

**Electra Kingsway VCT**

# **Newsletter**

February 2003



## Key Features

---

Last reported NAV per share at 30 September 2002 93.3p

### Portfolio Breakdown at 30 September 2002

Cash	£4.7m
Fixed interest securities	£8.5m
Investments	£1.4m

### Investments To Date

	Cost
April 2002 Advanced Medical Solutions	£0.50m
May/Dec 2002 Electra Active Management	£0.45m
July 2002 Nectar Taverns	£0.75m
October 2002 Signature Brands Group	£0.75m
November 2002 Centurion Electronics	£0.50m
December 2002 Electra Investment Trust	£0.25m
	£3.20m

### Shareholder Communications

Electra Kingsway VCT intends to maintain communications with shareholders through Interim and Annual Reports and regular Newsletters from the Investment Manager. These will also be available on the Investment Manager's website: [www.electraquoted.com](http://www.electraquoted.com).

### Investor Enquiries

Downing Corporate Finance Limited  
Tel +44 (0)20 7411 4700  
[www.downing.co.uk](http://www.downing.co.uk)

## Investment Review

---

The NAV of the Fund has remained broadly unchanged from the net launch price, reflecting the large proportion of the portfolio invested in bonds and the cautious investment approach of the management team. To date, the Fund has invested in four qualifying investments and intends to make two further investments shortly subject to final due diligence. The pipeline of potential qualifying investments remains healthy and we anticipate that the current year will be a busy one for the Fund. Although the equity markets are currently dominated by negative sentiment, this provides an excellent investment opportunity, particularly in the smaller company sector, as valuations are at historically low levels.

The Fund's first investment was made in Advanced Medical Solutions (AMS), a company specialising in advanced woundcare dressings and superglues used in wound closure. AMS recently reported steady progress and has received FDA clearance in the USA for extending the use of its 'Liquishield' skin protection product. Nectar Taverns, our unquoted pub company, continues to build a small portfolio of managed pubs in the North West of England.

Two new qualifying investments were made in the quarter both of which are representative of our cautious investment strategy. Signature Brands is a retailer of four distinct women's clothing brands and Centurion Electronics supplies DVD and video systems for in-car entertainment. Both companies operate in established markets and have consistent track records of growing sales and profits. More information is provided overleaf.

The two other investments were non-qualifying but form part of the Fund's policy to invest up to 20% of the portfolio into two funds managed by Electra Partners. Electra Investment Trust announced its final results, which were well received by the market, in December. As at 24 January 2003 the shares were trading at a 30% discount to the last published NAV. Electra Active Management is a specialist fund that invests in undervalued quoted smaller companies.

### Marketing Activity

Electra Kingsway VCT is currently raising an additional £10 million in order to increase the Company's funds available for investment. The additional funds raised will allow greater diversification of the Company's investment portfolio which should reduce the risk profile for shareholders.

February 2003

## Signature Brands Group

Signature Brands, a retailer of women's fashion wear, operates under four distinct brands; Dannimac, Four Seasons, Giant and Paul Costelloe. It was incorporated in 1999 when Ashley Meyer, Chairman and Chief Executive, led a management buy-out of Four Seasons. The Company then proceeded to acquire three other under-performing brands and by implementing tighter design and cost controls has successfully increased the underlying profitability of the Group.

Dannimac and Four Seasons are principally women's rainwear collections and as such sales are heavily dependent on the British weather. Dannimac was acquired from Baird after it had unsuccessfully tried to reposition the brand. Part of the turn around strategy is to move the brand back to its traditional customer base.

Giant is a young women's fashion brand and was acquired after it ran into financial difficulties primarily due to over expansion.



Paul Costelloe is a designer brand aimed at 35-45 year old women. This brand has received critical acclaim for its recent womenswear collections. It has good growth potential and has benefited from tighter cost controls on design and materials implemented by the Signature management team.



The company designs all its own ranges which are manufactured in Hong Kong and Portugal. The majority of garments are sold through concessions in department stores such as John Lewis and House of Fraser. The management team have considerable retail experience particularly with the large department store multiples.

In its last published accounts, the Company reported pre-tax profits of £382,000, however, the current year will reflect the full year contribution of the acquisitions and the turnaround of the under-performing brands. Electra Kingsway VCT invested £750,000 in Signature Brands Group in October 2002.

DANNIMAC

GIANT

RAINMAN  
LONDON

PAUL COSTELLOE



FOUR SEASONS  
LONDON

## Centurion Electronics

Centurion specialises in the design, marketing, and distribution of DVD and video systems for the in-car entertainment market. The company's main market to date has been the UK, where last year it was estimated that the market for such in-car vision products increased tenfold over the number of units sold in 2001. The company has two main product ranges. Firstly, an entry range product sold as a 'plug and play' device to consumers through retail outlets such as Halfords or Dixons. Secondly, a top end professional product sold to motor distributors to offer either as standard on a top of the range car, or as an optional extra in other models. Model ranges already offering Centurion's products include BMW, Fiat and Mazda.



Centurion has a good track record of consistently high sales and profit growth. This has materialised partly due to increasing consumer demand for its products but also because of its effective work with large motor groups in satisfying complicated criteria over issues such as design, safety and reliability. This ability to focus on Centurion's niche market has enabled the company to stay ahead of larger electronic groups to date.



The company is enjoying good momentum currently with Argos and House of Fraser, new outlets won for the retail range, and Toyota and Mitsubishi ranges won on the professional side. In addition, the company is seeking to expand geographically this year into European markets, all of which should help to boost profitability substantially ahead of the pre-tax profits of £435,000 to September 2002.

Electra Kingsway VCT invested £500,000 in November 2002, as part of an AIM placing to fund the company's working capital.



**Electra Kingsway VCT Plc**  
65 Kingsway  
London WC2B 6QT  
Tel +44 (0)20 7831 6464  
Fax +44 (0)20 7404 5388