/(gains) on valuation of current asset investments	595	(124)
Inflow/(outflow) from operating activities	647	(602)

Reconciliation of Net Cash Flow to Movement in Net Funds

	Year to 31 January 2009 £'000	Year to 31 January 2008 £'000
Increase/(decrease) in cash resources	3,669	(687)
Movement in cash equivalent securities	(6,057)	16,567
Opening net funds	22,920	7,040
Net funds at 31 January 2009	20,532	22,920

Net Funds at 31 January comprised:

	As at 31 January 2009 £'000	As at 31 January 2008 £'000
Cash at bank	3,685	16
Bonds	2,876	10,039
Floating rate notes	2,301	4,101
Money market funds	11,670	8,764
Net funds at 31 January 2009	20,532	22,920

Notes to the Financial Statements

1. Principal accounting policies

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice (UK GAAP), and in the Statement of Recommended Practice (SORP) "Financial Statements of Investment Trust Companies", (revised December 2005).

The principal accounting policies have remained unchanged from those set out in the Company's 2008 annual report and financial statements. A summary of the principal accounting policies is set out below.

Investments

Purchases and sales of investments are recognised in the financial statements at the date of the transaction (trade date).

These investments will be managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy and information about them has to be provided internally on that basis to the Board. Accordingly as permitted by FRS 26, the investments will be designated as fair value through profit or loss ("FVTPL") on the basis that they qualify as a group of assets managed, and whose performance is evaluated, on a fair value basis in accordance with a documented investment strategy. The Company's investments are measured at subsequent reporting dates at fair value.

In the case of unquoted investments, fair value is established by using measures of value such as price of recent transaction, earnings multiple and net assets; where no reliable fair value can be estimated using such techniques, unquoted investments are carried at cost subject to provision for impairment where necessary. This is consistent with International Private Equity and Venture Capital valuation guidelines.

Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the income statement and allocated to the capital reserve - unrealised.

In preparation of the valuations of assets the directors are required to make judgements and estimates that are reasonable and incorporate their knowledge of the performance of the investee companies.

Current asset investments

Current asset investments comprise Bonds and Money Market Funds and are designated as FVTPL. Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the Income Statement and allocated to the capital reserve - realised.

The current asset investments are all invested with the Company's cash manager and are readily convertible into cash at the choice of the Company. The current asset investments are held for trading, are actively managed and the performance is evaluated on a fair value basis in accordance with a documented investment strategy. Information about them has to be provided internally on that basis to the Board.

Income

Investment income includes interest earned on bank balances and money market securities and includes income tax withheld at source. Dividend income is shown net of any related tax credit.

Dividends receivable are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on debt and money market securities are recognised on a time apportionment basis so as to reflect the effective interest rate, provided there is no reasonable doubt that payment will be received in due course.

Expenses

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue with the exception of the investment management fee, which has been charged 25% to the revenue account and 75% to the realised capital reserve to reflect, in the Directors' opinion, the expected long term split of returns in the form of income and capital gains respectively from the investment portfolio.

Revenue and capital

The revenue column of the Income Statement includes all income and revenue expenses of the Company. The capital column includes realised and unrealised gains and losses on investments. Gains and losses arising from changes in fair value are considered to be realised only to the extent that they are readily convertible to cash in full at the balance sheet date.

Taxation

Corporation tax payable is applied to profits chargeable to corporation tax, if any, at the current rate. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue return on the "marginal" basis as recommended in the SORP.

Deferred tax is recognised on an undiscounted basis in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax, with the exception that deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing can be deducted.

Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities, investment grade bonds and investments in money market managed funds.

Financial instruments

The Company's principal financial assets are its investments and the policies in relation to those assets are set out above. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Dividends

Dividends payable are recognised as distributions in the financial statements when the Company's liability to make payment has been established. This liability is established when the dividends proposed by the Board are approved by the shareholders.

2. Income

	31 January 2009 £'000	31 January 2008 £'000
Interest receivable – money market securities and bank balances	629	530
Money market securities – dividend income	620	458
Loan note interest receivable	204	–
	1,453	988

3. Investment management fees

	31 January 2009			31 January 2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	130	394	524	109	327	436
Irrecoverable VAT thereon	17	50	67	19	57	76
VAT rebate	(27)	(83)	(110)	–	–	–
	120	361	481	128	384	512

For the purposes of the revenue and capital columns in the income statement, the management fee (including VAT) has been allocated 25% to revenue and 75% to capital, in line with the Board's expected long term return in the form of income and capital gains respectively from the Company's investment portfolio.

Octopus provides investment management and accounting and administration services to the Company under a management agreement which runs for a period of five years with effect from 6 October 2005 and may be terminated at any time thereafter by not less than twelve months' notice given by either party. No compensation is payable in the event of terminating the agreement by either party, if the required notice period is given. The fee payable, should insufficient notice be given, will be equal to the fee that would have been paid should continuous service be provided, or the required notice period was given. The basis upon which the management fee is calculated is disclosed within note 19 to the financial statements.

The Chancellor of the Exchequer announced in his budget statement on 12 March 2008 that the Finance Act 2008 would contain draft legislation exempting VCTs from VAT on management fees with effect from 1 October 2008. This legislation was passed in July 2008 and as such all VCTs are now exempt from paying VAT on management fees from this date. Therefore VAT has not been included on management fees since 1 November 2008 and an application has been made to HMRC to request a rebate.

Notes to the Financial Statements (continued)

4. Other expenses

	31 January 2009 £'000	31 January 2008 £'000
Directors' remuneration	54	45
Fees payable to the Company's auditor for the audit of the financial statements	12	9
Fees payable to the Company's auditor for other services – tax compliance	4	2
Accounting and administration services	92	77
Legal and professional expenses	44	46
Other expenses	132	183
	338	362

The total expense ratio for the Company for the year to 31 January 2009 was 2.8 per cent (2007: 3.0 per cent). Total running costs are capped at 3.5 per cent.

5. Directors' remuneration

	31 January 2009 £'000	31 January 2008 £'000
Directors' emoluments		
Mr Tony Morgan (Chairman)	22	17
Mr Neil Wilson	16	14
Mr Matt Cooper	16	14
	54	45

None of the Directors received any other remuneration or benefit from the Company during the year. The Company has no employees other than non-executive Directors. The average number of non-executive Directors in the year was three (2008: three).

6. Tax on ordinary activities

The corporation tax charge for the year was £182,000 (2008: £nil).

The current tax charge for the year differs from the standard rate of corporation tax in the UK of 28% (2008: 19%). The differences are explained below.

Current tax reconciliation:	31 January 2009 £'000	31 January 2008 £'000
Return on ordinary activities before tax	81	337
Current tax at 28% (2008: 19%)	23	64
Unutilised tax losses	–	(10)
Income not liable to tax	–	(54)
Expenses not deductible for tax purposes	153	–
Marginal relief	(12)	–
Adjustment in respect of prior year	18	–
Total current tax charge	182	–

Approved venture capital trusts are exempt from tax on capital gains within the Company. Since the Directors intend that the Company will continue to conduct its affairs so as to maintain its approval as a venture capital trust, no current deferred tax has been provided in respect of any capital gains or losses arising on the revaluation or disposal of investments.

7. Dividends

	31 January 2009 £'000	31 January 2008 £'000
Recognised as distributions in the financial statements for the year		
Previous year's final dividend	410	–
Current year's interim dividend	410	–
	820	–
Proposed in respect of the year		
Interim dividend – 1.5p per share (2008: 0p per share)	410	–
Final dividend 1.5p per share (2008: 1.5p per share)	409	410
	819	410

The final dividend of 1.5p per share for the year ended 31 January 2009, subject to shareholder approval at the Annual General Meeting, will be paid on 25 June 2009 to those shareholders on the register on 29 May 2009.

8. Earnings per share

The revenue return per share is based on the revenue profit after tax of £582,000 (2008: £498,000) and on 27,324,977 (2008: 24,375,078) shares, being the weighted average number of shares in issue during the year.

The total (loss)/earnings per share is based on total loss after tax of £101,000 (2007: £337,000 return) and on 27,474,703 (2008: 24,375,078) shares, being the weighted average number of shares in issue during the year.

There are no potentially dilutive capital instruments in issue and, as such, the basic and diluted earnings per share are therefore identical.

9. Net asset value per share

The calculation of net asset value per share as at 31 January 2009 is based on net assets of £25,139,000 (2008: £26,114,000) divided by the 27,272,119 (2008: 27,336,344) shares in issue at that date.

Notes to the Financial Statements (continued)

10. Fixed asset investments

	Unquoted investments	
	31 January 2009 £'000	31 January 2008 £'000
Opening valuation at 01 February	3,100	–
Purchases at cost	1,606	3,100
Revaluation in year	(16)	–
Closing valuation at 31 January	4,690	3,100
Book cost at 31 January:		
– Ordinary shares	1,482	1,000
– Loan notes/other securities	3,224	2,100
Revaluation to 31 January:		
– Ordinary shares	(316)	–
– Loan notes/other securities	300	–
Valuation at 31 January	4,690	3,100

Further details of the fixed asset investments held by the Company are shown within the Investment Manager's Review on pages 5 to 8. All investments are designated as fair value through profit or loss from the time of acquisition, and all capital gains or losses on investments so designated. Given the nature of the Company's venture capital investments, the changes in fair value of such investments recognised in these financial statements are not considered to be readily convertible to cash in full at the balance sheet date and accordingly these gains are treated as unrealised.

At 31 January 2009 and 31 January 2008 there were no commitments in respect of investments approved by the Manager but not yet completed.

11. Debtors

	31 January 2009 £'000	31 January 2008 £'000
Other debtors	8	247
Prepayments and accrued income	204	5
	212	252

12. Current asset investments

Current asset investments at 31 January 2009 comprised bonds and money market funds.

	Year to 31 January 2008 £'000	Year to 31 January 2007 £'000
Book cost at 1 February:		
Bonds	9,951	–
Floating rate notes	4,125	–
Money market funds	8,704	6,336
Revaluation at 1 February:		
Bonds	89	–
Floating rate notes	(24)	–
Money Market Funds	59	1
Valuation as at 31 January:	22,904	6,337
	Year to 31 January 2009 £'000	Year to 31 January 2008 £'000
Opening valuation at 1 February	22,904	6,337
Purchases at cost:		
Bonds	–	13,271
Floating rate notes	–	4,125
Money market funds	13,249	50,030
	13,249	67,426
Disposal proceeds:		
Bonds	(7,230)	(3,347)
Floating rate notes	(1,800)	–
Money market funds	(9,739)	(47,735)
	(18,769)	(51,082)
Gain in year on realisation of investments:		
Bonds	50	26
Floating rate notes	1	–
Money market funds	7	73
	58	99
Revaluation in year:		
Bonds	16	89
Floating rate notes	–	(24)
Money market funds	(611)	59
	(595)	124
Closing valuation as at 31 January	16,847	22,904
Book cost at 31 January:		
Bonds	2,859	9,951
Floating rate notes	2,302	4,125
Money market funds	12,281	8,704
	17,442	22,780
Revaluation to 31 January:		
Bonds	16	89
Floating rate notes	–	(24)
Money market funds	(611)	59
	(595)	124
Closing valuation as at 31 January	16,847	22,904

All investments are designated as fair value through profit or loss at the time of acquisition and all capital gains and losses on investments so designated. Given the nature of the investments, the change in fair value of such investments recognised in these financial statements are considered to be readily convertible to cash in full at the balance sheet date and accordingly these gains and losses are treated as realised.

Notes to the Financial Statements (continued)

13. Creditors: amounts falling due within one year

	31 January 2009 £'000	31 January 2008 £'000
Accruals	–	154
Corporation tax	164	1
Other creditors	1	3
Applications	130	–
	295	158

14. Share capital

	31 January 2009 £'000	31 January 2008 £'000
Authorised: 50,000,000 Ordinary shares of 10p	5,000	5,000
Allotted and fully paid up: 27,272,119 Ordinary shares of 10p (2008: 27,386,344)	2,727	2,734

The capital of the Company is managed in accordance with its investment policy with a view to the achievement of its investment objective as set on page 13. The Company is not subject to any externally imposed capital requirements.

The Company did not issue any shares in the year (2008: 20,537,582, ordinary shares of 10p each for cash. Share issue costs totaled £967,000).

During the year the Company repurchased the following shares for cancellation:

- 10 October 2008: 14,225 Ordinary shares at a price of 83.5p per share
- 12 December 2008: 50,000 Ordinary shares at a price of 83.0p per share

The total nominal value of the shares repurchased was £6,422.50 representing 0.235% of the issued share capital.

15. Reserves

	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000
As at 31 January 2008	23,092	5	(201)	–	484
Repurchase of own shares – cancellation	(53)	6	–	–	–
Profit/(loss) on ordinary activities after tax	–	–	(667)	(16)	582
Dividends paid	–	–	–	–	(820)
Balance as at 31 January 2009	23,039	11	(868)	(16)	246

When the Company revalues its investments during the period, any gains or losses arising are credited/charged to the income statement. Unrealised gains/losses on fixed asset investments are then transferred to the capital reserve – unrealised. When an investment is sold any balance held on the capital reserve – unrealised is transferred to the capital reserve – realised as a movement in reserves.

The purpose of the special distributable reserve was to create a reserve which will be capable of being used by the Company to pay dividends and for the purpose of making repurchases of its own shares in the market with a view to narrowing the discount at which the Company's shares trade to net asset value.

16. Financial instruments and risk management

The Company's financial instruments comprise equity, investments, FRNs, cash balances and liquid resources including debtors and creditors. The Company holds financial assets in accordance with its investment policy of investing mainly in a portfolio of VCT qualifying unquoted securities whilst holding a proportion of its assets in cash or near-cash investments in order to provide a reserve of liquidity.

Fixed and current asset investments (see note 10 and 12) are valued at fair value. The fair value of all other financial assets and liabilities is represented by their carrying value in the balance sheet. The Directors believe that the fair value of the assets held at the year end is equal to their book value.

In carrying on its investment activities, the Company is exposed to various types of risk associated with the financial instruments and markets in which it invests. The most significant types of financial risk facing the Company are price risk, interest rate risk, credit risk and liquidity risk. The Company's approach to managing these risks is set out below together with a description of the nature and amount of the financial instruments held at the balance sheet date.

Market risk

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective, as outlined on page 13. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The Company's portfolio is managed in accordance with the policies and procedures described in the Corporate Governance statement on pages 20 to 22, having regard to the possible effects of adverse price movements, with the objective of maximising overall returns to shareholders. Investments in smaller companies, by their nature, usually involve a higher degree of risk than investments in larger companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. The overall disposition of the Company's assets is regularly monitored by the Board.

Details of the Company's investment portfolio at the balance sheet date are set out on page 7.

18.5% (31 January 2008: 11.9%) by value of the Company's net assets comprises investments in unquoted companies held at fair value. The valuation methods used by the Company include the application of a price/earnings ratio derived from listed companies with similar characteristics, and consequently the value of the unquoted element of the portfolio can be indirectly affected by price movements on the London Stock Exchange. A 10% overall increase in the valuation of the unquoted investments at 31 January 2009 would have increased net assets and the total return for the year by £469,000 (31 January 2008: £310,000). An equivalent change in the opposite direction would have reduced net assets and the total return for the year by the same amount.

66.6% (31 January 2008: 87.7%) by value of the Company's net assets comprises money market securities held at fair value. A 10% overall increase in the valuation of the money market securities at 31 January 2009 would have increased net assets and the total return for the year by £1,685,000 (31 January 2008: £2,290,000). An equivalent change in the opposite direction would have reduced net assets and the total return for the year by the same amount.

Interest rate risk

Some of the Company's financial assets are interest-bearing. As a result, the Company is exposed to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Notes to the Financial Statements (continued)

Fixed rate

The table below summarises weighted average effective interest rates for the fixed interest-bearing financial instruments:

	As at 31 January 2009			As at 31 January 2008		
	Total fixed rate portfolio by value £'000	Weighted average interest rate %	Weighted average time for which rate is fixed in years	Total fixed rate portfolio by value £'000	Weighted average interest rate %	Weighted average time for which rate is fixed in years
Unquoted fixed-interest investments	3,224	13.18%	4.0	2,100	13.00%	3.4
Fixed-interest investments	2,876	4.58%	0.5	10,039	5.04%	0.7

Floating rate

The Company's floating rate investments comprise cash held on interest-bearing deposit accounts and, where appropriate, within interest bearing money market securities. The benchmark rate which determines the rate of interest receivable on such investments is the bank base rate, which was 1.5% at 31 January 2009 (31 January 2008: 5.5%). The amounts held in floating rate investments at the balance sheet date were as follows:

	31 January 2009 £'000	31 January 2008 £'000
Unquoted floating loan notes	700	–
Listed floating rate notes	13,972	12,865
Cash on deposit	3,685	16
	18,357	12,881

Every 1% increase or decrease in the base rate would increase or decrease income receivable from these investments and the total return for the year by £183,570 (31 January 2008: £128,810)

Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Investment Manager and the Board carry out a regular review of counterparty risk. The carrying values of financial assets represent the maximum credit risk exposure at the balance sheet date.

At 31 January 2009 the Company's financial assets exposed to credit risk comprised the following:

	31 January 2009 £'000	31 January 2008 £'000
Investments in floating rate instruments	14,672	12,865
Cash on deposit	3,685	16
Investments in fixed rate instruments	6,100	10,039
Accrued dividends and interest receivable	95	–
	24,552	22,920

Credit risk relating to listed money market securities is mitigated by investing in a portfolio of investment instruments of high credit quality, comprising securities issued by the UK Government and major UK institutions. Credit risk relating to loans to and preference shares in unquoted companies is considered to be part of market risk.

Those assets of the Company which are traded on recognised stock exchanges are held on the Company's behalf by third party custodians (Goldman Sachs International in the case of listed money market securities). Bankruptcy or insolvency of a custodian could cause the Company's rights with respect to securities held by the custodian to be delayed or limited.

Credit risk arising on the sale of investments is considered to be small due to the short settlement and the contracted agreements in place with the settlement lawyers.

The Company's interest-bearing deposit and current accounts are maintained with HSBC Bank plc. The Investment Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. Should the credit quality or the financial position of either entity deteriorate significantly the Investment Manager will move the cash holdings to another bank.

Other than cash or liquid money market funds, there were no significant concentrations of credit risk to counterparties at 31 January 2009 or 31 January 2008.

Liquidity risk

The Company's financial assets include investments in unquoted equity securities which are not traded on a recognised stock exchange and which generally may be illiquid. As a result, the Company may not be able to realise some of its investments in these instruments quickly at an amount close to their fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

The Company's liquidity risk is managed on a continuing basis by the Investment Manager in accordance with policies and procedures laid down by the Board. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 31 January 2009 these investments were valued at £20,628,000 (31 January 2008: £22,920,000).

17. Post balance sheet events

The following events occurred between the balance sheet date and the signing of these financial statements:

- On 5 February 2009, Protected invested £1,000,000 in CSL Dualcom Limited
- On 19 February 2009, Protected invested £1,000,000 in Diagnos Limited
- On 2 April 2009, Protected invested £1,000,000 into each of Salus Services I Limited, PubCo Services Limited, GreenCo Services Limited and BusinessCo Services Limited. These are companies which have been established to seek suitable qualifying investments across a range of sectors.

18. Contingencies, guarantees and financial commitments

There were no contingencies, guarantees or financial commitments as at 31 January 2009 (2008: £nil).

19. Related party transactions

Matt Cooper, a non-executive Director of Octopus Protected VCT plc, is also a Director of Octopus Investments Limited. Octopus Protected VCT plc has employed Octopus throughout the year as Investment Manager.

During the year Octopus Protected VCT plc has paid Octopus £592,100 (2008: £512,100) in management fees. At 31 January 2009, £nil was outstanding (2008: £nil). The management fee is payable quarterly in advance and is based on 2.0% of the NAV calculated at annual intervals as at 31 January 2009. Octopus also provides accounting and administrative services to the Company, payable quarterly in advance for a fee of 0.3% of the NAV calculated at annual intervals as at 31 January. During the year £92,247 (2008: £76,815) was paid to Octopus and there is £nil outstanding at the balance sheet date, for the accounting and administrative services.

No performance related incentive fee will be payable over the first five years. Thereafter, Octopus will be entitled to an annual performance related incentive fee. This performance fee is equal to 20% of the amount by which the NAV from the start of the sixth accounting and subsequent accounting period exceeds simple interest of the HSBC Bank plc base rate for the same period. The NAV at the start of the sixth accounting period must be at least 100p. Any distributions paid out by the Fund will be added back when calculating this performance fee.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Octopus Protected VCT plc will be held at 8 Angel Court, London EC2R 7HP on Wednesday, 10 June 2008 at 3.30p.m. for the following purposes:

Ordinary Business

1. To receive and adopt the financial statements for the year to 31 January 2009 and the directors' and auditor's reports therein.
2. To approve a final dividend of 1.50 pence per share.
3. To approve the Directors' Remuneration Report.
4. To re-elect Mr Neil Wilson as a director.
5. To re-appoint Grant Thornton UK LLP as auditor of the Company and to authorise the directors to agree their remuneration.

Special Business

To consider and if thought fit, pass Resolution 6 as an Ordinary Resolution and Resolutions 7 and 8 as Special Resolutions:

6. **AUTHORITY TO ALLOT RELEVANT SECURITIES**
 THAT the directors be generally and unconditionally authorised in accordance with s80 of the Companies Act 2006 to allot shares up to a maximum of 2,727,212 shares (representing approximately 10% of the ordinary share capital in issue at today's date) this authority to expire at the later of the conclusion of the Company's Annual General Meeting next following the passing of this resolution and the expiry of 15 months from the passing of the relevant resolution (unless previously revoked, varied or extended by the Company in general meeting but so that such authority allows the Company to make Offers or agreements before the expiry thereof which would or might require relevant securities to be allotted after the expiry of such authority).
7. **EMPOWERMENT TO MAKE ALLOTMENTS OF EQUITY SECURITIES**
 TO empower the Directors pursuant to s95(1) of the Companies Act 2006 to allot or make offers or agreements to allot equity securities (as defined in s94(2) of the said Act) for cash pursuant to the authority referred to in resolution 6 as if s89(1) of the said Act did not apply to any such allotments and so that:
 - (a) Reference to allotment in this Resolution shall be construed in accordance with s94 of the said Act; and
 - (b) the power conferred by this Resolution shall enable the Company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding the expiry of such power.

And this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Annual General Meeting of the Company next following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this resolution.
8. **AUTHORITY TO MAKE MARKET PURCHASES**
 THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of s163(3) of the Companies Act 2006 of ordinary shares of 10p each in the Company ("ordinary shares") provided that:
 - (a) the maximum number of ordinary shares so authorised to be purchased shall not exceed 5% of the present issued Ordinary share capital of the Company;
 - (b) the minimum price which may be paid for an ordinary share shall be 10p;
 - (c) the maximum price, exclusive of expenses, which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased;

- (d) the authority conferred comes to an end at the conclusion of the next Annual General Meeting of the Company or upon the expiry of 15 months from the passing of this resolution, whichever is the later; and
- (e) that the Company may enter into a contract to purchase its ordinary shares under this authority prior to the expiry of this authority which would or might be completed wholly or partly after the expiry of this authority.

By Order of the Board



Celia L Whitten FCIS
Secretary

12 May 2009

NOTES:

1. Holders of ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the AGM. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A shareholder can appoint the Chairman of the meeting or anyone else to be his/her proxy at the meeting. A proxy need not be a shareholder. More than one proxy can be appointed in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or shares held by that shareholder. To appoint more than one proxy, the Proxy Form should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the Proxy Form together with the number of shares in relation to which the proxy is authorised to act. The box on the Proxy Form must also be ticked to indicate that the proxy instruction is one of multiple instructions being given. All Proxy Forms must be signed and, to be effective, must be lodged with the company's registrar so as to arrive not later than 48 hours before the time of the meeting, or in the case of an adjournment 48 hours before the adjourned time.
2. The return of a completed Proxy Form will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
3. Any person to whom this Notice is sent who is a person nominated under Section 146 of the CA 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
4. Only shareholders whose names appear on the register of members of the Company as at 48 hours before the time of the meeting shall be entitled to attend the AGM either in person or by proxy and the number of ordinary shares then registered in their respective names shall determine the number of votes such persons are entitled to cast on a poll at the AGM.
5. As at 12 May 2009 being the latest practicable date prior to the publication of this document, the Company's issued share capital consists of 27,272,119 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company as at 12 May 2009 are 27,272,119.
6. In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place at the AGM so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.
7. In Accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members at 6:00pm on the day which is two days before the day of the meeting or, if the meeting is adjourned, shareholders entered on the Company's register of members at 6:00pm on the day two days before the date of any adjournment shall be entitled to attend and vote at the meeting.
8. A form of proxy is enclosed which, to be effective, must be completed and delivered to the registrars of the Company, **Capita Registrars, Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU** so as to be received by no later than 48 hours before the time the Annual General Meeting is scheduled to begin. The completion and return of the form of proxy will not affect the right of a member to attend and vote at the AGM.
9. Copies of the Directors' Letters of Appointment, the Register of Directors' Interests in the ordinary shares of the Company kept in accordance with s325 of the Companies Act 2006 and a copy of the Memorandum and Articles of Association of the Company and the proposed new Articles of Association will be available for inspection at the registered office of the Company during usual business hours on any weekday from the date of this notice until the AGM, and at the place of that meeting for at least 15 minutes prior to the commencement of the meeting until its conclusion, as well as on the Investment Manager's website www.octopusinvestments.com

Proxy Form

Octopus Protected VCT plc Annual Report 2009

Form of Proxy for use at the Annual General Meeting of Octopus Protected VCT plc to be held at 3.30 p.m. on Wednesday, 10 June 2009

I/We
(BLOCK CAPITALS PLEASE)

of

I/We, the undersigned, being (a) member/member(s) of Octopus Protected VCT plc, hereby appoint the Chairman of the Meeting or,

Name of Proxy Number of shares

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 3.30 p.m. on 10 June 2009 at the Company's offices at **8, Angel Court, London EC2R 7HP** and at any adjournment thereof.

I/We wish my/our proxy to vote as shown below in respect of the resolutions set out in the Notice of the Meeting.

Please indicate by ticking the box if this proxy appointment is one of multiple appointments being made.

For the appointment of one or more proxy, please refer to explanatory note 2 (below).

Resolution number	FOR	AGAINST	WITHHELD
1. To receive, consider and adopt the financial statements for the period ended 31 January 2009.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve a final dividend of 1.50 pence per share.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the Directors' Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Neil Wilson as a director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Grant Thornton UK LLP as auditor and authorise the directors to agree their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the directors to allot shares under s80 of the Companies Act 2006 (Ordinary Resolution).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To disapply s89(1) of the Companies Act 2006 and allot shares on a non rights issue basis (Special Resolution).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise the directors to make market purchases of its own shares (Special Resolution).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you want your proxy to vote in a certain way on the resolutions specified, please place an "X" in the appropriate box. If you fail to select any of the given options your proxy can vote as he/she chooses or can decide not to vote at all. The proxy can also do this on any other resolution that is put to the meeting.

* The "Vote Withheld" option is to enable you to abstain on any particular resolution. However, it should be noted that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.

Signed: Dated thisday of2009

NOTES

- Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided (see above). If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name (see above) the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
- To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given.
- The "Vote Withheld" option is provided to enable you to abstain on any particular resolution. However, it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.
- Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6pm on the day which is two days before the day of the meeting or adjourned meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- The completion and return of this form will not preclude a member from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.
- To be effective, all votes must be lodged not less than 48 hours before the time of the meeting at the office of the Company's registrars at: **Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.**

PLEASE USE THE REPLY PAID ENVELOPE PROVIDED



