Electra Kingsway VCT

Newsletter

March 2005

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

Investments To 28 February 2005

		Cost
April 2002	Advanced Medical Solutions	£0.50m
2003 – 2004	Electra Active Management	£2.00m
July 2002	Nectar Taverns	£0.75m
October 2002	Signature Brands Group	£0.75m
2002 – 2003	Centurion Electronics	£0.95m
2002 – 2004	Electra Investment Trust	£1.86m
May 2003	Keycom	£1.20m
July 2003	Lastminute.com	£0.90m
November 2003	James & James	£0.75m
2003 – 2004	Media Square	£1.73m
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
November 2004	1st Dental	£0.75m
November 2004	Sanastro	£1.00m
February 2005	Gyro	£0.38m
		£17.50m

Shareholder Information

Shareholder Communications

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

Investor Enquiries

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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 2004 have been delivered to the UK Registrar of Companies and the Report of the Auditors on those accounts was unqualified.

Investment Review

As announced to the Stock Market on 22 February 2005, the Fund continues to make good progress as evidenced by the increase in the unaudited net asset value per share as at 31 January 2005 to 119.45p and the declaration of a 6.5p capital dividend distribution to be paid on 29 April 2005. Furthermore three qualifying investments were completed since we last reported to you, details of which are set out overleaf. With a further two transactions expected to complete within the next six weeks, the Fund will be close to being fully invested. The increase in the NAV over the last five months has largely been attributable to our AIM investments which collectively have performed strongly. The majority of our unquoted investments are held at cost which provides the opportunity for further capital appreciation as these investments begin to mature.

The AIM market has had a strong run over the last year, buoyed particularly by the Mining and Resources sector. The Fund has no exposure to that sector because it is difficult to conduct meaningful due diligence, which is a key principle of our investment process. We would expect a correction within the next twelve months in that part of the AIM market.

To date we have made successful realizations in three qualifying companies at an average uplift in value of nearly three times original investment cost. These proceeds have enabled the payment of the 6.5p capital dividend distribution.

Shareholders recently approved a dividend reinvestment scheme, which will first be available in respect of the 6.5p capital dividend. Nearer to the capital dividend payment date of 29 April 2005, the Board will determine the unaudited net asset value per share for the dividend reinvestment scheme (which will take into account the capital dividend distribution).

15 March 2005

1st Dental

An AIM listed company, 1st Dental supplies UK dental practices with a full range of physical products, which includes crowns and bridgework, orthodontics, implants, and prosthetics. With currently 15 laboratories, 1st Dental provides cost-effective and superior levels of service to dentists across the UK, who typically favour local laboratories.

Driven by an increasing emphasis on cosmetic dentistry, an aging population and an ever greater proportion of private work, the value of the dental market has tripled to over £3 billion per annum over the last decade. 1st Dental hopes to benefit from the over all trend by consolidating the traditionally fragmented dental laboratory market.

As part of that strategy, 1st Dental raised £4.5 million in November 2004 to fund the acquisition of its primary competitor, Benchmark Group. Benchmark had five laboratories and the acquisition resulted in 1st Dental becoming the largest dental laboratory group in the UK. The integration of the two companies will result in significant corporate and operational economies of scale as well as increased laboratory efficiency as technicians will be utilised more effectively.

Concurrent with the fundraising, 1st Dental also put a debt facility in place for £5 million to support additional future acquisitions.

Attracted by 1st Dental's "buy and build" strategy, the professionalism of the management and an anticipated rapid enhancement of earnings, the Fund invested £750,000 for a 5.6% stake.

Sanastro

A business-to-business publisher specializing in the financial services market with the titles, *Leasing Life* and *Motor Finance*, Sanastro increased the range of titles by acquiring the Lafferty Group in November 2004. The Lafferty Group, a larger business-to-business publisher, publishes 11 titles such as *The Accountant*, *Retail Banker* and *Bank Marketing International* and operates a complimentary conference business.

As a combined entity, Sanastro hopes to benefit both from operational savings, such as reducing establishment costs by integrating two offices into one office, and from synergistic know-how, with Lafferty organising conferences for the Sanastro titles and Sanastro refreshing the Lafferty websites.

The enlarged Sanastro has a pro-forma turnover of over £5 million and a pro-forma normalised operating profit in excess of £1.1 million.

The acquisition of the Lafferty Group by Sanastro was funded through an equity fundraising of £6.75 million. As part of the fundraising, the Fund invested £1 million with Electra Kingsway VCT 2 plc investing a further £600,000. The two funds hold 12.74% and 7.64% respectively of Sanastro.

Gyro

Founded in 1991 and operating primarily from its London offices, Gyro is a specialist brand and marketing agency. With a B2B technology focus, Gyro represents a number of major international bluechip companies such as Oracle, Avaya, Sun Microsystems, Sony and MCI. It also has offices in New York, San Francisco, Stockholm and Frankfurt. Although Gyro suffered from the downturn in advertising over the past few years, it is well positioned to take advantage from the current revival of both the advertising and technology markets. For the year ended 31 October, 2004, Gyro generated a turnover in excess of £11 million.

In February 2005, Gyro raised £2.5 million to fund the buy-out of one of the two founders of the business who had not been active within the business for over last two years. The buy out was part of a restructuring which allowed a distribution of equity to newer members of management. The Fund invested £375,000 alongside Electra Kingsway VCT 2 Plc, which also invested £375,000. Each fund holds a stake of 3.38% of Gyro.

GYRO®

:brand_energy

Advanced Medical Solutions Group plc

BERKELEY
MORGAN
GROUP PLC

BioProgress

centurion
electronics plc

EPOINT

Hallmarq
Veterinary Imaging

happy times

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

1st
DENTAL
LABORATORIES PLC

Sanastro

GYRO
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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.

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Authorised and regulated by the Financial Services Authority.

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