

Electra Kingsway VCT

Newsletter

31 August 2004



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.

Key Features

Audited net asset value per share at 31 March 2004 117.45p

Portfolio Breakdown at 31 March 2004

Cash	£5.3m
Fixed income securities	£5.4m
Non-qualifying investments	£2.7m
Qualifying investments	£12.0m

Investments To 31 August 2004

	Cost	
April 2002	Advanced Medical Solutions	£0.50m
2002 – 2004	Electra Active Management	£1.50m
July 2002	Nectar Taverns	£0.75m
October 2002	Signature Brands Group	£0.75m
2002 – 2003	Centurion Electronics	£0.70m
2002 – 2004	Electra Investment Trust	£1.50m
2003 – 2004	Berkeley Morgan	£0.96m
May 2003	BioProgress	£0.30m
May 2003	Keycom	£0.95m
July 2003	Online Travel	£0.90m
November 2003	James & James	£0.75m
2003 - 2004	Media Square	£1.23m
December 2003	Music Copyright Solutions	£0.50m
December 2003	Immedia Broadcasting	£0.28m
January 2004	Happy Times	£0.75m
January 2004	Quadnetics	£0.40m
April 2004	Hallmarq	£0.75m
April 2004	ePOINT	£0.55m
June 2004	Brady	£0.75m

£14.77m

Shareholder Information

Shareholder Communications

Shareholder communications including Newsletters are available on the Investment Manager's website www.electraquoted.com.

Investor Enquiries

Downing Corporate Finance Limited
Tel +44 (0)20 7411 4700
www.downing.co.uk

References in this Newsletter 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.

The financial information in this publication is unaudited and does not comprise Statutory Accounts. The Statutory Accounts for the year ended 30 September 2003 have been delivered to the UK Registrar of Companies and the Report of the Auditors on those accounts was unqualified.

Investment Review

It is pleasing to report further progress to shareholders since our last Newsletter in February this year. As detailed in the interim statement, the Fund's NAV increased from 109.8p at 31 December 2003 to 117.45p at 31 March 2004, amounting to a total return of 119.1p. This positive return is most satisfactory against a backdrop of flat performance during 2004 for all major equity indices.

Since 31 March 2004, four additional qualifying investments have been completed. Three of the investments were in new companies, as detailed on the following pages. The fourth was a follow-on investment in Media Square, where the management team have continued to successfully implement their buy and build strategy. Importantly for investors, this progress has ensured that the Fund has achieved its target of investing more than 70% of the original monies raised, comfortably ahead of the three year qualifying period, which ends on 30 September 2004.

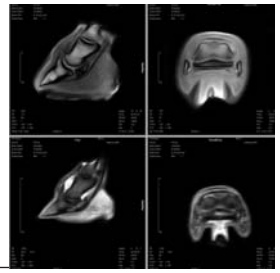
A number of other trends are identifiable:

Firstly, having a generalist investment focus continues to be an advantage for shareholders, since it enables the Investment Manager to acquire a healthy diversification in the portfolio. February's Newsletter saw a preponderance of media related investments. This Newsletter highlights two investments in the technological hardware sector, and one in the software sector.

Secondly, it is widely anticipated that there will be an increase in the number of VCT offerings over the next two tax years. This increased competition is likely to favour those Investment Managers, like Electra Partners, which have the network and the resources to identify and develop unquoted investment opportunities, as opposed to those who concentrate solely on investments listed on AIM.

Lastly, as is illustrated overleaf, the Investment Manager has maintained a consistent approach of investing in more established companies which enjoy the options that come from positive cash flow. Such financial strength serves the expansion plans well, as it provides additional protection in an environment where interest rates and most commodity prices are increasing.

31 August 2004



Hallmarq

Exploiting expertise previously gained working in the human research university MRI market, Hallmarq has developed an affordable specialist MRI scanner for veterinary use in the equine market. Lameness in horses is common with an estimated 10% of the horse population affected every year, and yet precise diagnosis is often difficult.

The economic value of performance horses and the emotional pull of other horses, combined with the growing market for animal insurance, means that equine veterinary practices see the provision of MRI scanning as a part of their diagnostic offering. Hallmarq has already obtained firm

contracts with a number of the leading equine veterinary practices around the world and hopes to accelerate the roll-out of its order book.

The key attraction of the business model is that Hallmarq receives long-term monthly payments based on volume of the usage. While there will be an initial learning curve, it is believed that the development of the MRI Scanner for veterinary use will reach levels of human usage and its diagnostic role will expand.

Attracted by Hallmarq's strong order book and leading-edge technology, the Fund invested £750,000 for an 11.2% stake in April 2004.



MRI Scanner in use





ePOINT

Located near Glasgow, ePOINT is a long-standing player in the design and production of interactive customer terminals for UK retail, health and leisure companies, generating approximately £7.9 million of sales for the year ended 30 September 2003. ePOINT hopes to strengthen its performance through the successful introduction of a new generation of pub games as well as capitalizing on the Government's Patient Power plan which includes the provision of entertainment systems to the hospital bedside. Moreover, utilizing its expertise and expanding its product range, ePOINT has also recently sought to establish its presence in the digital photography development market with contracts to supply leading world Original Equipment Manufacturers with counter-top and stand-alone terminals.



Payment Terminal



Photo Genie

To date, the market has responded positively to ePOINT's product offering.

As a result, ePOINT raised £3.4 million in April 2004 to support its development and marketing. The Fund took a 4.75% stake for £550,000.

Brady

Brady is a leading provider of specialist, end-to-end software to the metals trading industry. With a distinctive in-depth approach to all aspects of trading, Brady is able to supply a uniquely comprehensive 'front office to physical delivery' package. It has taken Brady several years to acquire the necessary expertise to gain the confidence of major trading companies which typically use their own in-house developed systems. Recent large contract wins, including HSBC Bank, have demonstrated, however, the marketplace's demand and receptiveness for up-to-date technology and have crowned Brady as leader in the sector.

In July 2004, although cash rich with cash of £1.8 million on the balance sheet, Brady came to AIM and raised a further £2.5 million to increase its financial and market visibility and also to facilitate the acquisition of a smaller rival, Colplan Systems. This provides a potential expansion of its product suite to the newly emerging electricity trading market, as well as deepening its marketing reach.



The Fund invested £750,000 for a 3.7% stake in June 2004. For the year ended 31 December 2003, Brady generated sales of £2.4 million and operating profits of £609,000.



Brady Trinity software in operation

Advanced Medical Solutions
Group plc



BERKELEY
MORGAN
GROUP PLC

BioProgress

centurion[®]
electronics plc

EPOINT

Hallmark
Veterinary Imaging



immedia
BROADCASTING PLC

JAMES
X
JAMES

Electra Active Management

keycom



MEDIA SQUARE plc

NECTAR TAVERNS PLC

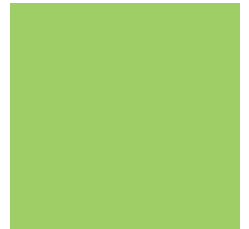
OTC
Online Travel Corporation plc

Quadnetics

DANNIMAC
FOUR SEASONS
— LONDON —
PAUL COSTELLOE
RAINMAN
— LONDON —

MCS

ELECTRA



Important Notice

The only purpose of this Newsletter is to provide information to existing shareholders of Electra Kingsway VCT Plc. This Newsletter does not constitute or form any part of an offer or invitation to subscribe for or dispose of securities, nor shall this Newsletter form the basis of or be relied upon in connection with any contract. Investors are strongly advised to seek independent professional advice when considering an investment in a Venture Capital Trust ('VCT').

Past performance is no guarantee of future investment returns. The price of investments, and the income from them, can fall as well as rise. An investor may not get back the original amount invested. An investment in a VCT such as Electra Kingsway VCT, may carry a higher risk than many other forms of investment. Rates of tax relief may be changed by future legislation. Investments made by a VCT will normally be in companies where securities are not publicly traded or fully marketable and therefore may be difficult to realise. Loss of Inland Revenue VCT approval would be likely to reduce the value of the shares.

Issued by Electra Quoted Management Limited, 65 Kingsway, London WC2B 6QT

T +44(0)20 7831 6464 www.electraquoted.com

Authorised and regulated by the Financial Services Authority.



Electra Kingsway VCT Plc

65 Kingsway

London WC2B 6QT

Tel +44 (0)20 7831 6464

Fax +44 (0)20 7404 5388