Electra Kingsway VCT Plc

Report & Accounts

For the period 12 September 2001
(date of incorporation) to 30 September 2002

2002

Objective

The Company's objective is to maximise tax free income to shareholders from dividends and capital distributions. This will be achieved by investing in a portfolio of qualifying investments and in funds managed by Electra Partners.

Investment Strategy

The Company will seek to invest in a diversified portfolio of unquoted and AIM listed companies. Unquoted investments will typically be in companies that intend to float on a market within a two year period or those that have a well developed growth and cash generation strategy. Investments in start-up companies where levels of risk are unacceptably high, in particular the technology sector, will generally be avoided.

Contents

References in this Report to Electra Kingsway VCT Plc have been abbreviated to 'the Company' or 'the Fund'. References to Electra Partners Limited and its subsidiaries, including the Investment Manager, Electra Quoted Management Limited, have been abbreviated to Electra Partners.

Annual Review Financial Highlights

Funds raised by 30 September 2002	£15.8 million
Net asset value per share at 30 September 2002	93.3p

Performance Summary

	30 September 2002
Capital Value	
Net asset value per ordinary share (net of issue expenses) (see Note)	93.3p
Total assets (net of issue expenses)	£14.7m
Dividend (period from 12 September 2001 to 30 September 2002)	
Dividend per ordinary share (see Note)	0.75p

Note

Based on 15,757,723 ordinary shares in issue at 30 September 2002.

Annual Review Chairman's Statement

I am pleased to present my first annual statement as Chairman of Electra Kingsway VCT following its launch in September 2001.

By the end of the period the Company had raised £15.8m, a satisfactory sum considering the difficult fund-raising environment. During the tax year 2001/02, the VCT market as a whole had raised a mere £122m, compared with £450m raised in the previous tax year. The Fund was competing against some well-established VCT names and three proposed launches were withdrawn due to lack of investor interest.

The net asset value per share of the Company at 30 September 2002 was 93.3p, only marginally down from the net issue price of 95p per share. Over the same period the FTSE All-Share index declined by 23.7%.

A final dividend in respect of the period ended 30 September 2002 of 0.75p per share has been recommended by your Board. Subject to approval at the Annual General Meeting in 2003, this will be payable on 20 February 2003 to shareholders on the register at 22 November 2002.

It is the intention of the Board to seek authority to issue further shares and a circular letter is being sent to shareholders explaining these proposals. The objective is to increase total funds raised by the Company to £25m. These new shares will not be eligible to receive the proposed final dividend of 0.75p per share but will first qualify for dividends paid in respect of the year ending 30 September 2003.

The Company's strategy is to invest in a carefully selected portfolio of qualifying unquoted and AIM listed companies. By building a diversified portfolio, the Investment Manager aims to minimise the risk inherent in venture capital investments. Furthermore, the Investment Manager is avoiding start-up businesses, particularly in the technology sector, and is investing only in companies that are either close to or in profit.

Adherence to this strategy has been validated by the Fund's first two qualifying investments. Advanced Medical Solutions is a company specialising in advanced woundcare products and Nectar Taverns is a company established to acquire managed public houses in the north west of England. The key to both investments is their potential for cash generation. Even in difficult market conditions, this should help to underpin their valuations.

As might be expected only one year after launch, the majority of the Company's assets are held in fixed interest and cash deposits. This strategy of deliberately preserving cash has served shareholders well at a time when equity markets have suffered major declines.

The Company is well placed to capitalise on the opportunities available in the market. The Investment Manager has established a high quality deal flow and has already assessed more than 75 companies. A number of these opportunities have progressed to various stages of due diligence, and some may come to fruition in the next few months.

The economic and market outlook remain challenging. Smaller companies are finding it increasingly difficult to attract equity finance and valuations have fallen. This has created some excellent investment opportunities and the Fund is well positioned to take advantage of them.

Rupert Pennant-Rea, Chairman

13 November 2002

Annual Review Investment Manager

The Fund's investments are managed by Electra Quoted Management Ltd, which is a subsidiary of Electra Partners Ltd. Electra Quoted Management was established in 1981 and is regulated by the FSA. Electra Partners is the Manager of Electra Investment Trust Plc (net assets of approximately £575m as at 31 March 2002), and the Manager or Adviser of other specialist funds, including a €1 billion European private equity fund.

Electra Partners has considerable expertise, a strong track record in private equity investments and has invested over £500m in the last seven years in quoted and unquoted companies.

Electra Partners also has a well developed deal flow, including unquoted company proposals that originate from its own contacts and network, pre-float finance opportunities and broker led AIM flotations.

The Investment Manager has established an Investment Committee comprising Mr NRW Ross, together with four senior executives of Electra Partners – Mr HALH Mumford, Mr DW Symondson, Ms RL Davies and Mr MD George. Mr HALH Mumford is the Chairman of the Investment Committee.

The Investment Committee meets as required to consider and review investment proposals.

Principles of Valuation of Unlisted Investments

In valuing unlisted investments, the Directors follow a number of general principles in accordance with the BVCA guidelines which are set out below:

- Investments are stated at amounts considered by the Directors to be a fair assessment of their value, subject to the overriding requirements of prudence. All investments are valued according to one of the following bases:

  cost (less any provision required);
  open market valuation;
  earnings multiple; or
  net assets.

- Investments held for more than one year are valued on one of the bases described above.

During the period to 30 September 2002, Electra Kingsway VCT completed two investments at a total cost of £1.25m; one in an unquoted company and one in an AIM listed company. Investment activity was concentrated in the second half of the period, as the first half was focused primarily on fund-raising. Although we have seen a number of investment opportunities, we have secured only the most appropriate deals for the Fund. As the equity markets have fallen, we are being presented with attractive companies on realistic valuations and our deal flow continues to be strong. Since the period end, the Fund has completed its third qualifying investment in Signature Brands Group Plc, an unquoted retailer of ladies' branded clothing.

Advanced Medical Solutions Plc (AMS)

The company manufactures and markets a wide range of dressings for the woundcare market utilising proprietary technology. The product range incorporates a selection of materials such as alginates and hydrocolloids and forms part of a new generation of wound dressings based upon the concept of "moist healing" – keeping a wound moist during the healing process has been shown to reduce scarring and accelerate healing. The company often develops these products in partnership with global healthcare companies such as Johnson & Johnson and Novartis.

In 2002 AMS had the opportunity to acquire Medlogic, a company based in Plymouth which specialises in the manufacture and marketing of liquid wound sealants (more commonly known as superglues). Glues are replacing traditional methods of wound closure such as suturing and staples as they are proving easier to apply and provide a better cosmetic finish. The Medlogic product portfolio was acquired with 76 patents either issued or pending, highlighting the considerable capital that had been invested in the company over the last few years. AMS were able to acquire Medlogic with its significant product portfolio for £2.5m. The acquisition provides a good strategic fit and it will enable the new products to be sold through the AMS distribution channels. In addition it moves the group into higher margin products which are patent protected.

AMS is quoted on AIM and a recent research note published by the company's broker is forecasting turnover of £13.3m and pretax profits of £0.5m to December 2003. Electra Kingsway VCT invested £0.5m in a £4m round of financing which facilitated the Medlogic acquisition and provided some further headroom for working capital. The company was valued at £8m which included cash on the balance sheet of £5m and tax losses of £7m.

The audited accounts for the period ended 31 December 2001 for AMS reported a £1.6m loss before tax, a £1.5m retained loss and net assets of £12m.

Nectar Taverns Plc

Honeycombe Leisure Plc is a quoted company specialising in the acquisition and management of public houses in the north west of England. The company had successfully grown through acquisition but had become constrained by its high debt levels. In conjunction with Electra Partners the company worked on an innovative scheme to fund future pub acquisitions without recourse to its own balance sheet. Nectar Taverns, was formed with £4m of equity and £7.5m of debt financed by the Bank of Scotland. Electra Kingsway VCT invested £0.75m in the transaction.

The strategy of Nectar Taverns is to acquire approximately fifteen pubs in the North West over a two year period. Value will be created by improving the returns in each unit through stronger management, new reporting systems and improved beer purchasing terms. All site acquisitions and subsequent management will be undertaken by the Honeycombe team who in return would take a performance related management fee. The process is underpinned by the independent Board of Nectar Taverns who are also incentivised to maximise value on exit.

The key attraction of this investment is that it is a leveraged asset-backed deal with good cash flow, using an existing management team with local knowledge and a successful track record in buying managed pubs.

There are no audited accounts for Nectar Taverns as it is a new company.

Electra Active Management Plc (EAM)

In line with its investment policy the Company invested £0.25m in EAM, an open-ended investment company managed by Electra Partners. EAM invests in undervalued quoted smaller companies where a catalyst has been identified to create value. The Electra Kingsway VCT Prospectus set out the intention to invest in this vehicle subject to the Board's discretion.

Bond Portfolio

£9.6m was invested in a bond portfolio of short dated corporate bonds. The objective was to invest in bonds whose maturity dates would coincide with anticipated investment demand in qualifying companies. The average yield on the portfolio is 5%.

Annual Review **Portfolio Summary**

	Cost at Acquisition £	Valuation at 30 September 2002 £	% of Portfolio by Value %
Qualifying Investments:			
Advanced Medical Solutions Plc Designer and manufacturer of advanced woundcare products	500,000	470,588	4.73
Nectar Taverns Plc Portfolio of managed public houses	750,000	750,000	7.54
	1,250,000	1,220,588	12.27
Other Investments:			
Electra Active Management Plc	250,000	184,862	1.86
Fixed Interest Securities			
General Electric 6.0% (05.02.03)	1,718,360	1,710,540	17.21
Abbey National 7.625% (30.12.02)	1,536,900	1,513,950	15.23
Toyota 6.25% (04.08.03)	1,016,250	1,018,100	10.24
Coca Cola 6.5% (21.05.03)	804,188	801,376	8.06
Lloyds TSB Bank 7.375% (11.03.04)	519,600	522,350	5.25
Depfa Finance 7.125% (11.11.03)	516,100	516,300	5.19
Republic of Iceland 8.75% (12.05.03)	519,750	514,000	5.17
Morgan Stanley 6.75% (22.08.03)	512,650	511,150	5.14
British Gas 8.125% (31.03.03)	517,750	509,500	5.12
Abbey National 5.25% (21.01.04)	501,500	507,725	5.11
London Electricity 8.0% (28.03.03)	417,718	412,169	4.15
	8,580,766	8,537,160	85.87
	10,080,766	9,942,610	100.00
Cash		4,723,879	
Total		**14,666,489**	

Company Information Contact Details

Electra Kingsway VCT Plc

Board of Directors

Rupert Pennant-Rea (Chairman)
Michael Broke
David Donnelly
Nicholas Ross
David Sebire

Investment Manager and Administrator

Electra Quoted Management Limited
65 Kingsway
London
WC2B 6QT
www.electraquoted.com

Secretary and Registered Office

Philip Dyke
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London WC2B 6QT
Telephone +44 (0)20 7831 6464

Company Number

4286368

Independent Auditors and VCT Advisors

PricewaterhouseCoopers
Chartered Accountants
Southwark Towers
32 London Bridge Street
London SE1 9SY

Fixed Income Investment Advisor

Downing Corporate Finance Limited
69 Eccleston Square
London
SW1V 1PJ
Telephone +44 (0)20 7411 4700

Registrar and Transfer Office

Northern Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA
Telephone +44 (0)1484 600900
www.northernregistrars.co.uk

Any change of address of a shareholder or other relevant amendment to shareholder details should be communicated to the Company's Registrar, Northern Registrars.

Investor Enquiries

Downing Corporate Finance Limited
69 Eccleston Square
London
SW1V 1PJ
Telephone +44 (0)20 7411 4700
www.downing.co.uk

Company Information Board of Directors

*** Rupert Pennant-Rea, Chairman**

Aged 54, was appointed a Director on 24 September 2001.

He is a former Deputy Governor of the Bank of England and Editor of the Economist. He is currently Chairman of The Stationery Office and of Key Asset Management (UK) Ltd and a Director of British American Tobacco Plc and a number of other companies. He is Chairman of the Nomination Committee.

*** Michael Broke**

Aged 66, was appointed a Director on 24 September 2001.

He is currently a non-executive Director of Chelsfield Plc, having joined the board in October 1987 as Managing Director. He was Chief Executive of Stockley Plc from January 1984 to June 1987 and prior to that a Director of J Rothschild & Co. Previous directorships have included Stalwart Group Ltd (Chairman) (now known as GE Life Group Ltd), Aspen Healthcare Holdings Ltd (Chairman) and Ashbourne Group Plc.

*** David Donnelly**

Aged 54, was appointed a Director on 24 September 2001.

He is currently Executive Chairman of Gordon House Asset Management Ltd. He is Chief Investment Officer of The Gordon House Optimal Fund Plc. Previous directorships have included The ECU Trust Plc, Highland Participants Plc and R&W Hawthorn Leslie Ltd. He is Chairman of the Remuneration Committee.

Nicholas Ross

Aged 39, was appointed a Director on 12 September 2001.

He joined Electra Partners in 1993 and is a Director of Electra Quoted Management Ltd, the Investment Manager. He has been principally involved in running the quoted portfolio of Electra Investment Trust Plc and latterly managing Electra Active Management Plc. He is an associate of the Institute of Investment Management and Research and prior to joining the Investment Manager he worked as an analyst and fund manager at Provident Mutual.

*** David Sebire**

Aged 59, was appointed a Director on 24 September 2001.

He is a Chartered Accountant with extensive industrial and corporate finance experience. Until 1999 he was Chairman of Bridport Plc and PTS Group Plc. He is a non-executive Director of Highbury House Communications Plc and non-executive Chairman of Medico Legal Consultancy Plc and a number of private companies. He has been nominated the Senior Independent Director under the Combined Code on Corporate Governance and is additionally Chairman of the Audit Committee.

* Member of the Audit, Remuneration and Nomination Committees

Accounts Report of the Directors

To the Members of Electra Kingsway VCT Plc

The Directors present the audited Accounts of the Company for the period from incorporation to 30 September 2002 and their Report on its affairs.

Business and Principal Activities

The principal activity of the Company during the period under review was investment in a diversified portfolio of unquoted and AIM listed companies. The Directors anticipate this activity will continue in the foreseeable future.

Investment Company Status

Throughout the period under review the Company was an investment company as defined under Section 266 of the Companies Act 1985.

VCT Status

The Inland Revenue has agreed to grant the Company provisional approval under Section 842AA ICTA as a VCT, effective from the first day on which shares were issued pursuant to the Offer as defined in the Prospectus dated 2 October 2001. The Board directs the affairs of the Company to enable it to seek approval as a VCT. The Company has retained PricewaterhouseCoopers to advise it on VCT taxation matters.

Share Capital

The Company was incorporated under the name of Electra Kingsway VCT Plc on 12 September 2001 with an authorised share capital of £600,000 divided into 55,000,000 ordinary shares of 1p each, of which two ordinary shares were issued, fully paid, to the subscribers to the Memorandum of Association, and 50,000 redeemable preference shares of £1 each.

On 24 September 2001, the two ordinary shares issued to the subscribers to the Memorandum of Association were paid up in full.

On 24 September 2001, the Investment Manager was allotted 50,000 redeemable preference shares of £1 each paid up as to one-quarter, so as to enable the Company to obtain a certificate under Section 117 of the Companies Act 1985. On 20 February 2002, the 50,000 redeemable preference shares of £1 each in the capital of the Company, having been paid up in full by the holder of those redeemable preference shares, were redeemed by the Company and, in accordance with the Articles of Association of the Company, each redeemable preference share of £1 was therefore subdivided and re-designated as 100 ordinary shares of 1p each in the authorised but unissued capital of the Company.

Accordingly, the current authorised share capital of the Company is £600,000 divided into 60,000,000 ordinary shares of 1p each.

Between 29 October 2001 and 30 September 2002 a total of 15,860,721 ordinary shares of 1p each were issued at a price of £1 per share. On 11 July 2002 103,000 ordinary shares were purchased by the Company and cancelled utilising the proceeds of a fresh issue of shares.

As at 30 September 2002 a total of 15,757,723 ordinary shares of 1p each of the Company were in issue.

Issue of Further Shares

It is the intention of the Board to seek authority to issue further shares and a circular letter is being sent to shareholders explaining these proposals. The objective is to increase total funds raised by the Company to £25m. These new shares will not be eligible to receive the proposed final dividend of 0.75p per ordinary share but will first qualify for dividends paid in respect of the year ending 30 September 2003.

Reduction of Share Premium Account and Authority to make Market Purchases of Shares

As there is no natural purchaser in the secondary market for the Company's shares, the Company wishes to have the ability to repurchase shares as they come to the market. The Companies Act 1985 requires any such repurchase to be funded either out of distributable profits of the Company, or out of the proceeds of a fresh issue of shares made for the purposes of the repurchase. However, the latter route is often cumbersome and commercially undesirable and the preferred route is to fund a repurchase out of distributable profits.

Using distributable profits, without further action, would reduce considerably the amount of funds available to pay the remaining shareholders by way of dividend and therefore the Company is in the process of seeking Court approval for a 50% reduction in the Company's Share Premium Account (created on the issue of shares under the Offer for Subscription as set out in the Company's Prospectus dated 2 October 2001), thereby establishing a special reserve which will be treated as distributable profits. The Company has already obtained the necessary shareholder approval at the Extraordinary General Meeting of the Company held on 24 September 2001.

Should approval be granted by the Court, the Company will have the facility to repurchase a number of its own shares in the market.

Accordingly, an Ordinary Resolution will be proposed at the Annual General Meeting to be held on 11 February 2003 to renew, for one year, the Board's authority to buy up to 2,363,657 of the Company's ordinary shares (being 14.99 per cent. of the total number of ordinary shares in issue) subject to the constraints set out in the Ordinary Resolution.

Results and Dividend

Revenue returns attributable to shareholders amounted to £124,123. The Directors recommend the payment of a final dividend in respect of the period ended 30 September 2002 of 0.75p per ordinary share, amounting to £118,183. The proposed final dividend will, if approved by shareholders at the Annual General Meeting, be paid on 20 February 2003 to shareholders on the Register of Members at close of business on 22 November 2002.

Directors

The current Directors of the Company are listed on page 9. The Directors of the Company upon incorporation were Swift Incorporations Ltd and Instant Companies Ltd and they resigned as Directors on 12 September 2001 following the appointment of Mr NRW Ross and Mr PJ Dyke as Directors. On 24 September 2001 Mr RL Pennant-Rea, Mr MHA Broke, Mr DJ Donnelly and Mr DJ Sebire were all appointed as Directors of the Company and on the same date Mr PJ Dyke resigned as a Director. Apart from these persons no other person was a Director of the Company during any part of the period under review. All the current Directors will retire at the Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' Interests

The beneficial interests of the Directors in the ordinary shares of the Company are shown below. Save as disclosed, no Director had any notifiable interest in the securities of the Company. There have been no changes in the interests of any of the Directors in the ordinary shares of the Company between 1 October 2002 and 13 November 2002. No options over shares in the capital of the Company have been granted to the Directors.

	30 September 2002 Shares	* 12 September 2001 Shares
RL Pennant-Rea	10,200	–
MHA Broke	10,200	–
DJ Donnelly	–	–
NRW Ross	51,001	–
DJ Sebire	10,200	–

* Or date of appointment.

Contracts with Directors

No Director has a service contract with the Company.

As a result of his employment with Electra Partners, Mr NRW Ross is deemed to have an interest in the management contract in which the Company is a party.

Substantial Shareholders

At 13 November 2002 the Directors had not been notified of any interests of 3% or more in the Company's issued share capital.

Independent Auditors

Resolutions proposing the re-appointment of PricewaterhouseCoopers as the Company's Auditors and authorising the Directors to determine their remuneration will be considered at the Annual General Meeting.

Creditor Payment Policy

The Company has no trade creditors.

Management Fees and Arrangements

Electra Quoted Management Ltd was appointed as Investment Manager under an agreement dated 2 October 2001. The agreement is for an initial period of five years and thereafter until terminated by not less than one year's notice to expire at any time after the initial period. Fees are paid quarterly in arrears, as a percentage of net assets (less a rebate of fees suffered in investments in funds managed by Electra Partners), at the following annual rates:

Period ended 30 September 2002	1.5%
Year ended 30 September 2003	2.0%
Year ended 30 September 2004 and thereafter	2.5%

Incentive Schemes

The Investment Manager will receive a performance fee based on returns to shareholders. If the Company's net asset value per share in a relevant period increases so that it exceeds £1, less the value of distributions plus notional interest at 7% per annum compounded annually, the Investment Manager will receive 20% of the excess. The first period will expire on 30 September 2004 and thereafter periods will be of one year's duration. In the event that the performance of the Company falls short of the target in any period the shortfall must be made up before the Investment Manager is entitled to a performance fee for subsequent periods.

Going Concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Accounts as the Company has adequate resources to continue in operational existence for the foreseeable future.

Annual General Meeting

The Annual General Meeting of the Company will be held on Tuesday 11 February 2003.

In addition to the Ordinary Business a Resolution will be proposed as described above to renew, for one year, the Board's authority to buy up to 2,363,657 of the Company's own shares (being 14.99 per cent. of the total number of ordinary shares in issue).

By order of the Board of Directors
PJ Dyke, Secretary, 65 Kingsway, London WC2B 6QT

13 November 2002

Accounts Corporate Governance

The Directors confirm that during the period under review the Company has complied with Section 1 of the Combined Code on Corporate Governance ("the Code") issued by the Financial Services Authority.

The Board of Directors

The Board, which meets regularly, comprised five Directors at 30 September 2002, all of whom were non-executive. All of the Directors who held office at 30 September 2002, apart from Mr NRW Ross, have been considered by the Board to be independent from the Investment Manager. The Board has nominated Mr DJ Sebire as the Senior Independent Director.

The Board has agreed a schedule of matters reserved for its specific approval, which includes a regular review of the Company's management agreement with Electra Partners, together with the monitoring of the performance thereunder. The management agreement sets out the matters over which Electra Partners has authority in accordance with the policies and directions of the Board.

The Board receives information that it considers to be sufficient and appropriate to enable it to discharge its duties. Each Director receives board papers several days in advance of each scheduled Board Meeting and is able to consider in detail the Company's performance and any issues to be discussed at the relevant meeting.

Individual Directors may seek independent professional advice in furtherance of their duties at the Company's expense within certain parameters. All Directors have access to the advice and services of the Company Secretary. Any question of the removal of the Company Secretary would be a matter for consideration by the entire Board.

At the Company's first Annual General Meeting to be held on 11 February 2003 all Directors will submit themselves for re-election. At subsequent Annual General Meetings one third of the Directors will retire by rotation and seek re-election and Directors appointed by the Board will seek re-appointment at the Annual General Meeting following their appointment.

The Audit Committee

The Board has an Audit Committee with specified terms of reference. It comprises all the Directors apart from Mr NRW Ross with Mr DJ Sebire as Chairman. The principal role of the Committee is to review the content of the Annual and Interim Accounts, the accounting policies applied therein and to ensure compliance with financial and regulatory reporting requirements. The Audit Committee has direct access to the Company's Auditors and the senior executives of Electra Partners.

The Remuneration Committee

The Remuneration Committee meets when necessary to determine the emoluments of the Directors and the Chairman. It comprises all the Directors of the Company apart from Mr NRW Ross with Mr DJ Donnelly as Chairman. Details of Directors' remuneration are shown in Note 4 of the Accounts. The Remuneration Committee considers the levels of remuneration paid to be appropriate in light of responsibilities and duties undertaken by the Directors. None of the Directors has a service contract.

The Nomination Committee

The Nomination Committee meets on an ad hoc basis to consider suitable candidates for appointment as Director. It comprises all the Directors apart from Mr NRW Ross with Mr RL Pennant-Rea as Chairman.

New Directors to the Board are briefed fully about the Company by the Chairman and senior executives of Electra Partners. Following appointment, Directors continue to receive appropriate advice to enable them to discharge their duties.

Communication Policy

The Company gives high priority to communication with its shareholders. In addition to the Annual and Interim Reports shareholders will be sent regular newsletters from the Investment Manager. All shareholders are welcome to attend the Annual General Meeting.

Internal Control

The Code requires the Directors to review the effectiveness of the Company's system of internal control and report to shareholders that they have done so. The Code extended the earlier reporting requirements and now includes financial, operational and compliance controls and risk management.

The Board confirms that it has an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the period and has continued since the period end. It is reviewed at regular intervals by the Board and accords with the guidance set out in the Turnbull Report.

The Board is responsible for the Company's system of internal control and it has reviewed its effectiveness for the period ended 30 September 2002. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided or arranged for the Company by Electra Partners, the Company's system of internal control mainly comprises the monitoring of the services provided by Electra Partners, including the operating controls established by them, to ensure they meet the Company's business objectives. The key elements designed to provide effective internal control for the Company are as follows:

- Financial Reporting – Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analyses of transactions and performance comparisons.

- Investment Strategy – Agreement by the Board of the Company's investment strategy and authorisation and monitoring of all large investments.

- Management Agreements – The Board regularly monitors the performance of Electra Partners to ensure that the Company's assets and affairs are managed in accordance with the guidelines determined by the Board.

- Investment Performance – The investment transactions and performance of the Company's assets and affairs are managed in accordance with the guidelines determined by the Board.

- Management Systems – Electra Partners' system of internal control includes clear lines of responsibility, delegated authority, control procedures and systems. Electra Partners' compliance department monitors compliance with the FSA rules.

The Board keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of the key controls of Electra Partners as follows:

- The Board reviews the terms of the management agreement and receives regular reports from Electra Partners' executives.

- The Board reviews the certificates provided by Electra Partners on a six monthly basis, verifying compliance with documented controls.

- Custodians are required to produce on a regular basis a report (available for review by the Directors) on their internal controls and their operations, including a report by the Custodians' auditors.

The Board does not see the need for an Internal Audit Function. This decision is reviewed annually.

Accounts Statement of Directors' Responsibilities

Company law requires the Directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company as at the end of that period and of the net revenue and gains of the Company for that period. In preparing those accounts the Directors are required to:

- select appropriate accounting policies and then apply them consistently on the basis of judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the Accounts;
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Accounts comply with the Companies Act 1985. They are also responsible for taking such steps as are reasonably open to them for safeguarding the assets of the Company and for the prevention and detection of fraud and other irregularities. The Directors confirm that they have complied with these requirements.

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

Accounts Independent Auditors Report

To the Members of Electra Kingsway VCT Plc

We have audited the Financial Statements which comprise the Statement of Total Return, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, and the Cash Flow Statement and Notes 1 to 21.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our Report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements.

We review whether the Corporate Governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 to form an opinion on the effectiveness of the Company's Corporate Governance procedures or its risk and control procedures.

Basis of Audit Opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. 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 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.

Opinion

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company at 30 September 2002 and of its total return and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

13 November 2002

Notes:

a The maintenance and integrity of the Electra Quoted Management website is the responsibility of the Investment Manager; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for the information presented on the website.

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

Accounts Statement of Total Return

Incorporating the Revenue Account of the Company from 12 September 2001 to 30 September 2002

For the period ended 30 September 2002	Notes	Revenue £	Capital £	2002 Total £
Unrealised losses on investments		–	(138,156)	(138,156)
Realised losses on investments		–	(17,300)	(17,300)
Income	1	463,104	–	463,104
		463,104	(155,456)	307,648
Investment management fees	2	(49,281)	(147,842)	(197,123)
Other expenses	3	(250,653)	–	(250,653)
Return on Ordinary Activities before Taxation		**163,170**	**(303,298)**	**(140,128)**
Tax on ordinary activities	5	(39,047)	28,829	(10,218)
Return on Ordinary Activities after Taxation		**124,123**	**(274,469)**	**(150,346)**
Dividend	6	(118,183)	–	(118,183)
Transfer to/(from) Reserves		**5,940**	**(274,469)**	**(268,529)**
Return per Ordinary Share	7	**3.06p**	**(6.76p)**	**(3.70p)**

All revenues and capital in the above statement derive from continuing activities.

The Revenue column of this statement is the Profit and Loss Account of the Company.

The Notes on pages 22 to 28 form part of these Financial Statements.

Accounts Reconciliation of Total Shareholders' Funds

For the period 12 September 2001 to 30 September 2002	**2002** **£**
Total Return	(150,346)
Ordinary shares issued	15,857,118
Repurchase of ordinary shares	(99,395)
Preference shares issued	50,000
Redemption of preference shares	(50,000)
Share issue expenses charged to Share Premium account	(787,785)
Dividend on ordinary shares	(118,183)
Movements in Total Shareholders' Funds	**14,701,409**
Total Shareholders' Funds at 12 September 2001	–
Total Shareholders' Funds at 30 September 2002	**14,701,409**

Accounts Balance Sheet

as at 30 September 2002

	Notes	As at 30 September 2002 £	£
Fixed Assets			
Investments	8		**9,942,610**
Current Assets			
Debtors	9	325,867	
Cash at bank	16	4,723,879	
			5,049,746
Creditors: amounts falling due within one year			
Creditors	10		**290,947**
Net Current Assets			**4,758,799**
Net Assets			**14,701,409**
Capital and Reserves			
Called-up share capital	12		157,577
Share premium account	13		14,812,361
Realised capital losses	13		(136,313)
Unrealised capital losses	13		(138,156)
Revenue reserves	13		5,940
Total Equity Shareholders' Funds			**14,701,409**
Net Asset Value per Ordinary Share			**93.30p**

	2002
Number of ordinary shares in issue at 30 September	**15,757,723**

The notes on pages 22 to 28 form part of these Financial Statements.
The Financial Statements on pages 17 to 20 were approved by the Board of Directors on 13 November 2002 and were signed on its behalf by R Pennant-Rea, Chairman.

Accounts Cash Flow Statement

For the period 12 September 2001 to 30 September 2002	Notes	£	2002 £
Operating Activities			
Investment income received		419,980	
Bank interest received		83,770	
Investment management fees paid		(131,884)	
Other cash payments		(166,271)	
Net Cash Inflow from Operating Activities	15		**205,595**
Capital Expenditure and Financial Investments			
Sale of investments		1,000,000	
Acquisition of investments		(11,451,654)	
Net Cash Outflow from Capital Expenditure and Financial Investments			**(10,451,654)**
Cash Outflow before Financing			**(10,246,059)**
Financing			
Issue of ordinary shares		15,857,118	
Repurchase of ordinary shares		(99,395)	
Issue of preference shares		50,000	
Redemption of preference shares		(50,000)	
Expenses of the issue of ordinary shares		(787,785)	
Net Cash Inflow from Financing			**14,969,938**
Increase in Cash for the Period	16		**4,723,879**

Accounts Statement of Accounting Policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below:

a) Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of investments, and in accordance with applicable accounting standards in the United Kingdom and with the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies'.

b) Valuation of investments

Listed investments and investments traded on AIM are stated at closing mid-market prices. Where quoted investments are subject to restrictions, an appropriate discount to the latest market price is applied.

Unquoted investments are stated at Directors' valuation.

In valuing unlisted investments, the Directors follow a number of general principles in accordance with the BVCA guidelines which are set out below:

- Investments are stated at amounts considered by the Directors to be a fair assessment of their value, subject to the overriding requirements of prudence. All investments are valued according to one of the following bases:

  cost (less any provision required);
  open market valuation;
  earnings multiple; or
  net assets.

- Investments held for more than one year are valued on one of the bases described above.

Realised gains or losses on the disposal of investments are taken to capital reserve – realised. Unrealised gains or losses on the revaluation of investments are taken to capital reserve – unrealised.

c) Income

Dividends receivable from equity investments are brought into account on the ex-dividend date.

Fixed returns on non-equity investments and on debt securities are recognised on a time apportionment basis, which reflects the effective yield.

Interest receivable on cash deposits is accounted for on an accruals basis.

d) Expenses

All expenses are accounted for on an accruals basis and are charged through the revenue account, except as follows:

- expenses which are incidental to the acquisition of an investment are included in the cost of investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment;
- expenses incurred as a result of an issue of shares are allocated against the share premium account; and
- expenses relating to investment management and incentive fees, which are dealt with below.

e) Investment management and incentive fees

The investment management fees for the Investment Manager's services are charged 25% to the revenue account and 75% to the capital account. This is in line with the Board's long-term projections of returns from the investment portfolio of the Company. The incentive fee on realisations in the period is charged to capital reserve – realised and the incentive fee provision in respect of unrealised value growth in the portfolio is charged to capital reserve – unrealised.

f) Capital reserves

Gains and losses on the realisation of investments are accounted for in the capital reserve – realised. Increases and decreases in the valuation of investments held at the period end are accounted for in the capital reserve – unrealised.

g) Taxation

The charge for taxation is based on the net revenue for the period. Deferred tax is provided in accordance with Financial Reporting Standard 19 on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are recoverable. The adoption of Financial Reporting Standard 19 had no impact on the results for the period.

1 Income

	for the period 12 September 2001 to 30 September 2002 £
Interest receivable:	
From fixed interest securities	374,012
From bank deposits	89,092
	463,104

2 Investment Manager's Fees

	Revenue 2002 £	Capital 2002 £	Total 2002 £
Electra Quoted Management Ltd	49,281	147,842	197,123

The Management Fee includes irrecoverable VAT of £29,359.

Electra Quoted Management Ltd also received an administration fee of £60,000, net of VAT, in the period ended 30 September 2002 which increases each year in line with RPI. This amount is not included above.

Management Fees and Arrangements

Electra Quoted Management Ltd was appointed as Investment Manager under an agreement dated 2 October 2001. The agreement is for an initial period of five years and thereafter until terminated by not less than one year's notice to expire at any time after the initial period. Fees are paid quarterly in arrears, as a percentage of net assets (less a rebate of fees suffered in investments in funds managed by Electra Partners), at the following annual rates:

Period ended 30 September 2002	1.5%
Year ended 30 September 2003	2.0%
Year ended 30 September 2004 and thereafter	2.5%

Incentive Schemes

The Investment Manager will receive a performance fee based on returns to shareholders. If the Company's net asset value per share in a relevant period increases so that it exceeds £1, less the value of distributions plus notional interest at 7% per annum compounded annually, the Investment Manager will receive 20% of the excess. The first period will expire on 30 September 2004 and thereafter periods will be of one year's duration. In the event that the performance of the Company falls short of the target in any period the shortfall must be made up before the Investment Manager is entitled to a performance fee for subsequent periods.

3 Other Expenses

	2002 £
Directors' remuneration (including Employers NIC)	67,503
IFA trail commission	37,071
Auditors' fees – audit	16,450
– other	9,106
Administration expenses	120,523
	250,653

4 Directors' Remuneration

The Chairman receives £20,000 per annum. Each of the other Directors receives £15,000 per annum apart from Mr NRW Ross who receives no remuneration from the Company. The Directors are not entitled to any further remuneration or incentive payments either directly or indirectly from the Company. As an executive of Electra Partners, Mr NRW Ross has an interest in the Management Contract. £50,000 of his remuneration is estimated to be in respect of the duties he undertakes for the Company.

The Company has no employees or employee costs.

5 Taxation on Ordinary Activities

	30 September 2002 £
Analysis of charge in period	
Current tax:	
UK corporation tax at 19.5%	10,218
Total Current Tax	10,218
Factors affecting tax charge for the period	
Revenue return before tax	163,170
Revenue return at corporate tax rate	31,818
Effects of:	
Expenses not deductible for tax purposes	7,229
Tax relief on fees charged to capital account	(28,829)
	10,218

6 Dividend

	30 September 2002 £
Dividend on ordinary shares:	
Proposed final dividend of 0.75p per ordinary share	118,183

7 Return per Ordinary Share

The revenue return per ordinary share is based on the net revenue from ordinary activities after taxation of £124,123 and on 4,061,644 ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The capital return per ordinary share is based on net capital losses of £274,469 and on 4,061,644 ordinary shares, being the weighted average number of ordinary shares in issue during the period.

8 Investments

	Traded on AIM £	Unlisted £	Open-ended Investment Company £	Fixed Interest Securities £	Total £
Purchases at cost	500,000	750,000	250,000	9,598,066	11,098,066
Sales – proceeds	–	–	–	(1,000,000)	(1,000,000)
Realised losses	–	–	–	(17,300)	(17,300)
Unrealised losses	(29,412)	–	(65,138)	(43,606)	(138,156)
Valuation at 30 September 2002	470,588	750,000	184,862	8,537,160	9,942,610
Book cost at 30 September 2002	500,000	750,000	250,000	8,580,766	10,080,766
Unrealised losses at 30 September 2002	(29,412)	–	(65,138)	(43,606)	(138,156)
Valuation at 30 September 2002	470,588	750,000	184,862	8,537,160	9,942,610

9 Debtors

	30 September 2002 £
Amounts due within one year:	
Accrued interest	307,621
Other debtors	18,246
	325,867

10 Creditors: amounts falling due within one year

	30 September 2002 £
UK corporation tax	10,218
Other creditors	162,546
Proposed final dividend	118,183
	290,947

11 Significant Interests

At 30 September 2002 the Company held significant investments, amounting to 3% or more of the equity capital in the following companies:

	Equity Investment (Ordinary Shares) £	Investment Loan Stock and Preference Shares £	Total Investment £	Percentage of Investee Company's Total Equity %
Advanced Medical Solutions Plc	500,000	–	500,000	4.1
Nectar Taverns Plc	250,000	500,000	750,000	18.5

It is considered that, as permitted by FRS9 "Associates and Joint Ventures", the above investments are held as part of an investment portfolio and that, accordingly, their value to the Company lies in their marketable value as part of its portfolio. In view of this, it is not considered that the above represent investments in associated undertakings.

The above companies are incorporated in the United Kingdom.

12 Called Up Share Capital

	30 September 2002 £
Authorised:	
Ordinary shares of 1p each: 60,000,000	600,000
	600,000
Issued:	
Ordinary shares of 1p each: 15,757,723	157,577
	157,577

13 Reserves

	Share Premium Account £	Realised Capital Reserve £	Unrealised Capital Reserve £	Revenue Reserve £
At beginning of period	–	–	–	–
Premium on issues of shares during the period	15,600,146	–	–	–
Loss on disposal of investments	–	(17,300)	–	–
Increase in unrealised depreciation	–	–	(138,156)	–
Other expenses net of taxation	–	(119,013)	–	–
Expenses of share issue	(787,785)	–	–	–
Retained net revenue for the period	–	–	–	5,940
At 30 September 2002	14,812,361	(136,313)	(138,156)	5,940

14 Net Asset Value per Ordinary Share

Net asset value per ordinary share is based on net assets at 30 September 2002, and on 15,757,723 ordinary shares, being the number of ordinary shares in issue on that date.

15 Reconciliation of Net Revenue Before Taxation to Net Cash Inflow from Operating Activities

	At 30 September 2002 £
Net revenue before taxation	163,170
Investment management fees charged to capital	(147,842)
Decrease in debtors (net of accrued interest on purchase of bonds)	27,721
Increase in creditors and accruals	162,546
Net cash inflow from operating activities	205,595

16 Analysis of Changes in Cash

	£
At beginning of period	–
Net cash inflows	4,723,879
At 30 September 2002	4,723,879

17 Financial Instruments

The Company's financial instruments comprise:

- Equity and non-equity shares, units in an open-ended investment company and fixed interest securities that are held in accordance with the Company's investment objective as set out in the Investment Manager's Review.

- Cash, liquid resources and short-term debtors and creditors that arise directly from the Company's operations.

The main risks arising from the Company's financial instruments are due to fluctuations in market prices and interest rates. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below:

Key Risks

Credit Risk: Failure by counter-parties to deliver securities which the company has paid for, or pay for securities which the Company has delivered.

Market Price Risk: Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements.

The investments in equity and fixed interest stocks of unquoted and AIM listed companies the Company holds are thinly traded and as such the prices are more volatile than those of more widely traded securities. In addition, the ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The ability of the Company to purchase or sell investments is also constrained by the requirements set down for venture capital trusts.

Interest Rate Risk: The Company's fixed interest securities, its equity and non-equity investments and net revenue may be affected by interest rate movements. Due to the short time to maturity of some of the Company's fixed investments, it may not be possible to re-invest in assets which provide the same rates as those currently held.

Currency Risk: All assets and liabilities are denominated in sterling and therefore there is no currency risk.

Management of Risks

Credit Risk: All transactions are settled on the basis of delivery against payment.

Market Price Risk: The Board manages the market price risk inherent in the Company's portfolio by maintaining an appropriate spread of market risk, and by ensuring full and timely access to relevant information from the Investment Manager. The Investment Committee meets regularly and reviews the investment performance and financial results, as well as compliance with the Company's objectives. The Board seeks to ensure that an appropriate proportion of the Company's portfolio is invested in cash and readily realisable securities, which are sufficient to meet any funding commitments that may arise. The Company does not use derivative instruments to hedge against market risk.

Interest Rate Risk: The Company's assets include fixed interest stocks, the values of which are regularly reviewed by the Board, as referred to above. The Company does not use derivative instruments to hedge against interest rate risk.

The interest rate risk profile of the Company's financial assets (excluding short-term debtors and creditors) at 30 September 2002 was:

	Financial Assets on which no Interest Paid £	Fixed Rate Financial Assets £	Variable Rate Financial Assets £	Total £	Weighted Average Interest Rates %	Average Period to Maturity years
Equity shares	1,405,450	–	–	1,405,450	–	–
Bonds	–	8,537,160	–	8,537,160	6.9	0.6
Cash	–	–	4,723,879	4,723,879	–	–
Total	1,405,450	8,537,160	4,723,879	14,666,489	–	–

Floating rate cash earns interest based on LIBOR rates.

The carrying values of financial assets and liabilities approximate to their fair values.

18 Post Balance Sheet Events

On 16 October 2002 the Company acquired 10.3% of Signature Brands Group Plc for £750,000.

The Company is in the process of seeking Court approval to reduce its Share Premium account (created on the issue of the existing ordinary shares) by £7,085,875 (being 50% (rounded down to the nearest £1.00) of the amount standing to the credit thereof immediately following the issue of the existing ordinary shares) and to establish a new special reserve, which may be treated as a distributable profit, out of which purchases of ordinary shares can be made.

19 Geographical Analysis

The operations of the Company are wholly in the United Kingdom.

20 Contingencies, Guarantees and Financial Commitments

There were no contingencies, guarantees or financial commitments of the Company at 30 September 2002.

21 Related Party Transactions

During the period ended 30 September 2002 the Company paid £227,764 to Electra Quoted Management Ltd, the Investment Manager. At 30 September 2002, the Company owed £70,522 to the Investment Manager.

Notice of Annual General Meeting

Notice is hereby given that the first Annual General Meeting of Electra Kingsway VCT Plc will be held at 10.00am on Tuesday 11 February 2003 at 65 Kingsway, London WC2B 6QT for the following purposes:

Ordinary Business

1 To receive and adopt the Reports of the Directors and Auditors and the Company's Accounts for the period from incorporation to 30 September 2002.

2 To declare a final dividend for the period ended 30 September 2002 which the Directors recommend should be at the rate of 0.75p per ordinary share.

3 To re-elect Mr RL Pennant-Rea as a Director of the Company.

4 To re-elect Mr MHA Broke as a Director of the Company.

5 To re-elect Mr DJ Donnelly as a Director of the Company.

6 To re-elect Mr NRW Ross as a Director of the Company.

7 To re-elect Mr DJ Sebire as a Director of the Company.

8 To re-appoint PricewaterhouseCoopers as Auditors of the Company.

9 To authorise the Directors to determine the remuneration of the Auditors.

Special Business

As Special Business, to consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution.

10 THAT the Company be and is hereby authorised in accordance with Section 166 of the Companies Act 1985 to make market purchases (within the meaning of Section 163 of the said Act) of ordinary shares, provided that:

i) the maximum number of ordinary shares hereby authorised to be purchased is 2,363,657, equal to 14.99 per cent. of the total number of ordinary shares in issue;

ii) the minimum price which may be paid for an ordinary share shall be one pence;

iii) the maximum price, which may be paid for an ordinary share, shall be an amount equal to not more than 5 per cent. above the average of the middle market quotations for an ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased;

iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors); and

v) unless renewed, the authority hereby conferred shall expire at the conclusion of the Company's Annual General Meeting in 2004 save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares which will or may be completed or executed wholly or partly after such expiry.

By order of the Board of Directors
PJ Dyke, Secretary, 65 Kingsway, London WC2B 6QT

13 November 2002

Notes

1 Any member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. Such proxy need not be a member of the Company.

2 A Form of Proxy is provided. To be effective, the Form of Proxy and any power of attorney under which it is executed (or a duly certified copy of such power) must reach the Company's Registrars, Northern Registrars Ltd, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA, not less than 48 hours before the time of the Meeting or adjourned Meeting or (in the case of a poll taken otherwise than at or on the same day as the Meeting or adjourned Meeting) for the taking of the poll at which it is to be used. Completion and return of the Form of Proxy will not prevent a member from attending and voting at the Meeting.

3 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those holders of ordinary shares entered on the register of members of the Company as at 6.00pm on 9 February 2003 (the "Specified Time") shall be entitled to attend and vote at the Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the register of members after 6.00pm on 9 February 2003 shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

4 If the Meeting is adjourned to a time not more than 48 hours after the Specified Time applicable to the original Meeting, that time will also apply for the purposes of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period, then to be so entitled, members must be entered on the Company's register of members at a time which is not more than 48 hours before the time fixed for the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.

5 The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this notice until the close of the Annual General Meeting, and will be available at the place of the Annual General Meeting from 9.45am until the conclusion of the Meeting:

   a) the Register of Directors' Interests in the share capital of the Company maintained in accordance with Section 325 of the Companies Act 1985; and

   b) The Memorandum and Articles of Association of the Company.

6 Short biographical details of Mr RL Pennant-Rea, Mr MHA Broke, Mr DJ Donnelly, Mr NRW Ross and Mr DJ Sebire are contained on page 9.