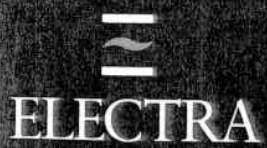


Electra Investment Trust PLC Annual Report 1999



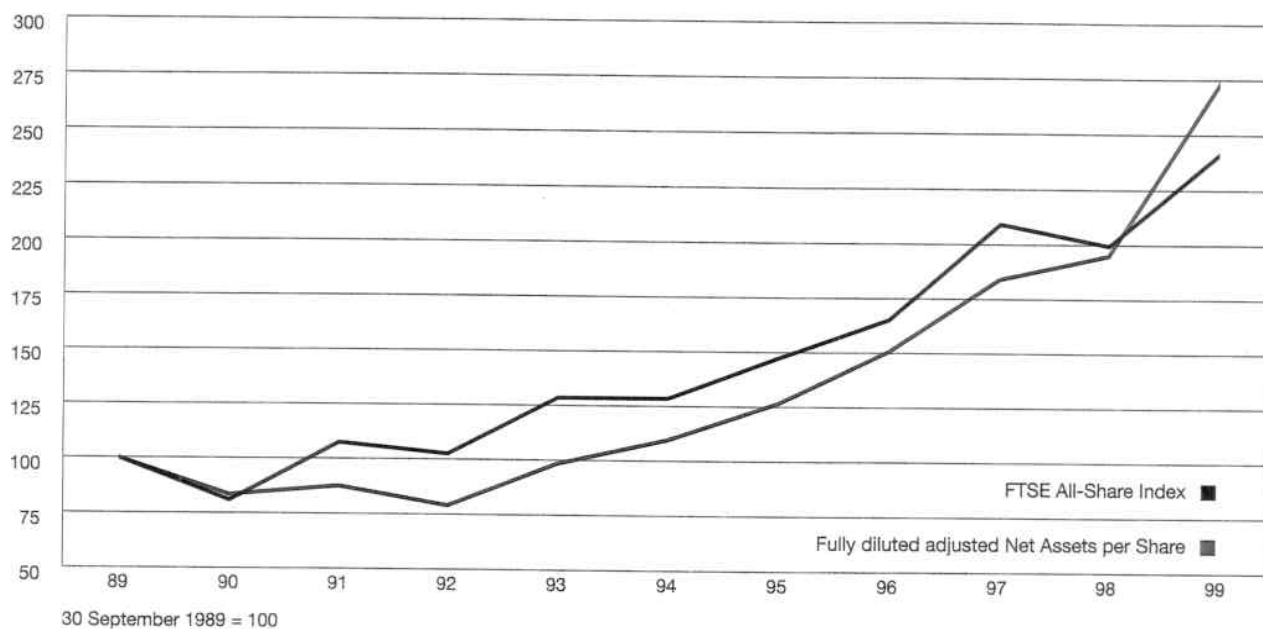
Annual Report and Accounts for the year ended 30 September 1999

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References in this Report and Accounts to Electra Investment Trust PLC and its subsidiaries have been abbreviated to Electra. References to Electra Partners Limited and its subsidiaries have been abbreviated to Electra Partners.

Assets

Fully diluted adjusted Net Asset Value per Share
compared to FTSE All-Share Index



Assets

As at 30 September	Fully diluted adjusted Net Asset Value	
	Net Assets £'000	per Share p
1989	567,765	345.73
1990	467,668	291.71
1991	491,743	304.53
1992	470,793	277.87
1993	580,614	341.30
1994	643,924	380.70
1995	748,588	440.49
1996	886,206	522.13
1997	1,082,802	640.04
1998	1,145,319	676.15
1999	*987,460	950.77

* During the year £544,222,000 was repaid to shareholders via a tender offer.

Revenue

Year ended 30 September	Basic Earnings per Share	
	per Share p	Dividends per Share p
1989	8.323	5.50
1990	9.463	6.10
1991	7.351	6.40
1992	7.526	6.70
1993	7.544	7.00
1994	7.498	7.25
1995	10.186	7.55
1996	10.684	8.40
1997	14.181	† 9.70
1998	16.030	11.175
1999	(4.04)	—

† Excludes special dividend of 0.55p per share

Highlights

For the year ended 30 September 1999

	Increase %
Total return of £399 million, a return of 34.9% on opening shareholders' funds	
Adjusted net asset value per share increased from £6.76 to £9.51	40.7
Increase in FTSE All-Share Index since 30 September 1998	20.53
Increase in FTSE SmallCap Index since 30 September 1998	34.84

Five Year Record

For the year ended 30 September	1995	1996	1997	1998	1999
Adjusted total return (£'000)	113,570	155,786	222,809	82,905	399,236
Return on adjusted opening shareholders' funds (%)	17.26	20.43	24.65	7.48	34.86
Adjusted net asset value per share (p)	440.49	522.13	640.04	676.15	* 950.77
Revenue return after tax (£'000)	17,632	18,494	24,547	27,747	(5,729)
Total ordinary dividends per share (p)	7.55	8.40	9.70	11.175	–
Special dividend per share (p)	–	–	0.55	–	–

Note

Adjusted net asset value per share at 30 September 1999 comprised net assets of £987,460,000 (1998: £1,145,319,000) per the Consolidated Balance Sheet and £nil in respect of the interest in Electra Kingsway Holdings Limited (1998: £25,095,000) and 103,859,120 ordinary shares of 25p in issue (1998: 173,098,534).

* During the year £544,222,000 was repaid to shareholders via a tender offer.



Review of the Year

The year to 30 September 1999 was one of substantial change for Electra and its shareholders. In April, approval was given at an Extraordinary General Meeting to the Board's proposals for a programme to maximise value for shareholders in the short term. Shareholders endorsed the Board's proposals for an orderly realisation of the portfolio over a five year period together with further returns of capital to shareholders within two years. As a result, a Tender Offer for 40% of the share capital at £7.86 per share, amounting to £544 million, was completed. At the same time the 3i bid for Electra lapsed.

Results

At 30 September 1999 the adjusted net asset value per share was £9.51 compared with £6.76 per share at 30 September 1998, an increase of 41%. This is an excellent result and very much in line with the Board's own expectations in March 1999 when the restructuring proposals were announced. The unlisted portfolio contributed a major portion of the strong performance which compares favourably with both the FTSE All-Share Index and the FTSE SmallCap Index which increased by 20.5% and 34.8% respectively over the year.

The unaudited adjusted net asset value per share at 31 December 1999 was £11.52 reflecting purchases and sales of investments, currency movements and changes in value of the listed portfolio since 30 September 1999. Included in this unaudited figure are Moser Baer and Locus, two Far Eastern technology investments acquired in the last thirteen months which now have values substantially in excess of cost. Acquired at a cost of £14.5 million, the two investments were included at a value of £53.5 million in the net asset value at 30 September 1999. Partial sales of these two investments in the three months since 30 September 1999 generated proceeds of £42 million. The residual holdings were valued at £178 million at 31 December 1999 after reflecting a 30% discount to the quoted market prices in India and South Korea. This discount was applied in accordance with our established valuation policy to reflect the volatility of these stock markets and dealing restrictions on Electra's shareholdings. The unlisted portfolio was not revalued at 31 December 1999 except where investments were valued by reference to quoted prices.

...the adjusted net asset value per share was £9.51 compared with £6.76 per share at 30 September 1998, an increase of 41%.

Unlisted Portfolio

The unlisted portfolio was valued at 30 September 1999 on a basis which is consistent with previous valuation statements. The first four month period of the financial year was an active time for new unlisted investments with over £200 million invested and committed. I believe these investments were well timed and acquired on attractive terms due to the uncertain period in the buy-out market which occurred during the last quarter of 1998. Unlisted realisations amounted to £419 million in total over the year. Since April 1999 new investment activity has been confined to follow-on investments in portfolio companies where the Board believes that significant incremental value can be achieved by committing further capital.

Listed Portfolio

The listed portfolio had a successful year in terms of investment performance. It appreciated in capital value by £69 million over the year and has continued to perform strongly since the year end. Realisations from the portfolio generated £192 million of net proceeds used to reduce bank borrowings over the year.

Banking Arrangements

In my letter dated 17 March 1999 I stated that the Board believed that Electra had significant cash generation potential. In April 1999 a £750 million credit facility was arranged of which £588 million was utilised to finance the Tender Offer and reconstruction costs. Net bank borrowings had been reduced to £288 million at 30 September 1999 and to £199 million at 31 December 1999.

Dividends

As foreshadowed in March 1999 no dividend will be paid in respect of the year ended 30 September 1999. The Board considers it unlikely that dividends will be paid in the foreseeable future.

The Manager

As I informed shareholders in my Interim Statement, Electra completed the acquisition of the 50% interest in its Manager, from the Robert Fleming Group in April 1999. Subsequent to the year end, Electra sold 100% of the Manager and its business to a new venture established by senior executives of the Manager for cash and other assets valued in aggregate at £33.5 million, together with further payments depending on the success of fund-raising and the ongoing profitability of Electra Partners. The sale agreement included a new contract with Electra Partners for the management of Electra.

... I anticipate being able to announce details of proposals for a further return of capital during the summer...

The Board

I would like to express my thanks to our United States Director, Stephen Robert, who retired on 1 October 1999. Stephen provided a great deal of expertise on the American investment scene where Electra has a substantial portfolio.

In last year's Statement I indicated that it was my intention to retire at the February 1999 Annual General Meeting. At the time of the 3i bid your Board asked me to remain as Chairman for a further period which I agreed to do. It is now my intention to retire on 30 April 2000 and I am delighted to say that Brian Williamson, the Deputy Chairman, will succeed me as Chairman.

The year to 30 September 1999 was a demanding period for my colleagues on the Board and for the senior executives of Electra Partners. I am grateful for their hard work on your Company's behalf and for the achievement of such excellent results.

Track Record and Future

Shares in Electra were listed in February 1976 at a price equivalent to 29p per share. This is to be compared to a price of 987.5p at the end of December 1999 representing a multiplier of 34 times over nearly 24 years and an internal rate of return of 20% on the assumption that net dividends were re-invested in further shares. The Board's current task is to continue the programme of creating value for shareholders through successful realisations and returns of capital. To this end, I anticipate being able to announce details of proposals for a further return of capital during the summer at the Annual General Meeting on 1 March 2000.



Michael Stoddart
Chairman

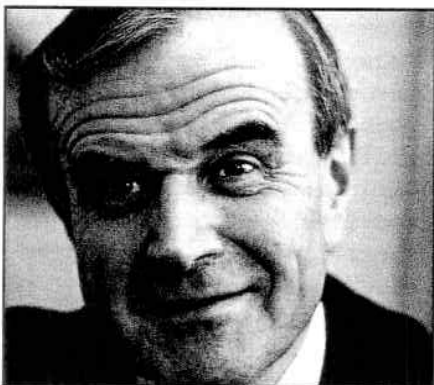
19 January 2000

Michael Stoddart



Left to right

Brian Williamson CBE
Ronald Armstrong
Professor George Bain
The Rt Hon Tom King CH MP
Sir Michael Pickard
Peter Williams



**Michael Stoddart
Chairman**

Aged 67, was appointed a Director of the Company in 1973 and Chairman in 1986, having previously been Joint Chief Executive of Singer & Friedlander. A Chartered Accountant, he has had wide ranging experience in the financing of small and medium sized companies and in unlisted investments.

He is Chairman of Britax International and Gartmore Venture Capital Trust and a Director of a number of public and private companies. He is also Chairman of the Foundation for Entrepreneurial Management at the London Business School and is a member of the Development Board of the London Business School.

He will retire as Chairman and a Director of the Company on 30 April 2000.

Brian Williamson CBE *
Deputy Chairman

Aged 54, was appointed a Director in 1994. He will succeed Michael Stoddart as Chairman of the Company on 30 April 2000.

He is currently Chairman of the London International Financial Futures & Options Exchange. He is a former Governor of the National Association of Securities Dealers in the USA and Chairman of Nasdaq's International Markets Advisory Board.

He was formerly a member of the Financial Services Authority, Chairman of Gerrard Group, and a Member of the Court of the Bank of Ireland.

Ronald Armstrong *

Aged 55, was appointed a Director in 1994. Having qualified as a Mechanical Engineer, his career has spanned the petrochemical, aerospace and consumer goods industries. Most of his career has been spent in companies in which the application of technology is critical to success and he has considerable experience of this process across a wide range of industries.

He is also a Director of the Fleming Worldwide Income Investment Trust and is a Visiting Professor at the University of Nottingham. He is Chairman of the Audit Committee and was a Director of Electra Kingsway Holdings prior to the sale of that company to a new company controlled by the management team of Electra Partners.

Professor George Bain *

Aged 60, was appointed a Director in 1998. He is currently President and Vice-Chancellor of The Queen's University of Belfast, having held senior academic posts at the London Business School and the University of Warwick. He is also Chairman of the Low Pay Commission and is on the Boards of Bombardier Aerospace Short Brothers, the Canada Life Assurance Company and The Economist Group.

The Rt Hon Tom King CH MP *

Aged 66, was appointed a Director in 1992. A Member of Parliament since 1970, he has held a variety of senior Cabinet posts and was Secretary of State for Defence from 1989 to 1992. He has been a member of the Nolan Committee and is Chairman of the Intelligence and Security Committee.

Before entering Parliament he was a senior manager in DRG, the printing and packaging group, and subsequently Chairman of Sale Tilney. He is currently Non-Executive Chairman of London International Exhibition Centre (Holdings).

Sir Michael Pickard *

Aged 67, was appointed a Director in 1989. A Chartered Accountant, he has had substantial experience in the hotel, catering and brewing industries where he has held a variety of posts, including Managing Director of Trusthouse Forte and Chairman of Courage and of Imperial Brewing and Leisure. He was the Founder Chairman of the Happy Eater chain of restaurants and Chairman of London Docklands Development Corporation. He has also had substantial experience in retailing and mail order and was formerly Chief Executive of Sears and Chairman of Grattan and Freemans.

He is currently Chairman of Bullough, London First Centre, National House Building Council and Servus Holdings, and a Director of other public and private companies.

Peter Williams *

Aged 57, was appointed a Director in 1994. He is currently Chief Executive of David S Smith Holdings, one of the UK's leading packaging, paper and office products companies. He is also a Director of RPC Group, one of the UK's largest producers of plastic packaging. He is a former Director of Reed International.

He was one of the Company's two representatives on the Board of Electra Kingsway Holdings, prior to the sale of that company to a new company controlled by the management team of Electra Partners.

* Member of the Remuneration Committee. All Directors are members of the Audit Committee.

Twenty Largest Investments

Company	Valuation of holding at 30 Sept 1999 £'000	Cost of holding at 30 Sept 1999 £'000	Percentage of net assets %
INCHCAPE SHIPPING SERVICES	40,326	40,326	4.08
AMTICO	32,750	17,067	3.32
LOCUS	30,360	9,634	3.08
CAPITAL SAFETY GROUP	30,264	30,264	3.06
DEUTSCHE WOOLWORTH	27,774	29,831	2.81
SWIFTY SERVE (EZ SERVE)	27,324	12,217	2.77
VENDCROWN	26,000	4,828	2.63
WILLIAM COOK HOLDINGS	24,400	20,911	2.47
INTERNATIONAL COMPUTERS (INDIA)	24,288	5,502	2.46
HMY	23,646	6,044	2.39
NEWMOND	23,163	30,884	2.35
MOSEER BAER	23,114	4,895	2.34
ALLFLEX	23,098	23,098	2.34
SAFETY-KLEEN EUROPE	22,267	22,267	2.25
TM GROUP	22,000	10,802	2.23
UGC (UNIPART)	20,000	108	2.03
CANDOVER INVESTMENTS †	19,900	603	2.02
BEZIER	19,178	19,178	1.94
AGRICOLA HOLDINGS	18,300	18,300	1.85
LEINER HEALTH PRODUCTS	18,216	12,033	1.85
	496,368	318,792	50.27

Set out above are the 20 largest investments of the Group at 30 September 1999.

These investments are held in the unlisted portfolio except where shown.

The above schedule does not include Electra Kingsway Holdings Limited which was sold subsequent to the year end as detailed in the Chairman's Statement.

† Held in the listed portfolio

The Manager

In November 1999 a buy-out of Electra's investment management group, Electra Kingsway Holdings Limited (formerly Electra Fleming Holdings Limited) took place through a new company, Electra Partners Limited, which was formed by the management team.

Fred Vinton has been appointed non-executive Chairman of Electra Partners Limited. Hugh Mumford is Chief Executive and his responsibilities include the overseeing of all of Electra's investment activities within guidelines agreed by the Board of Electra.

Electra Partners will continue to manage its international business and act as Electra's investment manager, with arm's length management arrangements.

Electra and Electra Partners have agreed that the duration of the management arrangements with Electra Partners will be reduced from a rolling three year notice period to an initial fixed term of two years with a rolling twelve month notice period for either party thereafter and that Electra Partners will earn a fixed management fee for the period anticipated for the realisation of Electra's investment portfolio.

Electra Partners has offices in London, Paris, New York and Hamburg and has associate offices in Italy, Spain, Argentina, Brazil, Hong Kong and India. As at 30 September 1999 Electra Partners had £1.7 billion of funds under management.

Portfolio Analysis

Overall Portfolio Changes

Summary of Changes to Overall Portfolio

Year ended 30 September 1999

	Valuation at 30 Sept 1998 £'000	New investment £'000	Sales £'000	Net capital appreciation £'000	Valuation at 30 Sept 1999 £'000
Unlisted	878,168	241,956	(419,311)	339,682	1,040,495
Listed	255,561	13,731	(205,297)	69,078	133,073
Total Portfolio	1,133,729	255,687	(624,608)	408,760	1,173,568

Over the year the portfolio recorded net capital appreciation of £409 million, an increase of 36% on the opening portfolio.

At 30 September 1999, Electra's investment portfolio was valued at £1,174 million of which 89% was invested in unlisted securities. As a result of the change of investment policy approved by shareholders in April 1999, sales of investments for the year ended September 1999 exceeded purchases of new investments by £369 million.

Over the year the portfolio recorded net capital appreciation of £409 million, an increase of 36% on the opening portfolio. This strong capital appreciation more than offsets the level of disinvestment with the result that the overall portfolio increased in value over the year.

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 are normally valued at cost for at least one year after acquisition. Provisions against cost, however, will be made as soon as appropriate in the light of adverse circumstances – for example, where an investment performs significantly below expectations. Upward adjustments to cost may be made within one year in the following circumstances: where an offer is received for the company, where securities held become quoted or where events occur such as accelerated repayment of acquisition debt, which have the effect of reducing the acquisition price of the investment.
- Investments held for more than one year are valued on one of the bases described above.
- Wherever practical, investments will be valued by reference to an open market transaction or quoted price. This includes investments in unquoted convertible securities in companies which are listed on a stock exchange. In arriving at the valuation, a discount of up to 30 per cent will be applied to the quoted price depending on the size of the company, the liquidity of the market for its shares and restrictions on sale. Discounts applied may be offset by premiums appropriate on yield considerations or where the investment is part of a controlling interest.
- Where investments are valued on an earnings basis, earnings of the current year will normally be used provided these can be predicted with reasonable certainty. Where earnings of investments for the current year cannot be predicted with reasonable certainty, historical earnings will normally be used. Such earnings will be adjusted to a maintainable basis, taxed at the full tax rate and multiplied by a discounted market price earnings multiple. Earnings will normally be calculated after deduction of interest unless the capital structure of the investment includes a significant level of acquisition debt, in which case earnings before interest may be considered to be more appropriate. Market price earnings ratios utilised are related to comparable quoted companies and normally discounted by at least 25 per cent. The discount used may be lower where a realisation is planned within 12 months and higher if the timing of a realisation is relatively long-term or not currently being contemplated.
- In arriving at the value of an investment, the percentage ownership is calculated after taking into account any dilution through outstanding warrants, options and performance related mechanisms.
- The net assets basis is used where there is no open market valuation available and an earnings basis is inappropriate, as in the case of certain asset based investments.
- In arriving at a final valuation, the Directors will normally have reference to the valuations implied by other valuation methodologies, including using historical, current and prospective earnings multiples and the amount of net assets to ensure the appropriateness of the discount applied in arriving at the valuation result.

Unlisted Portfolio Review

Summary

The year to 30 September 1999 proved to be a highly successful year for Electra's unlisted activities despite the disruption caused by the unsolicited bid from 3i and the subsequent change in investment policy. From 15 April 1999, the date of Electra's Extraordinary General Meeting, new investments were restricted to existing commitments and to investments made to enhance the value of existing portfolio companies. In addition a commitment was made to realise the unlisted portfolio over the following five years.

In accordance with this policy, investment for the year was restricted to £242 million – of which only £36 million was invested after 15 April 1999. In contrast, sales of investments reached a record level of £419 million of which £319 million was achieved in the period after 15 April 1999. Net disinvestment from the unlisted portfolio following the change of investment policy amounted to £283 million.

The high level of sales provided the basis for a strong investment performance and over the year the unlisted portfolio appreciated by 39% recording net gains of £340 million.

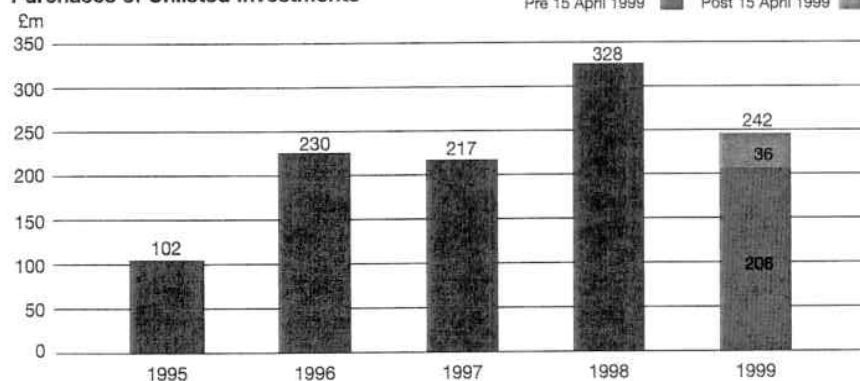
At the year end the unlisted portfolio was valued at £1,040 million compared with £878 million a year earlier. This increase of £162 million arose from the net appreciation of £340 million offset by a net disinvestment of £178 million.

At the year end the unlisted portfolio was valued at £1,040 million compared with £878 million a year earlier.

New Investments

During the year to 30 September 1999, a total of £242 million was invested in portfolio companies. Reflecting the change in investment policy, the level of investment dropped sharply in the second half of the year to £36 million. This amount included two new investments in the USA where a total of £10.5 million was invested in Network Health and Millennium Healthcare. The balance of investment represented follow on investments in relation to twelve portfolio companies, the most significant of which comprised a commitment to invest an additional £8 million in Invicta to enable further tennis centres to be built. At 30 September 1999 commitments to existing portfolio companies amounted to £34 million and commitments to specialist investment funds amounted to £80 million.

Purchases of Unlisted Investments



The six month period to 31 March 1999 was a time of relatively high investment activity with total investment amounting to £206 million of which £167 million was invested in nine new portfolio companies. These included significant investments in Inchcape Shipping Services, Capital Safety Group, Allflex and Agricola Holdings – all management buy-outs. It also included two investments in the technology sector, Moser Baer in India and Locus in South Korea, which both subsequently achieved highly successful stock market listings.

New Acquisitions

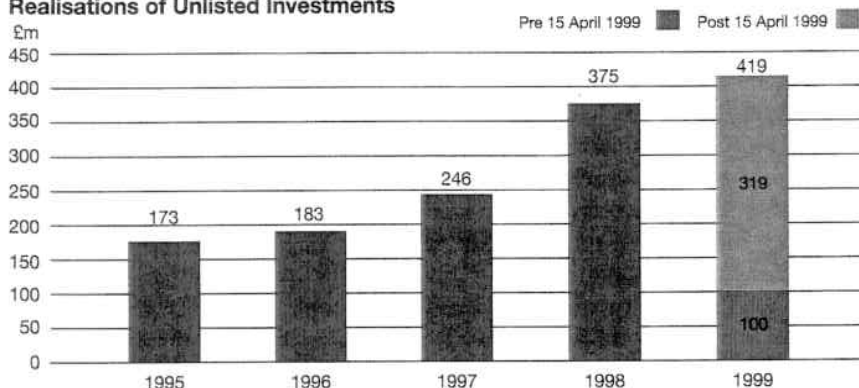
	Country of Incorporation	Type of Security	Cost £'000
Inchcape Shipping Services	UK	Equity & loan	40,326
Capital Safety Group	UK	Equity & loan	30,264
Allflex	UK	Equity & loan	23,098
Safety-Kleen Europe	UK	Equity & loan	22,267
Agricola Holdings	UK	Equity & loan	18,300
Morrison EF	UK	Equity & loan	10,766
Locus	South Korea	Equity	9,634
Special Product Company	USA	Equity & loan	8,199
Network Health	USA	Equity & loan	7,878
Moser Baer	India	Equity & loan	4,895
Millennium Healthcare	USA	Equity & loan	2,581
			178,208

Realisations

Realisations for the year to 30 September 1999 reached a record level of £419 million with realisations of £100 million in the first half of the year and £319 million in the second half. The acceleration of the sales process in the second half of the year reflected a very favourable climate for disposals particularly to financial buyers.

The most significant sale was that of PHS which was sold to a financial buyer and provided proceeds to Electra of £119 million. This investment was purchased in 1995 at a cost of £20.5 million and the sales proceeds represented a multiple on cost of almost six times in a four year period. Another major disposal involved The Stationery Office which was acquired for an original cost of £27.1 million. This investment was restructured during the year into four independent companies. The publishing business was sold to a financial buyer for £58 million and the three remaining companies were valued at the year end at £24.9 million. Other portfolio companies disposed of during the second half of the year included WAP Reinigungssysteme, the first major disposal in Germany, the pump and plant hire business of SLD, Hygiène Medica and Dolcis.

The acceleration of the sales process... reflected a very favourable climate for disposals particularly to financial buyers.

Realisations of Unlisted Investments

During the year 15 companies were sold wholly or in part from the portfolio generating proceeds of £320 million. Sales of listed securities previously subject to dealing restrictions realised £37 million of which CEC, a Nasdaq listed company, accounted for £12 million. A further £62 million was received from the redemption of loan investments in portfolio companies.

Major Realisations

Company	Country of incorporation	Type of security	Proceeds £'000	Directors' valuation of holding at 30 Sept 1999 £'000	Total £'000	Directors' valuation of holding at 30 Sept 1998 £'000	Cost £'000
PHS	UK	Equity & loan	118,812	–	118,812	48,192	20,458
The Stationery Office	UK	Equity & loan	58,256	24,900	83,156	48,400	27,115
WAP Reinigungssysteme	Germany	Equity & loan	38,002	3,967	41,969	10,907	10,329
Vendcrown	UK	Equity & loan	12,023	26,000	38,023	*22,792	*16,851
SLD	UK	Equity & loan	23,031	12,200	35,231	35,200	25,712
Supermercados Norte	Argentina	Equity & loan	9,754	13,358	23,112	16,123	5,978
Hygiène Medica	France	Equity & loan	17,976	–	17,976	10,719	9,951
Dolcis	UK	Equity	13,309	–	13,309	7,009	7,009
Virgin Rail	UK	Equity & loan	10,383	–	10,383	10,807	3,011
			301,546	80,425	381,971	210,149	126,414

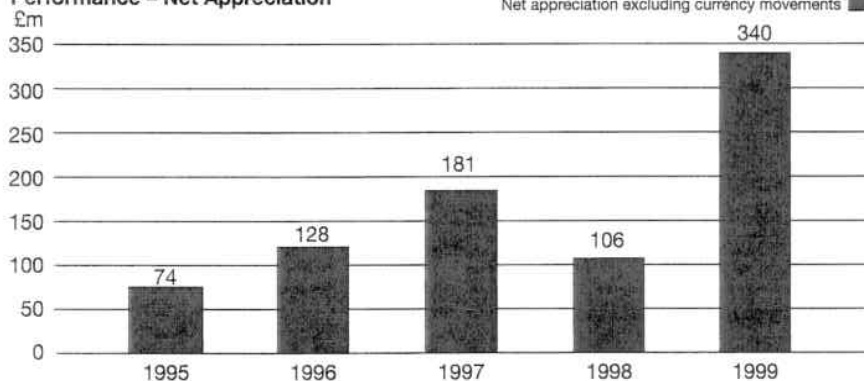
* Adjusted for subsequent purchases.

Approximately two thirds of the total gains recorded during the year were either realised or resulted from open market valuations.

Performance

During the year to 30 September 1999, the unlisted portfolio performed strongly with an overall net capital appreciation of £340 million, an increase of 39%. This performance reflected the underlying strength of many companies in the portfolio and included significant realised gains in respect of PHS, The Stationery Office and WAP Reinigungssysteme. Approximately two thirds of the total gains recorded during the year were either realised or resulted from open market valuations. Of the remaining gains, £46 million arose as a result of first time re-valuations of portfolio companies, particularly in respect of Swifty Serve and Lofland, and £66 million was added as unrealised appreciation notably in respect of holdings in International Computers (India), Vendcrown, HMY and Amtico.

Performance – Net Appreciation



Provisions for diminution in value of investments amounted to £41 million and related to 14 portfolio companies.

Of particular note was the strong performance of two Far Eastern technology companies – Moser Baer based in India and Locus in South Korea. In December 1998 Electra invested £4.9 million in Moser Baer, a company quoted on the Bombay Stock Exchange. The investment is freely convertible into ordinary shares and at 30 September 1999 was valued at £23.1 million. Electra invested £9.6 million in Locus in January 1999. At 30 September 1999 the investment was valued at £30.4 million and the company was listed on Kosdaq in December 1999. In the three month period since 30 September 1999 partial sales of these two investments generated proceeds of £42 million and the residual holdings were valued by the Directors at £178 million at 31 December 1999. This valuation reflects a 30% discount to the quoted prices in India and South Korea to reflect the volatility of these stock markets and the dealing restrictions on Electra's shareholdings.

Largest Valuation Changes

Company	£'000	Increase %
PHS	70,620	146.5
The Stationery Office	34,756	71.8
WAP Reinigungssysteme	31,062	284.8
Locus	20,726	215.1
Moser Baer	18,219	372.2
International Computers (India)	17,227	244.0
Vendcrown	15,231	69.2
HMY	14,197	150.2
Amtico	12,850	64.6
Swiftly Serve	12,613	85.7

Prospects

At 30 September 1999, Electra's unlisted investment portfolio consisted of investments in over 100 companies of which 80% by value have been held in the portfolio for a period of less than three years. The portfolio therefore consists of a blend of new and maturing investments. The climate for the realisation of investments remains favourable and this fact, together with the age profile of the portfolio, should ensure that realisations from the portfolio continue at a steady rate. Excellent progress has so far been made towards the realisation of the entire portfolio over a five year period. In the current economic environment we believe this excellent progress will be maintained.

In the current economic environment we believe this excellent progress will be maintained.

Largest Unlisted Investments

INCHCAPE SHIPPING SERVICES	Location: International
----------------------------	-------------------------

Equity Ownership	75.0%
Valuation	£40,326,000
Cost	£40,326,000

Valuation – cost

In March 1999 Electra invested £40.3 million in the £47.5 million buy-out of Inchcape Shipping Services (“ISS”) from Inchcape. The transaction was fully underwritten by Electra ensuring a significant competitive advantage during the sale process.

ISS is the world's largest independent shipping agency network, providing ship services for over 30,000 vessels and handling in excess of 1.5 million containers each year. The ISS network services a diversified customer base across the oil, cruise, navy and commodity sectors. The global coverage of its infrastructure offers significant opportunities for growth throughout the network.

AMTICO	Location: UK
--------	--------------

Equity Ownership	49.5%
Valuation	£32,750,000
Cost	£17,067,000

Valuation based on multiple of earnings

In 1995 Electra invested £17.1 million as part of the £52.8 million management buy-out of Amtico from Courtaulds.

Amtico is a designer and manufacturer of high quality synthetic flooring aimed at replicating natural materials. The company has manufacturing operations in the UK, Germany and the USA and is a supplier to many of the UK's retail groups. It is also active in the residential market in the UK, and has a sales network operating in the UK, Germany, Australia and the USA.

For the year to 31 March 1999 Amtico reported earnings before interest and tax of £8.4 million.

LOCUS	Location: South Korea
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Equity Ownership	27.7%
Valuation	£30,360,000
Cost	£9,634,000

Valuation based on underwritten IPO price

In January 1999 Electra invested US\$15.9 million in Locus to fund an expansion plan.

Locus produces CTI (Computer Telephony Integration) equipment that interfaces computers with phone networks. Its technology covers voice and data network interfaces, PBX and voice processing system connection, call centre host and switch interfaces and communications control. Locus works closely with leading communications equipment manufacturers such as Lucent, Excel and Dialogic.

Forecast sales are anticipated to be KRW65.9 billion (US\$54.2 million) and profit after tax KRW7.9 billion (US\$6.5 million) in the year to December 1999. Locus was recently floated on the Korean Technology Market. The IPO was underwritten on 7 September 1999 at KRW28,000 per share and the shares traded on the first day of dealing at KRW33,000 per share. Subsequent to the year end the stock market price of Locus has increased significantly and part of the holding has been realised.

CAPITAL SAFETY GROUP

Location: UK, France, USA

Equity Ownership	53.3%
Valuation	£30,264,000
Cost	£30,264,000

Valuation – cost

In October 1998 Electra invested £30.3 million in the £102 million management buy-out of Capital Safety Group (“CSG”) from BTP.

CSG is a manufacturer of fall arrest equipment ranging from fixed roof-top systems to harnesses and lanyards. Its main manufacturing sites are in the UK, France and the USA with sales organisations across Europe, North America and Australia.

In the year to 31 March 1999 the company made operating profit of £10 million on sales of £56 million.

DEUTSCHE WOOLWORTH

Location: Germany

Equity Ownership	49.3%
Valuation	£27,774,000
Cost	£29,831,000

Valuation – cost adjusted for currency movements

In September 1998 Electra invested DM85 million (£29.8 million) in the company formed to undertake the DM950 million management buy-out of the German and Austrian retailing operations of Woolworth.

Deutsche Woolworth operates around 350 stores throughout Germany and seven in Austria. These are typically located in town centres and city suburbs and offer a wide range of clothing, toiletries, household and other goods.

Under the direction of existing management the group has undertaken a restructuring programme, focusing particularly on buying, logistics and personnel. In the year to 31 January 1999 the group reported earnings before interest and tax of DM51 million on turnover of DM2.1 billion.

SWIFTY SERVE (EZ SERVE)

Location: USA

Equity Ownership	23.4%
Valuation	£27,324,000
Cost	£12,217,000

Valuation based on multiple of earnings

In August 1998, in a transaction led by Electra Partners' New York office, Electra invested US\$12.5 million in the buy-out of EZ Serve, a publicly listed convenience store group. Subsequently, EZ Serve and Swifty Mart, which was another convenience store investment led by Electra Partners' New York office and in which Electra had invested US\$7.5 million, were merged to form Swifty Serve. Additionally, in March 1999, Swifty Serve purchased Country Cupboard, a Georgia chain of stores, thereby bringing Swifty Serve to a total of 507 stores located in Georgia, Louisiana, Florida, Alabama and Mississippi.

Swifty Serve's typical 2,400 sq.ft. store offers a broad range of merchandise and services, including branded and proprietary goods. The company is expected to generate revenues of US\$510.2 million and EBITDA of US\$23.0 million for the year to 31 December 1999.

VENDCROWN

Location: UK

Equity Ownership	32.6%
Valuation	£26,000,000
Cost	£4,828,000

Valuation based on multiple of earnings

In 1996 Electra invested in the management buy-out of Vendcrown, the holding company of Premium Credit. Total financing of approximately £230 million was raised for the transaction by Electra Partners.

Premium Credit specialises in the provision of finance for the payment of corporate insurance premiums and spread payment facilities for personal insurance, school fees and annual subscriptions.

Since the acquisition advances to customers have increased in both the insurance and non-insurance divisions. This has resulted in higher service fees and increased operating profits.

In the year to 31 December 1998 the company's profits after tax were £5.3 million (1997: £4.3 million). Substantially higher profits are forecast for the year to 31 December 1999.

WILLIAM COOK HOLDINGS

Location: UK

Equity Ownership	48.8%
Valuation	£24,400,000
Cost	£20,911,000

Valuation based on multiple of earnings

In 1997 Electra invested £20.9 million in the £80 million management buy-out of the publicly quoted William Cook. The company at that time was the subject of a hostile bid and Electra was invited by the Board to act as a 'white knight'. The company is a large specialist steel castings manufacturer based in Sheffield. It supplies castings for armoured vehicles, construction plant, mining machinery, fork lift trucks, power generation and transport equipment.

In the year to 28 March 1999 the Group produced earnings before interest and tax of £13.7 million on turnover of £127.9 million.

INTERNATIONAL COMPUTERS (INDIA)

Location: India

Equity Ownership	25.1%
Valuation	£24,288,000
Cost	£5,502,000

Valuation based on multiple of earnings

In September 1997 Electra invested US\$8.85 million in ICIL, when the business was demerged from Fujitsu ICIM, which retained a 74.9% holding.

ICIL is a provider of software services to corporations both at the customer's premises and at its own premises in India. The business is export driven with the main markets being the UK, USA and Japan and customers include Sprint, Informix, Cisco, Fujitsu, BG Transco, ICL and EDS.

Unaudited profits after tax for the year to 31 March 1999 increased by 45% over the previous year's results, in local currency terms, to Rs 259 million (£3.6 million).

HMY		Location: France
Equity Ownership	21.5%	<p>In July 1996, Electra invested FF44.8 million in the FF634 million management buy-out of Hermès Métal which became HMY in 1998 after the acquisition of Yudigar in 1998, a Spanish competitor.</p> <p>HMY is the leading European manufacturer of shelving and check-outs for food hypermarkets and supermarkets with a market share of 50% in France and 45% in Spain and an annual turnover of approximately FF1,340 million. The market is developing strongly and HMY has built a particularly good reputation and has most of the leading French food retailers as customers.</p> <p>The company generates a strong cash flow from its traditional markets and future growth is projected to come from increased penetration of the non-food retail sector and overseas markets.</p> <p>Based on current estimates the results for 1999 are expected to slightly exceed budget.</p>
Valuation	£23,646,000	
Cost	£6,044,000	
Valuation based on multiple of earnings		
NEWMOND		Location: UK
Equity Ownership	13.5%	<p>In 1996 Electra invested £30.9 million in the management buy-out of the building products division of Williams Holdings. The transaction involved total financing of £360 million and Williams Holdings reinvested £57.5 million of the equity element on the same terms as the institutional investors. The company now comprises nine business groupings which include: Aqualisa (high performance showers); Heatrae Sadia (water heating products); Valor (gas fires); Rawlplug (building fixings); and Vi Spring (beds).</p> <p>Several of the original businesses have been sold and new add-on acquisitions made since the management buy-out which have together contributed to a reduction in net debt of approximately £56 million.</p> <p>In the year ended 31 December 1998 the company made operating profits (before acquisition and reorganisation costs) of £31 million on turnover of £288 million.</p>
Valuation	£23,163,000	
Cost	£30,884,000	
Valuation based on multiple of earnings		
MOSER BAER		Location: India
Equity Ownership	30.7%	<p>In December 1998 Electra invested US\$8.02 million in a convertible debenture to fund the expansion of Moser Baer into recordable CDs (CD-Rs). The transaction involved a total financing of US\$53 million.</p> <p>At the time of investment the company was producing 100 million floppy disks per annum, mainly for export, selling the disks under brands such as BASF, Sony and DataRight. The initial project to set up a plant with capacity of 32 million CD-Rs per annum has subsequently been expanded to 150 million CD-Rs per annum in view of the strong demand.</p> <p>The year ended March 1999 produced sales of Rs1.01 billion (US\$23.5 million) and profit after tax of Rs204 million (US\$4.7 million). In the six months to September 1999, sales were Rs577 million (US\$13.4 million) and profit after tax Rs147 million (US\$3.4 million) (unaudited).</p> <p>The stock market price has increased strongly since the year end and part of the holding has been realised.</p>
Valuation	£23,114,000	
Cost	£4,895,000	
Valuation based on quoted price		

ALLFLEX

Location: UK, USA and Western Europe

Equity Ownership	44.0%
Valuation	£23,098,000
Cost	£23,098,000

Valuation – cost

In December 1998 Electra invested £23.1 million in the US\$160 million buy-out of Allflex which was led by Electra Partners. Allflex is a manufacturer and distributor of plastic animal identification tags. The company is also developing electronic tagging products. The main manufacturing operations are in North America and France.

The company reported an operating profit of US\$16.0 million for the year ended 30 June 1999 (1998: US\$13.0 million) on turnover of US\$76.4 million (1998: US\$72.1 million). Growth has been achieved in the current year as new European legislation requires mandatory double-tagging of cattle. The market for electronic tags is also beginning to open up.

SAFETY-KLEEN EUROPE

Location: UK and Europe

Equity Ownership	44.0%
Valuation	£22,267,000
Cost	£22,267,000

Valuation – cost

In December 1998 Electra invested £22.3 million in the management buy-out of the European operations of Safety-Kleen Corporation. The company is Europe's leading supplier of parts cleaners and paint gun cleaners with 100,000 customers in seven European countries through 59 branches and three reclamation facilities.

In the year to 31 December 1999 the company is forecast to generate turnover of £74.5 million and EBIT of £11.6 million.

Significant growth has been achieved in recent years as additional parts cleaners have been placed and new services have been sold to the existing customer base.

TM GROUP

Location: UK

Equity Ownership	27.6%
Valuation	£22,000,000
Cost	£10,802,000

Valuation based on multiple of earnings

In July 1995 Electra invested £15.1 million in the £173 million buy-out of TM which was jointly led by Electra Partners. TM is the holding company of businesses engaged in convenience store retailing and cigarette, food and beverage vending. In May 1998 the company issued £160 million of high yield bonds, the proceeds of which were partially used to repay shareholders, Electra receiving £34 million. In November 1998, Electra reinvested £9.7 million in TM to assist the company in its £75 million acquisition of the Martin Retail Group.

In the year ended 30 November 1998, TM reported operating profit before interest and tax of £24.5 million (1997: £22.3 million) on turnover of £541 million (1997: £530 million). Profit for the year to 30 September 1999 will show a significant improvement assisted by the acquisition of Martin Retail.

UGC (UNIPART)		Location: UK
Equity Ownership	17.2%	In 1987 Electra invested in the management buy-out of UGC (Unipart) from the Rover Group. Electra's investment of £2.9 million was substantially repaid in 1989. UGC is engaged in the design and manufacture of original equipment components and in the sale and distribution of automotive parts, components and accessories. Its customers include the Rover Group, Jaguar, Land Rover, Daihatsu (UK) and Volkswagen. Non-automotive customers include Hewlett-Packard and Bull. In May 1999 Unipart made an agreed bid for Partco which valued Partco at £179 million, a premium of 36% to the pre bid price. The transaction was debt financed and is complimentary to Unipart's existing business. UGC reported pre-tax profits for the twelve months to 31 December 1998 of £31.0 million (1997: £28.6 million).
Valuation	£20,000,000	
Cost	£108,000	
Valuation based on multiple of earnings		

BEZIER		Location: UK
Equity Ownership	47.5%	In May 1998 Electra invested £19.2 million in the £53 million management buy-out of Bezier from the Wace Group. Bezier comprises four specialist printing businesses: greetings cards; point-of-purchase advertising materials; food labels; and quality corporate documents. A key underlying focus is a high service offering and the new Chief Executive has a strong service orientated background. In the year to 30 April 1998 the group made operating profits of £5.5 million on a turnover of £74 million.
Valuation	£19,178,000	
Cost	£19,178,000	
Valuation – cost		

AGRICOLA HOLDINGS		Location: UK
Equity Ownership	71.6%	In November 1998 Electra invested £18.3 million in the management buy-out of the animal feed and pig production divisions of Elementis. Operating profits for the year ending 31 December 1999 will be ahead of expectations and significantly up on the previous year. The proposed exit from pig production is progressing according to plan. Cash flow has been strong and the company will be substantially degearred at the year end.
Valuation	£18,300,000	
Cost	£18,300,000	
Valuation – cost		

LEINER HEALTH PRODUCTS

Location: USA

Equity Ownership	18.2%
Valuation	£18,216,000
Cost	£12,033,000

Valuation based on multiple of earnings

In 1997 Electra invested US\$20 million in a transaction led by Electra Partners' New York office as part of an \$80.4 million equity investment in a leveraged recapitalisation of Leiner Health Products Group. Leiner is a manufacturer of vitamins, minerals and nutritional supplements in the USA. Based in California, but with plants in South Carolina and Canada, the company distributes its products primarily through mass market retailers.

As at 31 March 1999 Leiner had a share of circa 20% of all vitamin sales and over 50% of the private label segment. For the year ended 31 March 1999 Leiner had sales of US\$626.9 million and EBITDA of US\$61.8 million.

INVICTA LEISURE

Location: UK

Equity Ownership	31.3%
Valuation	£14,477,000
Cost	£10,622,000

Valuation based on multiple of earnings

In May 1996, Electra committed £8 million in the form of development capital to Invicta to help finance the construction of a number of high quality health and tennis clubs. Since that date Electra has committed a further £10.5 million to continue the construction programme. For the year to 31 December 1998, Invicta reported earnings before interest and tax of £1.78 million.

The company has recently disposed of its golf division and is using the proceeds to continue its development. Now focussed entirely on the growing health and fitness market, the company has a number of sites under construction.

United Kingdom and Continental Europe

Company	Directors' valuation of holding at 30 Sept 1998 £'000	Net purchases/ (sales) £'000	Performance in year £'000	Directors' valuation of holding at 30 Sept 1999 £'000	Cost of holding at 30 Sept 1999 £'000
INCHCAPE SHIPPING SERVICES Shipping services	–	40,326	–	40,326	40,326
AMTICO Luxury flooring manufacturer	19,900	–	12,850	32,750	17,067
CAPITAL SAFETY GROUP Specialist safety equipment	–	30,264	–	30,264	30,264
DEUTSCHE WOOLWORTH General merchandise retailer	29,815	16	(2,057)	27,774	29,831
VENDCROWN Insurance premium finance	22,000	(11,231)	15,231	26,000	4,828
WILLIAM COOK HOLDINGS Steel castings	24,400	2	(2)	24,400	20,911
HMY Shelving and checkout manufacturer	9,449	–	14,197	23,646	6,044
NEWMOND Building products	23,163	–	–	23,163	30,884
ALLFLEX Animal identification tags	–	23,098	–	23,098	23,098
SAFETY-KLEEN EUROPE Cleaning and waste removal services	–	22,267	–	22,267	22,267
TM GROUP Group of businesses comprising neighbourhood stores and food, drink and tobacco vending machines	1,756	9,727	10,517	22,000	10,802
UGC (UNIPART) Automotive spare parts manufacturer	17,500	35	2,465	20,000	108
BEZIER Printing services	19,178	–	–	19,178	19,178
AGRICOLA HOLDINGS Compound animal feeds	–	18,300	–	18,300	18,300
INVICTA LEISURE Golf, racquet and health clubs	8,966	1,656	3,855	14,477	10,622
TACTICA (FORMERLY PART OF THE STATIONERY OFFICE) Provider of document management services	14,256	(6,604)	5,648	13,300	170
ENERGY POWER RESOURCES Renewable energy power stations	10,915	1,748	–	12,663	12,663
SLD HOLDINGS Group of companies comprising principally a specialist plant hire business	35,200	(23,031)	31	12,200	4,768

United Kingdom and Continental Europe

Company	Directors' valuation of holding at 30 Sept 1998 £'000	Net purchases/ (sales) £'000	Performance in year £'000	Directors' valuation of holding at 30 Sept 1999 £'000	Cost of holding at 30 Sept 1999 £'000
PRIZE FOODS Food manufacturer	9,166	–	3,000	12,166	9,166
VANTIOS Optical retailer	12,562	(6,086)	5,524	12,000	2,098
	258,226	100,487	71,259	429,972	313,395

USA and Elsewhere

Company	Directors' valuation of holding at 30 Sept 1998 £'000	Net purchases/ (sales) £'000	Performance in year £'000	Directors' valuation of holding at 30 Sept 1999 £'000	Cost of holding at 30 Sept 1999 £'000
LOCUS Solution provider for integrated networks	–	9,634	20,726	30,360	9,634
SWIFTY SERVE (EZ SERVE) Convenience stores	14,711	–	12,613	27,324	12,217
INTERNATIONAL COMPUTERS (INDIA) Software	7,061	–	17,227	24,288	5,502
MOSER BAER Manufacturer of floppy disks and CD-R's	–	4,895	18,219	23,114	4,895
LEINER HEALTH PRODUCTS Manufacturer of vitamin supplements	17,653	–	563	18,216	12,033
ORTHOFIX INTERNATIONAL Orthopaedic related medical devices	11,029	–	2,707	13,736	700
SUPERMERCADOS NORTE Argentinian supermarket group	16,123	(9,754)	6,989	13,358	2,989
INTERNATIONAL GARDEN PRODUCTS Garden products	5,856	2,550	4,588	12,994	7,700
	72,433	7,325	83,632	163,390	55,670

The unlisted investments shown above and on page 23 represent 57% of the Group's fixed asset unlisted investments at 30 September 1999.

Listed Portfolio Review

The listed portfolio started the year with a valuation of £256 million, wholly invested in the UK with a weighting orientated towards smaller companies. During the year sales of £205 million and purchases of £14 million were made and the portfolio was valued at £133 million at 30 September 1999. Overall the portfolio appreciated by £69 million, of which £45 million had been realised by the year end.

The strong performance was mainly due to the improved rating of the smaller company sector and to two significant takeovers, namely Astec (BSR) and Stakis which increased by 97% and 69% respectively from the values at the start of the year. Astec (BSR) was acquired by Emerson Electric and Stakis by Hilton Group, formerly Ladbrokes. The largest unrealised gains were from Osmetech which increased by 701%, Tradepoint by 681% and Euro Sales Finance by 155%. Osmetech rose after a successful rights issue and a reappraisal of its sensor technology business. Tradepoint benefited from an investment in the company by a consortium of investment banks, lead by Instinet, with the aim of creating a European trading platform. Euro Sales Finance provides sales finance to small companies and is forecast to grow at over 50% per annum over the next two years. Clyde Blowers, the most significant realised gain during the year, was sold when the company was taken private by its management. The most disappointing performance over the year was from Corporate Services, which fell in value by 40%.

The three largest holdings in the portfolio at the year end were Candover which was valued at £19.9 million, Bioglan Pharma at £9.7 million and Kier at £6.1 million. Candover announced an uplift in its net asset value of 11.2% in its interim results, outperforming the FTSE All-Share Index over the year. Shares in Bioglan rose by 80% over the year and we were able to realise 39% of our shareholding in September at a substantial uplift against cost. Kier again surprised the market with a set of good trading results.

The listed portfolio will continue to be actively managed with a view to realising the remainder of the portfolio within five years.

Overall the portfolio appreciated by £69 million, of which £45 million had been realised by the year end.

Largest Disposals

Company	Valuation of holding at 30 Sept 1998 £'000	Performance during year £'000	Proceeds £'000	Cost at 30 Sept 1998 £'000
Hays	10,566	1,575	12,141	445
Stakis	7,096	4,920	12,016	4,117
Astec (BSR)	* 5,715	5,525	11,240	* 7,929
Pillar Property	9,167	1,803	10,970	11,504
Nestor Healthcare	8,475	1,039	9,514	2,049
Kingfisher	7,094	1,956	9,050	3,718
Glaxo Wellcome	7,779	1,125	8,904	2,870
Vodafone	* 4,851	3,244	8,095	* 2,683
JJB	7,094	287	7,381	9,655
Dixons	* 5,277	1,752	7,029	* 2,702
	73,114	23,226	96,340	47,672

* Adjusted for subsequent purchases

United Kingdom

Company	Valuation of holding at 30 Sept 1998 £'000	Net purchases & transfers/(sales) £'000	Performance in year £'000	Valuation of holding at 30 Sept 1999 £'000	Cost of holding at 30 Sept 1999 £'000
CANDOVER INVESTMENTS †	15,600	–	4,300	19,900	603
BIOGLAN PHARMA	8,704	(6,008)	6,968	9,664	2,689
KIER †	4,392	–	1,747	6,139	4,633
EURO SALES FINANCE	2,101	(1,096)	4,895	5,900	1,543
JARVIS HOTELS †	4,913	–	781	5,694	2,842
WICKES	5,079	(3,739)	4,188	5,528	3,437
DIAGONAL	6,012	(2,897)	2,223	5,338	1,404
CLUBHAUS	4,632	–	179	4,811	4,665
BENCHMARK	3,572	–	1,020	4,592	4,083
BERISFORD INTERNATIONAL	5,387	(3,686)	2,882	4,583	3,339
MOWLEM (JOHN)	4,276	(522)	580	4,334	4,025
CORPORATE SERVICES GROUP	5,612	(52)	(2,257)	3,303	5,118
BUDGENS	3,185	–	73	3,258	3,826
WARDLE STOREYS †	2,951	–	129	3,080	1,551
DAIRY CREST	4,057	(1,118)	(64)	2,875	1,550
FIBERNET	1,090	736	880	2,706	2,143
MARYLEBONE WARWICK	3,288	(599)	(58)	2,631	2,257
BNB RESOURCES	2,053	–	498	2,551	2,541
KUNICK LEISURE	2,756	–	(225)	2,531	4,340
ELECTRONICS BOUTIQUE	1,972	–	307	2,279	1,982
	91,632	(18,981)	29,046	101,697	58,571

The above investments represent 76% of the Group's fixed asset listed investments at 30 September 1999.

† Originally transferred from unlisted portfolio

Classification and Distribution of Investments

	UK and Continental Europe Unlisted %	Listed %	USA and Elsewhere Unlisted %	Total 1999 %	Total 1998 %
EQUITIES					
Resources					
Oil and Gas	–	0.05	–	0.05	0.47
	–	0.05	–	0.05	0.47
Basic Industries					
Chemicals	–	–	0.18	0.18	0.27
Construction and Building Materials	4.18	0.89	1.33	6.40	4.62
Forestry and Paper	0.03	–	–	0.03	0.67
Steel and Other Metals	4.18	–	–	4.18	3.51
	8.39	0.89	1.51	10.79	9.07
General Industrials					
Aerospace and Defence	–	–	0.31	0.31	0.42
Diversified Industrials	1.90	0.45	0.70	3.05	6.61
Electronic and Electrical Equipment	0.32	–	–	0.32	0.67
Engineering and Machinery	0.36	0.73	0.48	1.57	2.87
	2.58	1.18	1.49	5.25	10.57
Cyclical Consumer Groups					
Automobiles	1.70	–	–	1.70	1.75
Household Goods and Textiles	3.96	0.13	0.47	4.56	4.76
	5.66	0.13	0.47	6.26	6.51
Non-Cyclical Consumer Groups					
Food Producers and Processors	1.56	0.39	0.55	2.50	1.27
Health	1.77	–	8.62	10.39	10.04
Packaging	1.63	–	0.39	2.02	2.72
Personal Care and Household Products	–	0.11	0.19	0.30	0.20
Pharmaceuticals	0.20	0.88	–	1.08	2.10
	5.16	1.38	9.75	16.29	16.33

	UK and Continental Europe Unlisted %	Listed %	USA and Elsewhere Unlisted %	Total 1999 %	Total 1998 %
Cyclical Services					
Distributors	3.39	0.26	0.07	3.72	5.62
General Retailers	6.87	0.85	0.29	8.01	8.32
Leisure, Entertainment and Hotels	3.17	1.26	0.91	5.34	6.50
Media and Photography	0.96	0.12	0.54	1.62	4.12
Restaurants, Pubs and Breweries	–	0.18	–	0.18	0.46
Support Services	7.45	0.88	0.04	8.37	8.10
Transport	3.70	–	1.39	5.09	1.46
	25.54	3.55	3.24	32.33	34.58
Non-Cyclical Services					
Food and Drug Retailers	–	0.27	3.48	3.75	4.22
Telecommunications	–	0.23	0.46	0.69	0.82
	–	0.50	3.94	4.44	5.04
Utilities					
Electricity	1.08	–	–	1.08	1.33
Water	–	–	–	–	0.02
	1.08	–	–	1.08	1.35
Financials					
Banks, Retail	–	–	0.21	0.21	0.32
Insurance	1.15	–	0.01	1.16	2.47
Government Companies	2.33	1.70	3.76	7.79	6.31
Real Estate	0.81	0.62	0.14	1.57	2.68
Speciality and Other Finance	3.25	0.58	0.09	3.92	2.20
	7.54	2.90	4.21	14.65	13.98
Information Technology					
Information Technology Hardware	0.03	0.01	1.97	2.01	0.40
Software and Computer Services	1.01	0.75	5.09	6.85	1.70
	1.04	0.76	7.06	8.86	2.10
TOTAL 1999	56.99	11.34	31.67	100.00	–
TOTAL 1998	54.90	22.54	22.56	–	100.00

All classes of investment in one company are treated as equity investments for the purposes of this table.

Report of the Directors

To the Members of Electra Investment Trust PLC

The Directors present the audited Accounts of the Group for the year ended 30 September 1999 and their Report on its affairs. A review of the business of the Group is given on pages 4 to 28.

Investment Trust Status

The principal activity of the Company throughout the year was that of an investment trust. The Inland Revenue has approved the Company as an investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30 September 1998 and the Company's affairs have been directed so as to enable it to continue to seek such approval. The "close company" provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company. Details of the Company's principal subsidiary and associated undertakings are set out in Note 21 to the Accounts.

Investment Objectives and Realisation Strategy

During the year there was a change in the Company's investment objectives and policy as part of the restructuring proposals approved by shareholders on 15 April 1999. The Company now holds its investments with a view to identifying suitable opportunities for realisation within a five year period so as to maximise the value to shareholders of the Company's portfolio of assets. Investments are sold in accordance with the anticipated realisation strategy for each investment and new investments are restricted to existing commitments and value-enhancing, follow-on investments. The net proceeds from realisations are held in cash or short term securities, pending application towards the repayment of borrowings or further distributions to shareholders.

Investment Management Arrangements

During the year, the Company, through a wholly owned subsidiary, purchased the remaining 50% interest in its investment management company, Electra Kingsway Holdings Limited ("Electra Kingsway"). After the year end, the Company sold Electra Kingsway and its business to Electra Partners Limited ("Electra Partners"), a new venture established by senior executives of Electra Kingsway. Electra Partners is responsible for the investment management of a number of limited partnership funds to which the Company has subscribed. The Directors of the Company retain control over its investment policy. Electra Partners manages the Company's investments in accordance with guidelines determined by the Directors and as specified in limited partnership, management and investment guideline agreements. The majority of the Company's investments are made as a limited partner of limited partnership funds.

Results and Dividend

A revenue loss attributable to shareholders of £5.729 million (1998: profit of £8.403 million) was transferred from (1998: to) Revenue Reserves. In accordance with the Company's new investment policy, the Directors do not recommend the payment of a final dividend in respect of the year ended 30 September 1999.

Tender Offer

A Tender Offer to purchase up to 40% of the issued share capital at a price of 786p per share was completed in April 1999 resulting in the purchase for cancellation of 69,239,414 ordinary shares of nominal value of 25p each at a cost of £544 million.

Authority to make Market Purchases of Shares

A special resolution was passed at the Extraordinary General Meeting on 15 April 1999 which authorised the Directors, in accordance with Section 166 of the Companies Act 1985, to make further market purchases of up to 15,568,482 (equal to 14.99%) of the Company's shares. The Directors do not intend to use this authority to purchase shares unless this would result in an increase in net asset value per share and would be in the best interests of shareholders generally. Any exercise of the authority would be subject to the terms of the £750 million multi-currency loan facility put in place to finance the Tender Offer.

Post Balance Sheet Event

At 1 October 1998, the Company held 50% of the issued share capital of Electra Kingsway, which was treated as an associated undertaking. On 15 April 1999 the Company purchased the outstanding 50% through a wholly owned subsidiary, with a view to subsequent sale. On 15 November 1999 the entire holding was sold to Electra Partners Limited, a new company owned by the senior executives of Electra Kingsway.

Multi-Currency Loan Facility

At 30 September 1999, the equivalent of £288 million remained outstanding from the original balance which was drawn down under a £750 million multi-currency loan facility. This was put in place in April 1999 to provide finance for the Company to purchase 69,239,414 of its own shares by way of tender offer.

Directors

The current Directors of the Company are listed on page 6. Mr MC Stoddart, Mr RB Williamson, Mr RA Armstrong, Professor George Bain, The Rt Hon Tom King, Sir Michael Pickard, Mr S Robert and Mr JP Williams were Directors of the Company throughout the year ended 30 September 1999. Mr S Robert retired as a Director of the Company on 1 October 1999. Apart from these persons no other person was a Director of the Company during any part of the year. Mr MC Stoddart, The Rt Hon Tom King and Sir Michael Pickard will retire at the 2000 Annual General Meeting and, being eligible, offer themselves for re-election. Mr MC Stoddart has indicated his intention to retire on 30 April 2000.

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 or of any subsidiary 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 1999 and 19 January 2000.

	30 September 1999 Shares	1 October 1998 Shares
MC Stoddart	327,671	327,671
RB Williamson	9,500	9,500
RA Armstrong	15,000	15,000
Professor George Bain	1,000	—
The Rt Hon Tom King	15,000	15,000
Sir Michael Pickard	28,500	28,500
S Robert*	85,000	85,000
JP Williams	50,000	50,000

* Retired as a Director on 1 October 1999

Substantial Shareholders

At 20 December 1999 the following shareholders had notified an interest of 3% or more in the Company's ordinary shares:

	Shares	%
Prudential plc	5,723,553	5.51
The Equitable Life Assurance Society and its wholly owned subsidiary, the University Life Assurance Society	5,642,846	5.43
The Standard Life Group	3,888,932	3.74
Norwich Union plc	3,384,104	3.26

The Directors have not been notified of any other interests in holdings of 3% or more of the ordinary shares in issue.

Charitable and Political Donations

During the year the Group made no charitable donations (1998: £30,194) nor any political donations (1998:£nil).

Auditors

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

Creditor Payment Policy

The Company agrees the terms of payment with its suppliers when agreeing the terms of each agreement. Suppliers are aware of the terms of payment and the Company abides by the terms of payment. The Group's average creditor payment period at 30 September 1999 was one day (1998: one day) and that of the Company was one day (1998: one day).

Annual General Meeting

The Annual General Meeting will be held on Wednesday 1 March 2000. In addition to the ordinary business the following special business will be considered:

Authority to Purchase Own Shares

A special resolution will be proposed to renew, for one year, the Board's authority to buy the Company's own shares subject to the constraints set out in the resolution. The Board would exercise this power only if satisfied that it was in the interests of shareholders to do so and that the necessary facilities were in place to finance any repurchase.

Articles of Association

A special resolution will be proposed to update the Company's Articles of Association (the "Articles"). The purpose of this update is to incorporate provisions relating to certain technical changes to the ownership and transfer of shares through CREST, other administrative matters and changes to company law and practice and to the Listing Rules of the London Stock Exchange. In order to consolidate these and other changes approved previously by shareholders, the Board considers it appropriate to propose a resolution to adopt an entirely new set of Articles rather than propose further amendments to the existing Articles in the Notice of Annual General Meeting. The principal differences between the existing and the proposed new Articles are set out below. References are to the new Articles unless otherwise stated.

CREST

The proposed new Articles will reflect the relevant provisions of the Uncertificated Securities Regulations 1995 (the "Regulations") relating to transfers of shares through the CREST system. The Company's shares have been traded through CREST since May 1996 pursuant to a Board resolution and the changes merely formalise the existing arrangements. There will be new definitions and operative provisions which will permit, inter alia, transfers of existing shares in uncertificated form through the CREST system and allow the Directors to determine that any new class of shares may be held in uncertificated form and transferred through the CREST system. In addition, a proposed new article 46(d) will reflect Regulation 34 which empowers companies to set a "record date" for determining which persons may attend and vote at meetings of the Company.

Article 59 – Chairman's Powers at General Meetings

The existing provisions are modified to provide that if an amendment to a resolution is moved at a general meeting and is erroneously ruled out of order by the Chairman, proceedings on the substantive resolution shall not be invalidated.

Article 81 – Retirement by Rotation

This Article will reflect the Combined Code on Corporate Governance, which requires all the Directors to submit themselves for re-election at least every three years.

Articles 120 and 132 – Investment Company Status

At the Extraordinary General Meeting on 15 April 1999, approval was given to proposals which authorised the Board to implement a Tender Offer to purchase up to 40% of the then issued share capital and permitted the Company to purchase 69,239,414 of its own shares for cancellation. This necessitated some amendments to the Articles and a revocation of the Company's investment company status. Since that time, certain amendments to the Companies Act 1985 have relaxed the prohibition on distributions of capital profits so that a redemption or purchase of an investment company's own shares may now be funded out of capital profits. The Company's new Articles will reflect these provisions, which will enable it to regain its investment company status while continuing (if appropriate) to repurchase shares using capital profits. Shareholders should note that the changes should not prejudice the ability of the Company to qualify as an investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988.

Article 143 – Suspension of Postal Services

The current provisions relating to the giving of notices by the Company are to be expanded to provide that if, as a result of a postal strike, the Company is unable to convene a general meeting via notices sent through the post then such a meeting may be convened by a notice advertised in at least one national newspaper.

Article 145 – Indemnity

Whilst the Companies Act 1985 permits a company to indemnify its directors and auditors in certain circumstances, the Board is of the view that, in line with current practice, it is not appropriate for these provisions to extend to the Company's auditors. It is therefore proposed to remove the auditors from the scope of the indemnity provisions.

Other Updating

It is proposed to update the Articles generally by replacing certain references to old statutory provisions with the current provisions.

By order of the Board of Directors
PJ Dyke, Secretary, 65 Kingsway, London WC2B 6QT
19 January 2000

Corporate Governance

The Directors of Electra Investment Trust PLC confirm that during the year under review the Company has complied with Section 1 of the Combined Code on Corporate Governance ("the Code") issued by the London Stock Exchange except in relation to Code Provisions A.6.2 (re-election of Directors) and C.2.4 (notice of Annual General Meeting), further details of which are explained below.

The Board of Directors

It is the responsibility of the Board to ensure that there is adequate and effective stewardship of the Company's affairs.

The Board, which meets regularly, was comprised of eight Directors during the year under review, all of whom were non-executive. Mr S Robert resigned as a Director with effect from 1 October 1999. The Chairman devotes approximately three days per week to the affairs of the Company. All of the Directors other than the Chairman have been considered by the Board to be wholly independent under the Code. The Board has nominated Mr RB Williamson as the Senior Independent Director.

Article 81 of the Company's current Articles of Association requires that, save for a Director appointed to the office of Managing Director or Manager, one-third of the Directors (or the number nearest to but not greater than one-third) shall retire from office at each Annual General Meeting. Technically therefore this Article does not comply with Code Provision A.6.2 which requires all Directors to submit themselves for re-election at least every three years. At the Annual General Meeting to be held on 1 March 2000 it is proposed to update the Articles of Association to ensure that all Directors shall be subject to election and re-election by shareholders in compliance with Code Provision A.6.2.

The Board has agreed a schedule of matters reserved for its specific approval, which includes the regular review of the Company's management agreements with Electra Partners, together with the monitoring of the performance thereunder. The management agreements set out the matters over which Electra Partners has authority in accordance with the policies and directions of the Board. During the year under review two Directors nominated by the Board acted as Directors of Electra Kingsway Holdings.

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 Board as a whole.

The Audit Committee

The Board has an Audit Committee, comprising all the Directors, with specified terms of reference. Mr RB Williamson was Chairman of the Audit Committee until 1 January 1999, when Mr RA Armstrong was appointed in his place. The principal role of the Chairman of the Audit 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 once a year to determine the emoluments of the Directors and of the Chairman. The Remuneration Committee comprises all the Directors of the Company other than the Chairman, who takes no part in determining his own remuneration. Mr JP Williams was Chairman of the Remuneration Committee until 19 May 1999 when Mr RB Williamson became Chairman in his place. 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 the responsibilities and duties undertaken by the Directors. None of the Directors has a service contract.

The Nomination Committee

The Company's Nomination Committee meets on an ad hoc basis to consider suitable candidates for appointment as Director. The Chairman of the Nomination Committee is the Chairman of the Company. The Nomination Committee comprises all the Directors of the Company.

New appointments 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.

The Company's Relationship with its Shareholders

The Company maintains regular dialogue with its institutional shareholders and City analysts, with a variety of presentations and visits being undertaken throughout the year. Meetings are held with principal shareholders to discuss relevant issues as they arise. All shareholders are welcome to attend the Annual General Meeting.

The Company arranged for shareholders to be given 21 days' notice of its 1999 Annual General Meeting in accordance with statutory requirements. Following recommendations of the Code, it is the intention that the Notice of the 2000 Annual General Meeting will have been despatched to shareholders not less than 20 working days before the Meeting.

Internal Financial Control

The Board's report on internal financial controls is prepared pursuant to the guidance for directors on internal controls and financial reporting that was issued by the London Stock Exchange in December 1994. The Board is considering the implementation of the additional reporting requirements relating to internal controls and assessment of business risks recommended by the Turnbull Committee to the London Stock Exchange which have become effective for accounting periods ending on or after 23 December 1999.

The Board is responsible for the Company's system of internal financial control. Internal control systems are designed to meet the particular needs of the Company and the risk to which it is exposed and provide reasonable assurance against material misstatement or loss. The Board has reviewed the effectiveness of the systems of internal financial control of the Company over the last 12 months.

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 financial control mainly comprises monitoring 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 financial 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 portfolio are monitored by the Directors at their Board Meetings to ensure that the Company's investment strategy is met. The Board also regularly discusses the investment performance with senior executives of Electra Partners.
- Management Systems – Electra Partners' system of internal financial control includes clear lines of responsibility, delegated authority, control procedures and systems. Electra Partners' compliance department monitors compliance with IMRO rules.

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

- The Board reviews the terms of the management agreements and receives regular reports from Electra Partners' executives.
- The Board reviews the certificates provided by Electra Partners, 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.

Year 2000 Compliance

The Company itself has no business critical systems. However, Electra Partners has kept and will continue to keep the Board informed, to the Board's satisfaction, of action taken and progress made by Electra Partners to ensure, so far as possible, that the Company suffers no significant disruption to operations deriving from the use of computers. As part of its Year 2000 Programme, Electra Partners has monitored and continues to monitor Year 2000 compliance from the point of view of its own business and operations and also the business and operations of both those companies in which the Company has invested and the Company's suppliers.

Although Electra Partners has sought assurance from investee companies that they are Year 2000 compliant, there can be no guarantee that investee companies will not suffer adverse consequences as a result of the Year 2000 computer problem. Electra Partners has advised the Board of the steps it has taken to monitor Year 2000 compliance by such investee companies.

All costs in respect of Year 2000 compliance have been incurred by Electra Partners as part of an upgrade of its computer systems.

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.

Directors' Responsibilities for Preparing the Accounts

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of that year and of the net revenue and gains of the Group for that year. 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 Group 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 of the Group 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 of the Group 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.

Report of the Auditors

To the Members of Electra Investment Trust PLC

We have audited the financial statements of Electra Investment Trust PLC on pages 38 to 60 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed asset investments and the accounting policies on pages 44 to 46.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 36 this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 statement on pages 33 to 35 reflects the company's compliance with the seven provisions of the Combined Code on Corporate Governance specified for our review by the London Stock Exchange, and we report it if 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 and the Group at 30 September 1999 and of the total return and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
19 January 2000

Consolidated Statement of Total Return (incorporating the Revenue Account)

For the year ended 30 September							
Note		Revenue £'000	Capital £'000	1999 Total £'000	Revenue £'000	Capital £'000	1998 Total £'000
	Gains/(losses) on investments:						
18	Realised	-	198,991	198,991	-	75,100	75,100
18	Unrealised	-	198,617	198,617	-	(15,594)	(15,594)
	Gains/(losses) on revaluation of foreign currencies:						
18	Realised	-	2,862	2,862	-	(141)	(141)
18	Unrealised	-	4,495	4,495	-	3,709	3,709
		-	404,965	404,965	-	63,074	63,074
1	Income of the investment trust	45,429	-	45,429	50,531	-	50,531
2	Income of subsidiary undertakings	1,443	-	1,443	3,709	-	3,709
3	Expenses:						
	Priority profit share paid to general partners	(13,082)	-	(13,082)	(7,336)	(7,336)	(14,672)
	Management fee	(3,350)	-	(3,350)	-	-	-
	Other expenses	(18,346)	-	(18,346)	(3,255)	-	(3,255)
	Reversal of income accruals	(2,442)	-	(2,442)	(5,275)	-	(5,275)
	Net Return before Finance Costs and Taxation	9,652	404,965	414,617	38,374	55,738	94,112
6	Interest payable and similar charges	(18,078)	-	(18,078)	(4,421)	(4,421)	(8,842)
	Income from interest in associated undertaking	4,816	-	4,816	4,981	-	4,981
	Return on Ordinary Activities before Taxation	(3,610)	404,965	401,355	38,934	51,317	90,251
7	Taxation on ordinary activities	(2,119)	-	(2,119)	(11,187)	3,841	(7,346)
	Return on Ordinary Activities after Taxation	(5,729)	404,965	399,236	27,747	55,158	82,905
9	Ordinary dividend	-	-	-	(19,344)	-	(19,344)
	Transfers (from)/to Reserves for the Year	(5,729)	404,965	399,236	8,403	55,158	63,561
	Exchange differences arising on consolidation	224	171	395	(259)	(785)	(1,044)
18	Net Transfers (from)/to Reserves for the Year	(5,505)	405,136	399,631	8,144	54,373	62,517
10	Return to Shareholders per Ordinary Share	(4.04p)	285.59p	281.55p	16.03p	31.86p	47.89p

The amounts dealt with in the Consolidated Statement of Total Return are all derived from continuing activities except income from interest in associated undertaking £4,816,000 (1998: £4,981,000) less taxation on ordinary activities of £816,000 (1998: £1,499,000), attributable to the interest in the associated undertaking.

Reconciliation of Total Shareholders' Funds

	Year to 30 Sept 1999 £'000	Year to 30 Sept 1998 £'000
Total Return	399,236	82,905
Ordinary dividend	–	(19,344)
	399,236	63,561
Exchange differences arising on consolidation	395	(1,044)
Repurchase of own shares	(540,180)	–
Nominal value of own shares repurchased	(17,310)	–
Movements in Total Equity Shareholders' Funds	(157,859)	62,517
Total Equity Shareholders' Funds at 1 October	1,145,319	1,082,802
Total Equity Shareholders' Funds at 30 September	987,460	1,145,319

Consolidated Balance Sheet

Note	As at 30 Sept 1999		As at 30 Sept 1998	
	£'000	£'000	£'000	£'000
Fixed Assets				
11 Investments:				
Associated undertaking		9,033		5,532
Unlisted		1,040,495		878,168
Listed		133,073		255,561
		1,182,601		1,139,261
Current Assets				
12 Debtors	35,969		29,843	
13 Investments	26,567		2,826	
Cash at bank and in hand	39,607		205,269	
	102,143		237,938	
Current Liabilities				
14 Creditors: amounts falling due within one year	8,896		20,270	
Net Current Assets		93,247		217,668
Total Assets less Current Liabilities		1,275,848		1,356,929
15 Creditors: amounts falling due after more than one year		288,388		211,610
Net Assets		987,460		1,145,319
Capital and Reserves				
17 Called-up share capital		25,965		43,275
18 Share premium	24,147		24,147	
18 Capital redemption reserve	17,310		—	
18 Realised capital profits	719,319		958,494	
18 Unrealised capital profits	157,596		70,775	
18 Revenue profits	43,123		48,628	
		961,495		1,102,044
Total Equity Shareholders' Funds		987,460		1,145,319

Balance Sheet

Note	As at 30 Sept 1999		As at 30 Sept 1998	
	£'000	£'000	£'000	£'000
Fixed Assets				
11 Investments:				
Subsidiary undertakings		9,044		9,044
Associated undertaking		–		30,627
Unlisted		943,187		871,481
Listed		133,073		255,561
		1,085,304		1,166,713
Current Assets				
12 Debtors	69,191		35,883	
Cash at bank and in hand	39,129		204,878	
	108,320		240,761	
Current Liabilities				
14 Creditors: amounts falling due within one year	71,164		32,936	
Net Current Assets		37,156		207,825
Total Assets less Current Liabilities		1,122,460		1,374,538
15 Creditors: amounts falling due after more than one year		140,816		211,610
Net Assets		981,644		1,162,928
Capital and Reserves				
17 Called-up share capital		25,965		43,275
18 Share premium	24,147		24,147	
18 Capital redemption reserve	17,310		–	
18 Realised capital profits	729,585		964,586	
18 Unrealised capital profits	157,982		101,040	
18 Revenue profits	26,655		29,880	
		955,679		1,119,653
Total Equity Shareholders' Funds		981,644		1,162,928

The Accounts on pages 38 to 60 were approved by the Directors on 19 January 2000 and were signed on their behalf by:
Michael Stoddart, *Chairman*

Consolidated Cash Flow Statement

For the year ended 30 September		1999	1998
Note	£'000	£'000	£'000
Operating Activities			
Franked investment income	4,739		7,563
Unfranked investment income	17,295		8,243
Partnership income	617		2,262
Dividend from associated undertaking	-		1,950
Interest income	7,433		3,987
Other income	437		3,185
Expenses	(23,287)		(4,060)
a Net Cash Inflow from Operating Activities		7,234	23,130
Returns on Investments and Servicing of Finance			
Interest paid	(17,062)		(9,254)
Net Cash Outflow from Returns on Investments and Servicing of Finance		(17,062)	(9,254)
Taxation Paid			
Corporation tax	(310)		(1,806)
Overseas tax	(61)		(127)
Total Taxation Paid		(371)	(1,933)
Capital Expenditure and Financial Investment			
Purchases of investments	(272,118)		(417,956)
Sales of investments	628,483		457,135
Net Cash Inflow from Capital Expenditure and Financial Investment		356,365	39,179
Acquisitions and disposals			
Purchase of subsidiary held for resale and net cash outflow for acquisitions and disposals		(30,150)	-
Equity Dividends Paid		(10,386)	(18,908)
Net Cash Inflow before Management of Liquid Resources and Financing		305,630	32,214
b Management of Liquid Resources		85,200	(78,200)
b Financing			
Bank loans drawn	693,813		75,184
Bank loans repaid	(615,463)		-
Loans received	2,063		1,821
Loans advanced	-		(1,669)
Repurchase of own shares	(557,490)		-
Net Cash (Outflow)/Inflow from Financing		(477,077)	75,336
(Decrease)/Increase in Cash in the Year		(86,247)	29,350

Notes to the Consolidated Cash Flow Statement

	Year to 30 Sept 1999 £'000	Year to 30 Sept 1998 £'000		
a Reconciliation of Net Return before Finance Costs and Taxation to Net Cash Inflow from Operating Activities				
Net return before finance costs and taxation but including interest in associated undertaking	14,468	43,355		
Priority profit share charged to capital	–	(7,336)		
Profit on sale of current assets investments	(591)	(1,011)		
Exchange difference	395	(259)		
Decrease in trade creditors	(3)	(213)		
Decrease/(increase) in other debtors and prepayments	483	(5,618)		
Taxation deducted at source on investment income	(2,751)	(5,053)		
Increase in other creditors and accruals	49	2,168		
Decrease in trade debtors	–	128		
Share of profit of associated undertaking	(4,816)	(4,981)		
Dividend received from associated undertaking	–	1,950		
Net Cash Inflow from Operating Activities	7,234	23,130		
b Analysis of Net Debt				
	At 1 Oct 1998 £'000	Cash Flow £'000	Exchange Movements £'000	At 30 Sept 1999 £'000
Net cash:				
Cash at bank and in hand	205,269	(171,447)	5,785	39,607
Less deposits treated as liquid resources	(85,200)	85,200	–	–
	120,069	(86,247)	5,785	39,607
Liquid resources:				
Deposits on money market	85,200	(85,200)	–	–
Debt:				
Bank loans	(211,610)	(78,350)	1,572	(288,388)
	(6,341)	(249,797)	7,357	(248,781)

Statement of Accounting Policies

Principal Accounting Policies

The Accounts have been prepared in accordance with Accounting Standards applicable in the United Kingdom except for the policies relating to unlisted investments described below.

Loss of Investment Company Status

A technical consequence of the purchase of its own shares in the year resulted in the Company ceasing to be recognised as an investment company within the meaning of Section 266 of the Companies Act 1985. However, the Company continued to conduct its affairs as an investment trust for taxation purposes under Section 842 of the Income and Corporation Taxes Act 1988 and the Articles of the Company prohibit capital profits from being distributed by way of dividend.

As such the Directors consider it appropriate to continue to present the accounts in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (the SORP). Under the SORP, the financial performance of the Company is presented in a statement of total return in which discloses separately income and capital gains.

The revenue account excludes certain capital items which, since the Company is no longer an investment company, would under the Companies Act 1985 and FRS3 need to be disclosed in the profit and loss account. It excludes realised profits of £201,853,000 (1998: £74,959,000) and management expenses and finance costs charged to capital of £nil (1998: £11,757,000) less tax relief thereon of £nil (1998: £3,841,000). In the opinion of the Directors the inclusion of the gains and losses from disposals in the profit and loss account would be misleading because it would obscure and distort both the revenue and capital performance of the Company and would not show clearly the revenue profits emerging to be distributed by way of a dividend.

The Directors therefore consider that these departures from the specific provision of Schedule 4 of the Companies Act 1985 and accounting standards relating to the form and content of accounts for companies other than investment companies are necessary to give a true and fair view. The departures have no effect on total return or on the balance sheet.

Basis of Accounting

The Accounts are prepared on the historical cost basis of accounting, modified to include the revaluation of certain assets.

Company Profit and Loss Account

As permitted by Section 230 of the Companies Act 1985, the Company's Profit and Loss Account has not been included in these financial statements.

Basis of Consolidation

The consolidated Accounts include in full the Company and its subsidiary undertakings. Where subsidiaries are acquired or sold during the year their results are included in the consolidated accounts from the date of acquisition and up to the date of disposal respectively. Any subsidiaries which have been acquired in the period and whose interest is held exclusively with a view to subsequent resale have not been consolidated. As of 1 October 1998 goodwill arising on acquisition is capitalised as an intangible asset and amortised over its useful economic life. Prior to this date all goodwill was written off to reserves.

Limited Partnership Funds

Investments made by the Company in limited partnership funds managed within the Electra Kingsway Holdings Group, are accounted for as listed or unlisted investments, dependent on the underlying nature of the investments held within the limited partnership funds. The Group incorporates its attributable proportion as a limited partner of the assets and liabilities and income and expenditure of these funds. Investments in other limited partnership funds are treated as unlisted investments and disclosed separately (see Note 11).

Listed Investments

The listed investment portfolio is held within a limited partnership fund managed within the Electra Kingsway Holdings Group. The investments comprising the Group's interest in this fund are disclosed as listed investments (see Note 11).

Listed investments are stated at mid-market prices at the year end. Investments in overseas companies listed both abroad and on The London Stock Exchange are classified as investments listed overseas.

Unlisted Investments

Unlisted investments and long term leasehold investment properties are held at Directors' valuation as fixed asset investments. These investments are made with the express intention of capital appreciation and receipt of income and may be held through limited partnership funds or directly by the Company or Group.

Associated Undertaking

The Group's share of profits less losses of this associated undertaking is included in the Consolidated Statement of Total Return and the Group's share of its net assets is included in the Consolidated Balance Sheet.

Current Asset Investments

The asset held exclusively for resale is valued at the lower of cost or net realisable value.

Other current asset investments include dealing investments. These are individually stated at the lower of cost or mid-market value for listed investments and at the lower of cost or Directors' valuation for unlisted investments.

Foreign Currencies

Assets, liabilities and the results of subsidiaries recorded in foreign currencies are translated into sterling at exchange rates at the year end. Exchange differences arising from the re-translation of the opening net investments in subsidiary undertakings are taken to reserves and are reported in the Consolidated Statement of Total Return.

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency assets and liabilities are translated at the exchange rate at the year end or the exchange rate of a related forward exchange contract where appropriate. The resulting differences on investments and borrowings are taken to reserves. All other foreign exchange differences are taken to the Consolidated Statement of Total Return in the year in which they arise.

Income

Dividends receivable from equity shares are brought into account on the ex-dividend date or, where no ex-dividend date is quoted, are brought into account when the Company's right to receive payment is established. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the shares and debt securities. Deep discounts on debt securities are recognised on an effective yield basis and recorded as revenue. Where there is a reasonable doubt that a return, which falls within the accounting period, will actually be received by the Company, the recognition of the return is deferred until the reasonable doubt has been removed. Where income accruals previously recognised, but not received, are no longer considered to be reasonably expected to be received, either through investee company restructuring or doubt over receipt, then these amounts are reversed through expenses.

Priority Profit Share and Management Fee

The majority of the investments are made by the Company in limited partnership funds managed by Electra Partners. The general partners of these funds are subsidiary undertakings of Electra Partners. Under the terms of the limited partnership agreements the general partner was entitled to appropriate, as a first charge on the net income or net capital gains of the limited partnership funds, an amount equivalent to its priority profit share. In periods in which the limited partnership funds had not yet earned sufficient net income or net capital gain to satisfy this priority profit share the entitlement was carried forward to the following period. In all instances the cash amount paid to the general partner in each period was equivalent to the priority profit share. Notwithstanding that insufficient net income or net capital gains may have been earned, where the cash amount paid exceeds the net income or net capital gains, an interest free loan was created.

In order to reflect the substance of these transactions, revenue and/or capital is included in the Group and Company Accounts to reflect the type of return appropriated by the general partners in satisfaction of their priority profit shares, and expenses or interest free loans are included to reflect the proportion of the Company's net income and/or net capital gain in the limited partnership funds that has been paid to the general partners by way of priority profit shares.

In previous years, the priority profit was allocated 50% to capital and 50% to revenue which was in line with the Board's expected long term split of returns in the form of capital gains and income respectively from the investment portfolio of the Company. As a result of the change in investment strategy, outlined in the circular to shareholders dated 17 March 1999, the priority profit share has been charged wholly to revenue with effect from 1 October 1998.

On 29 June 1999, the Company's consent was obtained to amend the partnership agreements in respect of the limited partnerships of which the Company is the sole limited partner except for JF Electra. This has resulted in the termination of the priority profit share commencing on the date of consent. This has been replaced with a management fee, which is recognised on an accruals basis.

Finance Costs

In previous years finance costs of debts, insofar as they relate to the financing of the Company's investments or to financing activities aimed at maintaining or enhancing the value of the Company's investments, were allocated 50% to realised capital reserves and 50% to revenue. This treatment was in line with the Board's expected long term split of returns in the form of capital gains and income respectively from the investment portfolio.

As a result of a change in investment strategy outlined in the circular to shareholders dated 17 March 1999, the finance costs of debt has been charged wholly to revenue with effect from 1 October 1998.

Notes to the Accounts

1 Income of the Investment Trust

	£'000	Year to 30 Sept 1999 £'000	£'000	Year to 30 Sept 1998 £'000
Franked Investment Income from Fixed Asset				
Investments				
Unlisted – UK	3,498		7,816	
Listed – UK	3,986		7,590	
Partnership interests – UK [†]	10,180		–	
		17,664		15,406
Unfranked Investment Income from Fixed Asset				
Investments				
Unlisted – UK	16,110		14,689	
Unlisted – overseas	1,259		1,676	
Listed – UK	822		–	
Listed – overseas	576		–	
Partnership interests – UK [†]	1,328		14,094	
		20,095		30,459
		37,759		45,865
Interest Receivable and Other Income				
Bank interest receivable	7,263		3,971	
Underwriting commission	163		438	
Rents receivable	244		244	
Other income	–		13	
		7,670		4,666
		45,429		50,531

[†] This represents the income that has been appropriated by the general partners of the limited partnership funds (see Note 3).

2 Income of Subsidiary Undertakings

Unfranked Investment Income from Fixed Asset				
Investments				
Partnership interests – UK	600		249	
Partnership interests – overseas	17		40	
		617		289
Investment Income from Current Asset				
Investments				
Listed – UK – franked		65		30
		682		319
Interest Receivable and Other Income				
Bank interest receivable	170		16	
Underwriting commission	–		9	
Investment dealing	591		3,365	
		761		3,390
		1,443		3,709

3 Expenses

Year to 30 September	Revenue £'000	Capital £'000	1999 Total £'000	Revenue £'000	Capital £'000	1998 Total £'000
Priority profit share paid to general partners	13,082	-	13,082	7,336	7,336	14,672
Management fee	3,350	-	3,350	-	-	-
	16,432	-	16,432	7,336	7,336	14,672

In order to reflect the substance of the priority profit share as discussed in the accounting policies, revenue and/or capital is included in the Group and Company Accounts to reflect the type of return appropriated by the general partners in satisfaction of their priority profit shares, expenses and interest free loans are included to reflect the proportion of the Company's investment in the limited partnership funds that has been paid to the general partners by way of priority profit shares.

As a result of a change of investment strategy, the priority profit share is charged solely against revenue with effect from 1 October 1998. The allocation method applied in prior years resulted in the priority profit share being allocated 50% to capital and 50% to revenue.

The amendment of the partnership agreements in respect of the limited partnerships of which the Company is a limited partner except for JF Electra, has resulted in the termination of the priority profit share. The effective date was 29 June 1999 when the Company's consent was obtained. This has been replaced with a management fee, which is recognised on an accruals basis.

Other expenses

Administrative expenses	15,719	-	15,719	1,744	-	1,744
Directors' remuneration (see Note 4)	655	-	655	1,221	-	1,221
Auditors' remuneration						
Audit fees (Company 1999: £100,000, 1998: £120,000)	100	-	100	120	-	120
Advisory services (Company 1999: £1,872,000, 1998: £170,000)	1,872	-	1,872	170	-	170
	18,346	-	18,346	3,255	-	3,255

Included within Administrative expenses are costs of £12,949,000 relating to restructuring proposals and the 3i bid defence (see also Note 17). It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where their expertise and experience with the Group are important, principally in advisory, consultancy, tax and other services. Advisory services in the year were primarily in respect of the defence of the 3i bid and subsequent restructuring which has been referred to in the Chairman's Statement (see pages 4 and 5).

Reversal of income accruals	2,442	-	2,442	5,275	-	5,275
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The reversal of income represents income previously recognised, but not received, in accordance with the requirements of the AITC SORP. The reversals relate substantially to returns on investments which, due to restructuring by the investee companies, are likely to be realised as capital.

4 Directors' Remuneration

	Year to 30 Sept 1999 £'000	Year to 30 Sept 1998 £'000
Chairman's remuneration	185	89
Directors' fees	196	165
Long term performance related bonus	-	967
Bonus *	274	-
	655	1,221
Emoluments		
Chairman and highest paid Director: remuneration	185	89
Long term performance related bonus	-	967
Bonus *	224	-
	409	1,056

* Bonus paid to the Chairman and other Directors in respect of duties in connection with the restructuring of the Group.

4 Directors' Remuneration continued

In addition the Chairman received fees amounting to £32,000 (1998: £59,000) from Electra Kingsway, and £nil (1998: £37,000) in respect of Directorships held by him in companies in which the Company held an investment. No pension contributions were made in respect of any Directors and no Director will receive any pension from any company within the Group. The number of Directors of the Company whose emoluments were within the following bands are set out below:

	1999 Number	1998 Number		1999 Number	1998 Number
£20,001 – £25,000	–	6	£ 40,001 – £45,000	1	–
£25,001 – £30,000	–	2	£ 70,001 – £75,000	1	–
£30,001 – £35,000	2	–	£ 405,001 – £410,000	1	–
£35,001 – £40,000	3	–	£1,055,001 – £1,060,000	–	1

During the year one Director (1998: nil) waived remuneration amounting to £23,000 (1998: £nil).

5 Employees (Excluding Directors)

The Company has no employees (1998: nil).

6 Interest Payable

Year to 30 September

	Revenue £'000	Capital £'000	1999 Total £'000	Revenue £'000	Capital £'000	1998 Total £'000
Loans Repayable between One and Five Years						
Bank loans	15,608	–	15,608	4,419	4,419	8,838
Loans Repayable within One Year						
Bank loans	2,470	–	2,470	2	2	4
	18,078	–	18,078	4,421	4,421	8,842

7 Taxation on Ordinary Activities

Based on the Profits for the Year

Corporation tax at 30% (1998: 31%)

Current taxation	(1,362)	–	(1,362)	5,351	(1,567)	3,784
Prior year adjustment	285	–	285	64	–	64
Tax on priority profit share	–	–	–	2,274	(2,274)	–
Recoverable ACT	–	–	–	(1,215)	–	(1,215)
Tax credits on franked investment income	2,319	–	2,319	3,087	–	3,087
Overseas taxation	61	–	61	207	–	207
Double taxation relief	–	–	–	(80)	–	(80)
	1,303	–	1,303	9,688	(3,841)	5,847
Associated undertaking	816	–	816	1,499	–	1,499
	2,119	–	2,119	11,187	(3,841)	7,346

Advance Corporation Tax on UK dividends was abolished on 6 April 1999.

8 Revenue Return Attributable to Shareholders

The Revenue Return attributable to shareholders includes a loss of £3,225,000 (1998: profit of £25,235,000) which has been dealt with in the Accounts of the Company.

9 Dividends

	Per share p	Year to 30 Sept 1999 £'000	Per share p	Year to 30 Sept 1998 £'000
Interim paid	–	–	5.175	8,958
Proposed final	–	–	6.000	10,386
	–	–	11.175	19,344

10 Return to Shareholders per Ordinary Share

The calculation of revenue return per share is based on the revenue return attributable to shareholders of (£5,729,000) (1998: £27,747,000) and on a weighted average number of 141,798,525 (1998: 173,098,534) ordinary shares of 25p.

The calculation of capital return per share is based on the capital return attributable to ordinary shareholders of £404,965,000 (1998: £55,158,000) and on a weighted average number of 141,798,525 (1998: 173,098,534) ordinary shares of 25p.

11 Fixed Asset Investments

	Group		Company	
	30 Sept 1999 £'000	30 Sept 1998 £'000	30 Sept 1999 £'000	30 Sept 1998 £'000
Subsidiary Undertakings at Directors' Valuation				
Unlisted – UK and Continental Europe	–	–	1,445	1,445
Unlisted – USA and Other	–	–	7,599	7,599
	–	–	9,044	9,044
Associated Undertaking				
Unlisted – UK and Continental Europe	9,033	5,532	–	30,627

In the Group the associated undertaking is stated in the Balance Sheet at the Group's share of net assets. In the Company the associated undertaking is stated in the Balance Sheet at Directors' valuation.

Electra Kingsway Holdings Limited (Electra Kingsway) was treated as an associated undertaking in the prior year accounts. On 15 April 1999 the remaining 50% of Electra Kingsway was purchased by a wholly owned subsidiary. This 50% shareholding has been excluded from consolidation in the Group accounts on the grounds that it is held for resale (see Note 13). The original investment has continued to be equity accounted in accordance with FRS2 paragraph 29 as shown above.

Unlisted at Directors' Valuation

UK and Continental Europe	643,751	600,936	552,025	600,936
USA and Other	316,184	195,724	314,376	193,214
Partnership interests – UK and Continental Europe	25,308	21,403	23,334	18,757
Partnership interests – USA and Other	55,252	60,105	53,452	58,574
	1,040,495	878,168	943,187	871,481

Listed at Market Value

UK and Continental Europe	133,073	255,561	133,073	255,561
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The market value of investments listed on a recognised investment exchange is £133,073,000 (1998: £255,561,000).

11 Fixed Asset Investments continued

	Investments £'000	Group Associate £'000	Company £'000
Valuation at 1 October 1998			
Investments	1,133,729	–	1,127,042
Subsidiary undertakings	–	–	9,044
Associated undertaking	–	5,532	30,627
	1,133,729	5,532	1,166,713
Changes due to currency movements	4,969	–	4,969
Net income from associated undertaking credited through consolidated statement of total return	–	4,000	–
	1,138,698	9,532	1,171,682
Purchases – at cost	255,687	–	162,153
	1,394,385	9,532	1,333,835
Disposals – at valuation 1 October 1998	(425,616)	–	(453,653)
	968,769	9,532	880,182
Increase/(decrease) in valuation	204,799	(499)	205,122
Valuation at 30 September 1999	1,173,568	9,033	1,085,304
Cost at 30 September 1999	1,011,877	2,592	927,773

The amount of investments held in limited partnership funds that are managed by Electra Partners is £923,517,000 (1998: £924,764,000).

12 Debtors

	30 Sept 1999 £'000	Group 30 Sept 1998 £'000	Company 30 Sept 1999 £'000	30 Sept 1998 £'000
Amounts Falling Due within One Year				
Sales for future settlement	9,466	3,755	9,466	3,755
Trade debtors	1,198	–	–	–
Taxation recoverable	2,783	3,191	2,736	3,191
Amounts owed by subsidiary undertakings	–	–	36,162	6,648
Amounts owed by associated undertaking	2,889	908	1,745	712
Other debtors	1,727	3,172	1,176	2,760
Prepayments and accrued income	17,906	18,817	17,906	18,817
	35,969	29,843	69,191	35,883

13 Current Asset Investments

Interest in asset held exclusively for resale (see Note 11)	24,467	–	–	–
Listed – UK	2,100	2,826	–	–
	26,567	2,826	–	–

The market value of listed investments at 30 September 1999 is £2,201,000 (1998: £2,993,000). Of this total £2,201,000 relates to investments listed on a recognised investment exchange (1998: £2,993,000).

14 Creditors

	Group		Company	
	30 Sept 1999 £'000	30 Sept 1998 £'000	30 Sept 1999 £'000	30 Sept 1998 £'000
Amounts Falling Due within One Year				
Purchases for future settlement	-	1,956	-	1,956
Trade creditors	-	39	-	-
Amounts owed to subsidiary undertakings	-	-	63,183	13,808
Amounts owed to associated undertaking	6,299	4,338	6,105	4,321
Proposed final dividend	-	10,386	-	10,386
Corporation tax	-	2,215	-	1,139
Other taxation	21	8	8	1
Other creditors	2,576	1,328	1,868	1,325
	8,896	20,270	71,164	32,936

15 Creditors**Amounts Falling Due after more than One Year**

Bank loans				
between one and two years	6,562	211,610	6,562	211,610
2-5 years	281,826	-	134,254	-
	288,388	211,610	140,816	211,610

The above borrowings are secured by a floating charge over the assets of the group. A variable rate of interest is charged on the bank loans.

16 Financial Instruments**(i) Management of Risk**

As an investment trust, the Group's investment objective is to seek capital growth from a portfolio of securities drawn from markets both within the UK and worldwide. The holding of these financial instruments to meet this objective results in certain risks.

The Group's financial instruments comprise:

1. Securities in unquoted and quoted companies, and partnership interests which are held in accordance with the Group's investment objective set out in the Investment Manager's Review on pages 10 to 28.
2. A loan facility, the purpose of which was to finance the share repurchase in the year and to refinance existing debt.
3. Cash, liquid resources and short-term debtors and creditors that arise directly from the Group's operations.

At the beginning of the year, the investment objective was to make investments in private companies which would make significant capital returns in excess of the returns of the FTSE All-Share and FTSE SmallCap Indices. A special resolution was passed on 15 April 1999 which resulted in a change in the investment policy of the Group. Investments are held with a view to identifying suitable opportunities for realisation within a five year period. New investments will be restricted to existing commitments and value-enhancing follow-on investments.

Trading in quoted securities has occurred during the year through a wholly owned subsidiary of the Group.

The main risks arising from the Group's financial instruments are fluctuations in market price, interest rate and foreign currency exchange rate risk. The Board reviews and agrees policies for managing each of these risks which are summarised below. These policies have remained constant throughout the year under review.

Market Risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Group's operations. It represents the potential loss the Group might suffer through holding market positions in the face of price movements, mitigated by stock selection.

16 Financial Instruments continued**Interest Rate Risk**

The Group finances its operations through retained profits including both realised and unrealised capital profits. In addition, financing has been obtained through a loan facility. At the beginning of the year, a foreign currency loan facility was in existence which was replaced during the year with a long-term loan facility. Three quarters of the initial drawdown of the loan facility was in sterling with the remaining amounts in US Dollars and Euros. Both of these loans were at floating rates of interest.

The cash balances held on deposit mitigate in part the interest rate risk. A special resolution was passed on 15 April 1999 which resulted in a change in the investment policy of the Group Investments will now be held with a view to identifying suitable opportunities for realisation over a five year period. The resultant proceeds will be held as cash or short-term securities and used towards the repayment of the facility.

Interest rate risk profiles for financial assets and liabilities are shown in the part (iii) of the Note. These profiles exclude short term debtors and creditors.

Liquidity Risk

The Group's assets comprise of listed and unlisted equity and non-equity shares and fixed income securities. As a result of the realisation policy approved by shareholders on 15 April 1999, there have been significant disposals in the period in respect of listed investments, which have been used to repay the loan facility. As a result the Group's liquidity has decreased in the period. Short-term flexibility is achieved through the loan facility.

The maturity of the Group's existing borrowings are set out in part (iv) of the Note.

Foreign Currency Risk

The Group's total return and net assets are affected by currency translation movements as a significant proportion of the investments held in the year are denominated in currencies other than sterling.

Revenue received in currencies other than sterling is converted into sterling at the date of the transaction. Foreign currency assets and liabilities are translated at the year-end rate. The treatment of foreign currency transactions has been described in greater detail in the accounting policies note on page 45.

The foreign investments held are principally in the USA, Continental Europe and the Far East. There are also some investments in Latin America.

At the beginning of the year, the Company had loans denominated in US dollars and certain European Currencies. These short term foreign currency loan were replaced on 16 April 1999 with a long-term loan facility. A third of the loan facility obtained was drawdown in US Dollars and Euros, which partially offsets exchange rate risk suffered on foreign investments held.

Foreign currency exposures are analysed in part (ii) of the Note.

(ii) Foreign Currency Exposures

A portion of the financial assets and financial liabilities of the Group are denominated in currencies other than sterling, which will impact the net assets and return of the Group as at 30 September 1999.

Currency	Foreign currency monetary assets £'000	Foreign Currency monetary liabilities £'000	Net foreign currency monetary assets £'000
US Dollar	286,907	97,444	189,463
Other	200,888	97,342	103,546
Total	487,795	194,786	293,009

(iii) Interest rate risk profile of financial assets and liabilities**Financial Assets**

The financial instruments held by the Group include equity and non-equity shares as well as fixed interest securities. The type of income generated from these financial instruments is shown as at 30 September 1999.

Currency	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Sterling	725,380	69,024	312,528	343,828
US Dollar	286,907	1,026	21,720	264,161
Other	200,888	1	24,122	176,765
Total	1,213,175	70,051	358,370	784,754

16 Financial Instruments continued

Currency	Fixed rate financial assets weighted average interest rate %	Fixed rate financial assets on which no interest is paid Weighted average period until maturity years
Sterling	5.4	3.1
US Dollar	9.6	3.1
Other	4.9	3.2

The equity shares held have no interest payable and do not have a stated maturity date. However, as stated above, the Group aims to realise the portfolio within five years in order to wind down the investment trust.

Financial Liabilities

The interest rate profile of the financial liabilities as at 30 September 1999 was:

Currency	Floating rate financial liabilities £'000
Sterling	93,602
US Dollar	97,444
Other	97,342
Total	288,388

The floating rate financial liabilities comprise a loan facility based on a rate per annum, the aggregate of margin, LIBOR and mandatory cost. The Group does not currently hold fixed rate interest bearing financial liabilities, or financial liabilities on which no interest is paid.

(iv) Maturity of financial liabilities

The maturity profile of the Group's financial liabilities as at 30 September 1999 was:

	£'000
Between one and two years	6,562
Between two and five years	281,826
	288,388

(v) Fair values of financial assets and liabilities

All the financial assets of the Group are held at fair value as at 30 September 1999.

	Book Value and Fair Value £'000
Primary financial assets held	
Equity shares	733,848
Non-equity shares	81,350
Fixed interest securities	358,370
Cash at bank and in hand	39,607
Primary financial liabilities held to finance the Group's operations	
Long-term borrowings	288,388

The fair value of the unlisted financial assets held are valued at amounts considered by the Directors to be a fair value, subject to the overriding requirements of prudence. All the unlisted investments are valued according to one of the following bases:

- Cost less any provision required;
- Open market valuation; or
- Earnings multiple/net assets.

17 Share Capital

	30 Sept 1999 £'000	30 Sept 1998 £'000
Allotted, called-up and fully paid 103,859,120 (1998: 173,098,534) ordinary shares of 25p each	25,965	43,275
Unissued 96,140,880 (1998: 26,901,466) ordinary shares of 25p each	24,035	6,725
Authorised 200,000,000 ordinary shares of 25p each	50,000	50,000

On the 19 April 1999 the company repurchased 69,239,414 of its own issued ordinary shares at 786 pence per share. The cost of acquisition includes the expenses directly relating to the acquisition of £13,268,000, have been charged against realised profits, details of the share repurchase are given in the Report of the Directors on pages 29 to 32.

18 Reserves

	Group 30 Sept 1999 £'000	Company 30 Sept 1999 £'000
a Share Premium		
Share premium at 1 October 1998 and 30 September 1999	24,147	24,147
b Capital Redemption Reserve		
Share capital redeemed during the year and balance at 30 September 1999	17,310	17,310
c Realised Capital Profits		
At 1 October 1998	958,494	964,586
Profits less losses on realisation of investments during the year	198,991	172,912
Losses on repayment of foreign currency bank loans	(2,923)	(2,923)
Net profits on revaluation of foreign currencies	5,785	2,094
Unrealised net appreciation at 1 October 1998 on bank loans repaid during the year	9,653	9,653
Exchange differences arising on consolidation	171	160
Unrealised net appreciation at 1 October 1998 on investments sold during the year	106,638	140,593
Repurchase of own shares (Note 17)	(557,490)	(557,490)
At 30 September 1999	719,319	729,585
d Unrealised Capital Profits		
At 1 October 1998	70,775	101,040
Increase in value of fixed asset investments	204,799	205,122
Decrease in value of associated undertaking and asset held for re-sale	(6,182)	-
Profits on revaluation of foreign currency loans	4,495	2,066
Unrealised net appreciation at 1 October 1998 on investments sold during the year transferred to realised profits	(106,638)	(140,593)
Unrealised net appreciation at 1 October 1998 on bank loans repaid during the year transferred to realised profits	(9,653)	(9,653)
At 30 September 1999	157,596	157,982
e Revenue Profits		
At 1 October 1998	48,628	29,880
Net revenue deficit transfer for the year	(5,505)	(3,225)
At 30 September 1999	43,123	26,655
Total reserves at 30 September 1999	961,495	955,679
Total reserves at 30 September 1998	1,102,044	1,119,653

19 Contingent Liabilities and Commitments

The Company has undertaken to invest up to a further US\$88,380,000 (1998: US\$109,028,000) in various syndicates of investors in the USA and elsewhere.

The Company has undertaken to make further investments through various limited partnership funds in the UK and Continental Europe amounting to £25,905,000 (1998: £37,683,000).

At 30 September 1999 the Company had uncalled commitments to four (1998: four) limited partnership funds managed by Electra Kingsway of £33,837,000 (1996: £209,000,000).

As a limited partner in a number of limited partnership funds, the Company has entered into agreements with subsidiaries of Electra Kingsway for the management of the Company's portfolio of investments. In consideration for this the limited partnership funds pay a priority profit share to their general partners. The calculation of this priority profit share is based on the value of the investment portfolio held within each respective limited partnership fund. The management agreements are rolling contracts which allow for termination by either party at the conclusion of a three year notice period.

20 Post Balance Sheet Events

On 15 November 1999 Electra Kingsway Holdings Limited a wholly owned subsidiary which is disclosed as a current asset investment held for resale and an associated undertaking (see Notes 11 and 13) in the financial statements was sold to its management. The sale proceeds received were equal to the carrying value of the subsidiary with no impact on the return per share of the Group.

21 Particulars of Holdings in Principal Subsidiary Undertakings

All companies are incorporated in Great Britain and registered in England and Wales unless otherwise stated. All companies operate in their country of incorporation.

Subsidiary Undertakings excluded from Consolidation

On 15 April 1999 the Group acquired the remaining 50% holdings in Electra Kingsway Holdings Limited, a company incorporated in Great Britain and registered in England. The interest is held exclusively with a view to subsequent resale and therefore, the portion purchased on 15 April 1999 which has not previously been equity accounted has been treated as a current asset investment. The remaining holding has continued to be treated as an associated undertaking.

Principal Subsidiary Undertakings

Albion (Electra) Limited (trading partnership member)

5 ordinary shares of US\$1.00 (par value). Paid-in capital US\$11,565,002.

Incorporated in the Commonwealth of the Bahamas.

The subsidiary is wholly owned and held directly by the Company

Electra Investments Limited

87,000 ordinary shares of £10 (par value). Paid-in capital £1,027,389. Incorporated in England & Wales.

The subsidiary is wholly owned and held direct by the Company.

Electra Kingsway Holdings Limited

6,045,002 'X' shares of 1p each (par value) representing 100% of that class of share.

6,045,002 'Y' shares of 1p each (par value) representing 100% of that class of share.

The entity is wholly owned and held by a subsidiary company.

21 Particulars of Holdings in Principal Subsidiaries and Associated Undertaking continued

Shown below are the abridged Consolidated Balance Sheet and Consolidated Profit and Loss Account of Electra Kingsway Holdings Limited.

Consolidated Balance Sheet

As at 30 September

	1999 £'000	1998 £'000
Fixed Assets	4,519	5,703
Current Assets	28,566	20,967
	33,085	26,670
Creditors – amounts falling due within one year	14,743	15,625
	18,342	11,045
Creditors – amounts falling due after one year	104	150
	18,238	10,895
Minorities	172	698
Net Assets	18,066	10,197

Consolidated Profit and Loss Account

Year to 30 September

	1999 £'000	1998 £'000
Amount received from Electra and Electra's limited partnerships	16,432	14,672
Other income	16,901	16,389
Expenses	(23,645)	(20,794)
Profit on ordinary activities before taxation	9,688	10,267
Taxation	(1,632)	(3,242)
Profit on ordinary activities after taxation	8,056	7,025
Minorities	(56)	(63)
Profit attributable to shareholders	8,000	6,962
Dividends	–	(3,900)
Transferred to Reserves for the Year	8,000	3,062

22 Particulars of Holdings in Other Companies

All companies are incorporated in Great Britain and registered in England and Wales unless otherwise stated. All companies operate in their country of incorporation.

The principal companies in which the Group had an interest in 20% or more in nominal value of securities at 30 September 1999 are:

	Total capital and reserves £'000	Percentage of share and loan capital held by the Group %
Charco Ninety-Nine		
Ordinary shares of £1	110	–
Convertible participating ordinary shares of £1	330	50.0
Profit for the year	3,509	–
Reserves at 28 March 1999	5,715	–

22 Particulars of Holdings in Other Companies continued

The principal companies in which the Group had interests in 10% or more in nominal value of securities at 30 September 1999 are:

	Holding as percentage in each class of share %
Orthofix International (Netherlands Antilles)	
Common stock US\$0.01	13.65
UGC (Unipart)	
'A' Ordinary shares of 5p	16.67

Significant Interests in Investee Undertakings

The investee undertakings shown below each represent by value more than 1% of the fixed asset investments of the Group:

	Carrying value at 30 Sept 1998 £'000	Carrying value at 30 Sept 1999 £'000	Cost 30 Sept 1999 £'000
Agricola Holdings	-	18,300	18,300
Ordinary shares 71.6%			
Loan stock 99.5%			
Allflex	-	23,098	23,098
Ordinary shares 44.0%			
Preferred ordinary shares 51.0%			
Loan stock 71.5%			
Amtico	19,900	32,750	17,067
Ordinary shares 49.5%			
Loan stock 66.1%			
Bezier	19,178	19,178	19,178
Ordinary shares 47.5%			
Loan notes 66.7%			
Candover Investments	15,600	19,900	603
Ordinary shares 8.8%			
Capital Safety Group	-	30,264	30,264
Ordinary shares 53.3%			
Preference shares 62.3%			
Loan stock 62.3%			
Deutsche Woolworth (Germany)	29,815	27,774	29,831
Ordinary shares 49.3%			
Shareholders loans 57.6%			
Energy Power Resources	10,915	12,663	12,663
Ordinary shares 27.8%			
Preference shares 56.7%			
Loan facility 100.0%			
HMY (France)	9,449	23,646	6,044
Ordinary shares 21.5%			
Subordinated debt 21.5%			
Inchcape Shipping Services	-	40,326	40,326
Ordinary shares 75.0%			
Loan stock 100.0%			

22 Particulars of Holdings in Other Companies continued

	Carrying value at 30 Sept 1998 £'000	Carrying value at 30 Sept 1999 £'000	Cost 30 Sept 1999 £'000
International Computers (India) Ordinary shares 25.1%	7,061	24,288	5,502
International Garden Products (USA) Ordinary shares 44.3%	5,856	12,994	7,700
Invicta Leisure Warrants for ordinary shares 31.3% Mezzanine loan 47.2%	8,966	14,477	10,622
Knowledge Technologies International (Luxembourg) 'A' Ordinary shares 100.0% Preference shares 100.0% Loan stock 100.0%	11,652	11,886	15,384
Leiner Health Products (USA) Partnership interest 18.2%	17,653	18,216	12,033
Locus (South Korea) Ordinary shares 27.7%	–	30,360	9,634
Moser Baer (India) Ordinary shares 15.4% Convertible debenture 100.0%	–	23,114	4,895
Newmond 'B' Preferred ordinary shares 40.5% Preference shares 16.8%	23,163	23,163	30,884
Orthofix International (USA) Common stock 16.57%	11,029	13,736	700
Prize Foods Group Ordinary shares 18.5% Preference shares 24.4% Loan notes 24.4%	9,166	12,166	9,166
Safety-Kleen Europe Ordinary shares 44.0% Loan stock 48.8%	–	22,267	22,267
SLD Holdings Ordinary shares 55.1%	35,200	12,200	4,768
Supermercados Norte (Argentina) Partnership interest 4.7%	16,123	13,358	2,989
Swifty Serve (EZ Serve) (USA) Common stock 23.4%	14,711	27,324	12,217
Tactica Ordinary shares 40.2%	14,256	13,300	170

22 Particulars of Holdings in Other Companies continued

	Carrying value at 30 Sept 1998 £'000	Carrying value at 30 Sept 1999 £'000	Cost 30 Sept 1999 £'000
TM Group	1,756	22,000	10,802
Ordinary shares 27.6%			
Preference shares 27.6%			
UGC (Unipart)	17,500	20,000	108
Ordinary shares 17.2%			
Vantios	12,562	12,000	2,098
Ordinary shares 12.6%			
Vendcrown	22,000	26,000	4,828
'B' Ordinary shares 49.2%			
William Cook Holdings	24,400	24,400	20,911
Ordinary shares 48.8%			
Convertible ordinary shares 56.1%			
Preference shares 59.3%			
Loan stock 59.3%			
Mezzanine loan 66.7%			

23 Related Party Transactions

The Company operates carried interest and co-investment schemes for employees and executives (the "participants") of the Electra Partners Group. Under these schemes the participants invest in every new investment made by the Company. In return the participants receive a percentage of the total capital and revenue profits made on each investment. The participants do not receive any profits until the Company has received back its initial investment. During the year ended 30 September 1999 the participants received £10,400,000 (1998: £4,497,000) under these schemes and had unrealised gains of £13,670,000 (1998: £7,731,000). The unrealised gains have been deducted from the valuation of the Company's unlisted portfolio. In addition the participants are entitled to a percentage of the incremental value of unlisted investments held at the 31 March 1995, subject to the Company having received in total proceeds equal to the valuation of those investments as at 31 March 1995 and a preferred return. At 30 September 1999 the unrealised value was £1,167,000 (1998: £1,200,000). These unrealised gains have been deducted from the valuation of the Company's unlisted portfolio. No Directors of Electra participate in the above-mentioned schemes.

Electra Private Equity Partners ("EPEP"), a private equity fund in which the Company was a major investor, came to the end of its eight year life in February 1998. As a result of EPEP achieving its investment performance threshold at termination, the Company received additional securities which had a value of £15.1 million. Under the terms by which EPEP was established in 1990, former executives of the Company and executives of its management company also received securities at EPEP's termination with an aggregate value of £15.1 million. As a former executive of the management company, Mr MC Stoddart received 14.0% of these securities.

Under the arrangements relating to the management of the listed portfolio, certain executives of the Electra Partners Group will receive bonuses over a one year period if the listed portfolio outperforms a composite index.

Electra Investment Trust PLC

Board of Directors

Michael Stoddart Chairman
Brian Williamson CBE Deputy Chairman
Ronald Armstrong
Professor George Bain
The Rt Hon Tom King CH MP
Sir Michael Pickard
Peter Williams

Manager

Electra Partners Group

Secretary and Registered Office

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Company Number

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Registrar and Transfer Office

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Registered Auditors

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Chartered Accountants
Southwark Towers
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London SE1 9SY

Financial Advisor

Lazard Brothers & Co Limited

Bankers

National Westminster Bank PLC
JP Morgan & Co Inc

Share Plan

Fleming Investment Trust Share Plan
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Romford RM1 3SS
Brochureline 0500 403030
Account queries 0800 136666

Following the completion of the Tender Offer, shares in Electra are no longer available for purchase through the Fleming Investment Trust Share Plan. Fleming Investment Trust Services Limited will continue to provide Share Plan services to participants in the Plan holding shares in Electra prior to 1 August 1999.

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Notice is hereby given that the sixty-fifth Annual General Meeting of Electra Investment Trust PLC will be held at 12 noon on Wednesday 1 March 2000 in The Fitzalan & Arundel Suites at The Howard Hotel, Temple Place, London WC2R 2PR for the following purposes:

Ordinary Business

1. To receive and adopt the reports of the Directors and Auditors and the Group Accounts for the year ended 30 September 1999;
2. To re-elect Mr MC Stoddart as a Director of the Company;
3. To re-elect The Rt Hon Tom King as a Director of the Company;
4. To re-elect Sir Michael Pickard as a Director of the Company;
5. To re-appoint PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration.

Special Business

As Special Business, to consider and, if thought fit, to pass the following Resolutions as Special Resolutions:

6. 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 15,568,482, 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 2.5 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 2001 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.
7. That the Articles of Association in the form produced to the Meeting and, for the purpose of identification, signed by the Chairman, be approved and adopted as the Articles of Association of the Company with effect from the end of this Meeting, in substitution for the existing Articles of Association of the Company.

By order of the Board of Directors
PJ Dyke, Secretary, 65 Kingsway, London WC2B 6QT
19 January 2000

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.

Notes continued

- 2 A Form of Proxy is enclosed. To be effective, the Form of Proxy and any power of attorney under which it is executed (or a duly certified copy of any such power) must reach the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA, 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 34 of the Uncertificated Securities Regulations 1995, only those holders of ordinary shares entered on the register of members of the Company as at 6.00 pm on Monday 28 February 2000 ("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 6.00 pm on Monday 28 February 2000 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 11.45 am 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;
 - (b) the Memorandum and existing Articles of Association of the Company; and
 - (c) the proposed new Articles of Association of the Company.
- 6 Short biographical details regarding Mr MC Stoddart, The Rt Hon Tom King, and Sir Michael Pickard are contained on page 7.