

Electra Kingsway VCT Plc

Interim Report & Accounts

For the period 12 September 2001
(date of incorporation) to 31 March 2002

2002



Objective

The Company's objective is to maximise tax free income to Shareholders from dividends and capital distributions. It is intended that this objective will be achieved by investing the proceeds of the Offer, over time, 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, in particular technology companies, will generally be avoided, where levels of risk are unacceptably high.

Contents

2	Financial Highlights
3	Chairman's Statement
4	Statement of Total Return
5	Balance Sheet
5	Reconciliation of Total Shareholders' Funds
6	Cash Flow Statement
7	Notes to the Accounts
9	Shareholders' Information
10	Company Information

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

Financial Highlights

Funds raised by close of offer period, 30 April 2002	£15.1 million
Net Asset Value per share at 31 March 2002	94p
First qualifying investment made	April 2002

Performance Summary

31 March 2002

Ordinary shares - Capital Values

Net asset value per share (net of issue expenses) (see Note 2) 94.0p

Total assets (net of issue expenses) £8.9m

Revenue and dividends (period from 12 September 2001 to 31 March 2002)

Earnings per ordinary share (see Note 1) 0.26p

Notes

- 1 Based on a weighted average of 2,329,992 ordinary shares in issue during the period.
- 2 Based on 9,516,503 ordinary shares in issue at 31 March 2002.

Chairman's Statement

I am pleased to present my first interim report as Chairman of Electra Kingsway VCT, following the launch of your Company.

In a particularly difficult fund-raising climate, the VCT raised £15.1 million by the close of the offer period on 30 April 2002. In total, the VCT market raised £122 million during the tax year 2001/02, compared with £450 million in the previous tax year. In addition, your fund was competing against some well-established VCT names, and three proposed launches were withdrawn due to lack of investor interest. All things considered, the amount raised for your Company was satisfactory.

The net asset value (NAV) of the Company at 31 March 2002 was 94p per share, broadly unchanged on the net issue price of 95p.

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 believes that the risk inherent in venture-capital investments will be minimised. Furthermore, the Investment Manager aims to reduce risk by avoiding start-up companies, particularly in the technology sector, and by investing in companies that are either close to or in profit.

Your Board believes that Electra Kingsway VCT will benefit from the investment methodology of Electra Partners, which is based on comprehensive due diligence. Electra Partners also has long experience of investing in small companies, and these qualities will provide your Company with a competitive advantage among VCTs.

Investments

In December we invested £3.2 million in five corporate bonds. As the fund-raising progressed, our bond portfolio grew to 13 investments, with a value of £8.1 million and an estimated yield of one percentage point over deposit rates.

The protracted offer period delayed any serious consideration of potential qualifying investments until February 2002. Since then, though, the Investment Manager has been reviewing a range of high-quality investment opportunities – more than 40 so far, of which 24 have been given considerable attention.

Your Company's first qualifying investment, made in April 2002, was £500,000 in a £4 million placing in Advanced Medical Solutions (AMS), a healthcare company that delisted from the main market to AIM. AMS specialises in advanced dressings for wounds. Using the funds raised, it acquired Medlogic, which has a patent-protected portfolio of medical adhesives and sealants, principally for wound closure. Although AMS reported a small loss last year, it is

forecast to break even during this year and has strong growth prospects. Our investment in AMS typifies our strategy of investing in established asset-backed businesses with proven and experienced management.

Shareholder communication

Electra Kingsway VCT intends to maintain clear channels of communication with shareholders. As well as interim and annual reports from the Company, the Investment Manager will send out frequent newsletters. These will also be available on the Investment Manager's website: www.electraquoted.com.

Outlook

Current conditions are particularly favourable for a company with cash to invest. First, the slowdown in economic growth has resulted in an increase in the number of smaller companies seeking financial support. Secondly, prices for unquoted and AIM listed companies continue to be attractive. Thirdly, as confidence returns to equity markets, the volume of new issues should begin to recover. In general, your Board believes your Company is well placed to take advantage of the opportunities that are being received.

Rupert Pennant-Rea

11 June 2002

Statement of Total Return

(unaudited) (incorporating the Revenue Account)

For the period 12 September 2001 to 31 March 2002

	Notes	Revenue £	Capital £	2002 Total £
Decrease in value of fixed interest investments		-	(52,454)	(52,454)
Income	2	91,581	-	91,581
Investment management fee		(17,618)	(52,853)	(70,471)
Other expenses		(67,797)	-	(67,797)
Return on Ordinary Activities before Taxation		6,166	(105,307)	(99,141)
Taxation on ordinary activities		(1,233)	1,233	-
Return on Ordinary Activities after Taxation		4,933	(104,074)	(99,141)
Return to Shareholders per Ordinary Share	3	0.26p	(4.52p)	(4.26p)

The amounts dealt with in the Statement of Total Return are all derived from continuing activities.

No operations were acquired or discontinued in the period.

The notes on pages 7 & 8 form part of these financial statements.

Balance Sheet

(unaudited)

	As at 31 March 2002
	£
Fixed Assets	
Fixed interest investments	8,103,976
Current Assets	
Debtors and prepayments	296,337
Cash at bank	3,332,173
	3,628,510
Current Liabilities	
Creditors: amounts falling due within one year	
Outstanding settlements	2,653,106
Other creditors	137,843
	(2,790,949)
Net Current Assets	837,561
Net Assets	8,941,537
Capital and Reserves	
Called-up share capital	95,165
Share premium	8,945,513
Realised capital losses	(51,620)
Unrealised capital losses	(52,454)
Revenue reserves	4,933
Total Equity Shareholders' Funds	8,941,537
Net Asset Value per Ordinary Share	93.96p
	2002
Number of Ordinary Shares in issue at 31 March	9,516,503

Reconciliation of Total Shareholders' Funds

(unaudited)

	2002
	£
Total Return	(99,141)
Share issue expenses charged to Share Premium account	(475,825)
Ordinary shares issued	9,516,503
Movements in Total Shareholders' Funds	8,941,537
Total Shareholders' Funds at 12 September	–
Total Shareholders' Funds at 31 March	8,941,537

Cash Flow Statement

(unaudited)

For the period 12 September 2001 to 31 March 2002

	£	2002 £
Operating Activities		
Investment income received	101,250	
Bank deposit interest received	19,929	
Investment management fees paid	–	
Other cash payments	(425)	
Net Cash Inflow from Operating Activities		120,754
Investing Activities		
Acquisition of investments	(5,829,259)	
Net Cash Outflow from Investing Activities		(5,829,259)
Cash Outflow before Financing and Management of Liquid Resources		(5,708,505)
Financing		
Issue of ordinary shares		9,516,503
Expenses of the issue of Ordinary shares		(475,825)
Net Cash Inflow from Financing		9,040,678
Increase in Cash for the Period		3,332,173

Notes to the Accounts

1 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 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.

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.

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 Manager's services are charged 25% to the revenue account and 75% to the capital account. The incentive fee on realisations in the year 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.

Notes to the Accounts

2 Income

For the period 12 September 2001 to 31 March 2002

£

Unfranked income from Fixed Asset Investments	69,719
Bank interest	21,862
	<hr/>
	91,581

3 Return to Shareholders per Ordinary Share

The return to shareholders per ordinary share has been calculated on the weighted average number of ordinary shares in issue during the period of 2,329,992.



Shareholders' Information

Financial Calendar

30 April 2002	Offer for subscription closed.
June 2002	Announcement of Interim Results for the period ended 31 March 2002. Mailing of Interim Report for the period ended 31 March 2002.
December 2002	Announcement of Final Results for the period ending 30 September 2002.
February 2003	First Annual General Meeting. Anticipated payment of final dividend in respect of the period ending 30 September 2002.

Dividends

It is intended that dividends will be paid once a year in February. The first dividend is expected to be paid in February 2003 as a final dividend in respect of the period ending 30 September 2002, although this is not intended to be a forecast of profitability or dividend levels.

Share Price

The Company's ordinary shares are listed on the London Stock Exchange. The share price is shown in the Financial Times under the heading 'Investment Companies' as 'Electra Kingsway'.

Change of Address

Any change of address of a shareholder or other relevant amendment to shareholder details should be communicated to the Company's Registrar, Northern Registrars, whose full details are provided on page 10 of this Interim Report.

Investor Enquiries

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

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
65 Kingsway
London WC2B 6QT
Telephone +44 (0)20 7831 6464

Company Number

4286368

Registered 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



