Electra Investment Trust PLC Annual Report 2002

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ELECTRA

www.electratrust.com

Annual Report and Accounts for the year ended 30 September 2002

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.

Electra Investment Trust PLC

Board of Directors
Sir Brian Williamson CBE Chairman
Ronald Armstrong
Professor Sir George Bain
Lord King of Bridgwater
Michael Walton
Peter Williams

Manager
Electra Partners

Secretary and Registered Office
Philip Dyke
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Financial Advisor
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Bankers
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Lloyds TSB Registrars
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West Sussex BN99 6DA
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The portfolio service from Lloyds TSB Registrars gives shareholders access to more information on their investments, including balance movements and indicative share prices. For more details on this and practical help on transferring shares or updating details, visit “www.shareview.co.uk”.

Electra – Background to Recent Changes

Since the listing of Electra in 1976, the Company has specialised in investing in the private equity market. This arose from the belief that superior returns could be generated from investing in private equity through the structure of an investment trust.

Between 1976 and 2002 Electra invested over £3,000 million in private equity investments and, inclusive of a capital injection of £32 million, Electra's assets grew from £58 million in February 1976 to £1,145 million by 30 September 1998, the financial year end immediately preceding the hostile takeover bid for Electra in 1999. This bid failed when shareholders voted in favour of a scheme which involved the controlled realisation of the portfolio over a five year period. New investment was restricted to existing portfolio companies.

Since the start of the realisation programme in March 1999, Electra has returned £945 million to shareholders leaving a residual portfolio valued at £692 million at 30 September 2002. This compares with the stock market value of Electra of £975 million immediately before the announcement of the takeover bid. Over the same period, £400 million has been invested and £1.3 billion has been realised from the portfolio.

Shareholders approved proposals in June 2001 which retained the emphasis on realising investments but made provision for Electra to continue as an investment vehicle. This achieved the objective of catering for those shareholders who wished to retain an exposure to private equity through a shareholding in Electra.

This more flexible investment strategy provided for at least two-thirds of future cash flow to be returned to shareholders with the balance to be invested in private equity investments. In June 2001 the Board anticipated, subject to market conditions, that not less than £500 million would be returned over the next three years of which £150 million has already been returned through the tender offer in 2001.

Dependent on maintaining appropriate levels of gearing, the balance of cash flow will be invested in follow-on investments to protect or enhance the value of existing investments, in investment funds managed by Electra Partners and in other private equity investment opportunities generated by Electra Partners.

The Year to 30 September 2002

The last year has been characterised by declining stock markets, increased economic uncertainty, hostilities in the Middle East and fears of terrorism, all contributing to a difficult investment environment. Against this background the performance of the majority of Electra's investments has been robust.

Although the portfolio mainly comprises investments in companies which are not quoted on a public market, the valuation of a number of investments has been impacted by the fall in earnings multiples of comparable companies quoted on stock markets. This has however been mitigated by strong cash generation in many portfolio companies which has enabled borrowings of these companies to be reduced. Overall, the Board is encouraged by the quality of the underlying investments in the portfolio.

The net asset value per share at 30 September 2002 was 764p compared with 830p at 30 September 2001. Although this represents a decrease of 7.9% it compares favourably with the decline in the FTSE All-Share Index of 23% over the same period.

As in previous reports to shareholders, full details of the Board's valuation policy are set out in the Investment Manager's Review.

Realisations and Investments

Last year's Statement indicated that future portfolio realisations in a weaker economic environment were likely to be at a slower rate than previously. For the year to 30 September 2002 realisations from the portfolio amounted to £137 million compared with £167 million in the previous year. Despite this slowdown, aggregate realisations from the portfolio now amount to £1.3 billion since the start of the realisation programme in March 1999.

In June 2001 shareholders approved a new investment strategy. This provided for at least two-thirds of future cash flow to be returned to shareholders with the balance to be invested in private equity investments.

Full details of realisations and investments made over the year are included in the Investment Manager's Review.

Overall, the Board is encouraged by the quality of the underlying investments in the portfolio.

Further Returns of Capital

In June 2001 it was also announced that, subject to market conditions, the Board anticipated that realisations would result in £500 million being returned to shareholders over the next three years of which £150 million has already been returned. Over the last 18 months the environment for realising investments has become difficult and in the absence of any improvement, the Board now regards the balance of £350 million to be at the top end of the range.

The Future

The underlying strength of Electra's portfolio comes from investment in well established, cash generative businesses, with sound management supported by appropriate capital structures. Although there have been some individual disappointments over the last year, the medium-term prospects for the portfolio as a whole remain encouraging.

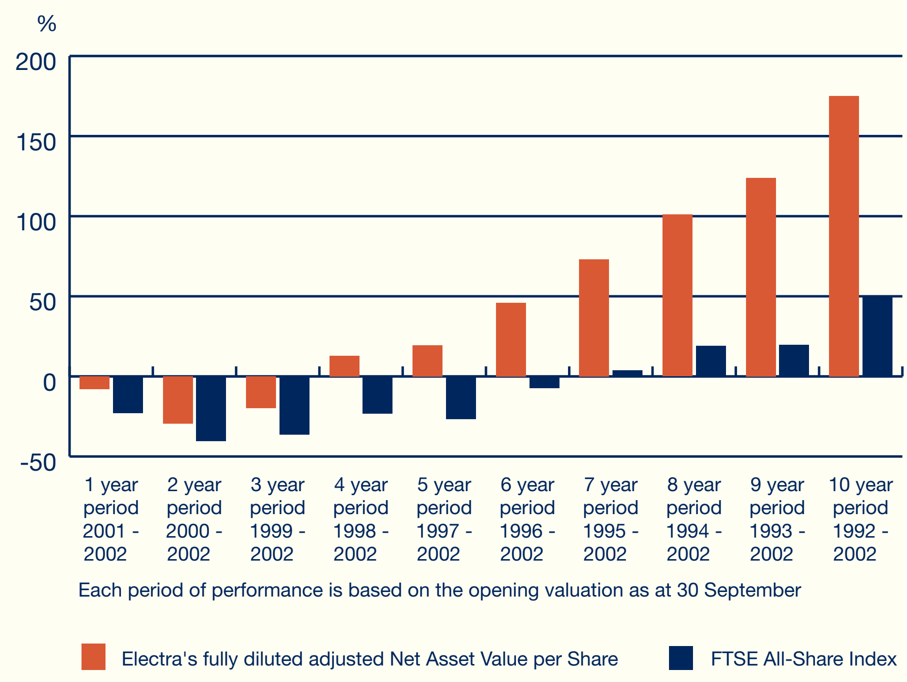
Electra has been successful in the timing of both purchases and sales from the portfolio over many years and through different economic cycles. The current strategy to maximise shareholder value is to realise investments as markets improve while continuing to invest in existing companies and in new opportunities generated by Electra Partners. The Board continues to keep this strategy under review as market conditions and the economic cycle evolve.

The underlying strength of Electra's portfolio comes from investment in well established, cash generative businesses, with sound management supported by appropriate capital structures.

Sir Brian Williamson
Chairman

4 December 2002

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



Net Assets and Share Price

As at 30 September	Net Assets £'000	Fully diluted adjusted Net Asset Value per Share p	† Share Price as at 5 April per Share p	† Share Price as at 30 September per Share p
1992	470,793	277.87	169.0	169.0
1993	580,614	341.30	216.0	281.0
1994	643,924	380.70	303.0	318.5
1995	748,588	440.49	331.0	368.0
1996	886,206	522.13	383.0	412.5
1997	1,082,802	640.04	462.5	483.0
1998	1,145,319	676.15	605.5	512.0
1999	* 987,460	950.77	715.0	836.0
2000	** 874,042	1,084.96	1022.5	1034.0
2001	*** 541,110	829.52	908.5	651.0
2002	498,330	763.94	637.0	462.5

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

** During the year £250,000,000 was repaid to shareholders via a tender offer

*** During the year £150,000,000 was repaid to shareholders via a tender offer and 100,000 shares were repurchased for cancellation (cost : £907,000)

† Middle market price at close of business on 5 April or 30 September or, if appropriate, previous business day in each case

Five Year Record

For the year ended 30 September	1998	1999	2000	2001	2002
Adjusted net asset value per share (p)	676.15	* 950.77	** 1,084.96	*** 829.52	763.94
Increase/(decrease) in net asset value per share (%)	5.6	40.6	14.1	(23.5)	(7.9)
Increase/(decrease) in FTSE All-Share Index (%)	(4.5)	20.5	7.2	(22.7)	(23.0)
Total ordinary dividends per share (p)	11.175	–	–	–	–

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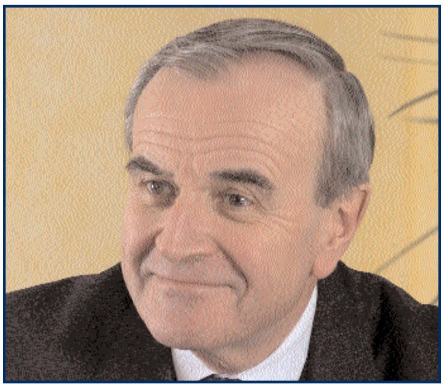
Note

For the year ended 30 September 1998 the adjusted net asset value per share comprised net assets per the Consolidated Balance Sheet and an amount in respect of the interest in Electra Kingsway Holdings Limited and was based on 173,098,534 ordinary shares of 25p in issue. For the year ended 30 September 1999 the calculation was based on 103,859,120 ordinary shares, on 80,559,959 ordinary shares in respect of the year ended 30 September 2000 and on 65,231,533 ordinary shares in respect of the years ended 30 September 2001 and 2002.

Sir Brian Williamson CBE

Left to right

Ronald Armstrong
Professor Sir George Bain
Lord King of Bridgwater
Michael Walton
Peter Williams



Sir Brian Williamson CBE
Chairman
Aged 57, was appointed a Director in 1994.

He is currently Chairman of the London International Financial Futures & Options Exchange and a non-executive Director of HSBC. In the USA he was a former Governor of the National Association of Securities Dealers and Chairman of Nasdaq's International Markets Advisory Board.

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

Ronald Armstrong *
Aged 58, was appointed a Director in 1994.

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 and countries.

He is a Director of JP Morgan Fleming Worldwide Income Investment Trust, a Director of E-Synergy, which specialises in venture funding for early-stage technology companies, and Chairman of Prism Risk Management.

Professor Sir George Bain *
Aged 63, 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 was also Chairman of the Low Pay Commission and is on the Boards of Bombardier Aerospace Short Brothers and the Canada Life Assurance Company.

Lord King of Bridgwater *
Aged 69, was appointed a Director in 1992.

A Member of Parliament from 1970 until 2001, he 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 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).

Michael Walton *
Aged 59, was appointed a Director in July 2000.

He was previously on the Board of the Company from 1981 to 1986. He was Managing Director of Gartmore Private Capital until 1996 and has subsequently been a Director of NatWest Equity Partners. He has served on the Council of the British Venture Capital Association.

He is a Director of Elderstreet Millennium Venture Capital Trust, Bridgepoint Capital and a number of private companies.

Peter Williams *
Aged 60, was appointed a Director in 1994.

He is Chairman of RPC Group, one of Europe's largest producers of plastic packaging. He is a former Director of Reed International and former Chief Executive of David S. Smith Holdings.

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

Twenty Largest Investments

Company	Valuation of holding at 30 Sept 2002 £'000	Cost of holding at 30 Sept 2002 £'000	Percentage of net assets %
BAXI	48,806	54,590	9.79
VENDCROWN	37,153	4,832	7.45
ALLFLEX	34,847	28,198	6.99
SAFETY-KLEEN EUROPE	30,743	22,239	6.17
CAPITAL SAFETY GROUP	30,633	30,326	6.15
HEATH LAMBERT	29,900	22,614	6.00
AMTICO	28,141	17,067	5.65
ESPORTA	26,041	26,041	5.22
LEINER HEALTH PRODUCTS	22,256	17,423	4.47
DEUTSCHE WOOLWORTH	20,172	29,831	4.05
PRIZE FOODS	14,900	9,166	2.99
AGRICOLA GROUP	14,710	14,710	2.95
INCHCAPE SHIPPING SERVICES	14,316	27,501	2.87
MOSER BAER	14,236	3,167	2.86
INTERNATIONAL GARDEN PRODUCTS	12,718	17,020	2.55
FORTHPANEL	12,208	11,846	2.45
WILLLIAM COOK HOLDINGS	11,000	20,911	2.21
BEZIER	10,560	19,178	2.12
FREIGHTLINER	10,500	41	2.11
UGC (UNIPART)	10,500	112	2.11
	434,340	376,813	87.16

Set out above are the 20 largest investments of the Group at 30 September 2002.
These investments are held in the unlisted portfolio.

The Manager

Electra's investment portfolio is managed by Electra Partners, the independent private equity fund management group.

Electra Partners has accumulated considerable expertise and built a strong track record in private equity investments. The team has managed the assets of Electra for more than ten years, as well as a number of other venture capital funds during that time.

Hugh Mumford is Chief Executive of Electra Partners and his responsibilities include the overseeing of all of Electra's investment activities within guidelines agreed by the Board of Electra.

In June 2001, shareholders approved new contractual arrangements whereby Electra Partners was re-appointed to manage exclusively the investments of Electra on a discretionary basis in accordance with Electra's investment policy.

Portfolio Analysis

In the year to 30 September 2002 Electra's net asset value per share decreased by 7.9% from 830p per share to 764p per share. Over the same period the FTSE All-Share Index decreased by 23.0%.

The year under review was characterised by considerable turmoil in the financial markets. Despite these difficult conditions, Electra's net asset value significantly outperformed the FTSE All-Share Index. The resilience demonstrated by the portfolio was mainly due to the underlying quality of the larger investments where good cash generation and increasing profits helped to offset the effect of falling earnings multiples. In addition a number of portfolio companies were in sectors which performed better than the market as a whole.

The decline in Electra's net asset value was due primarily to a reduction in the multiples used to value portfolio companies together with a number of specific provisions made against investments, notably Swifty Serve in the USA.

...Electra's net asset value significantly outperformed the FTSE All-Share Index.

Over the year the changes in the portfolio were as shown below.

Year ended 30 September	2002 £'000	2001 £'000
Opening valuation	759,891	1,033,628
Investments	116,421	66,862
Realisations	(137,208)	(166,916)
Change in valuation	(47,377)	(173,683)
Closing valuation	691,727	759,891

New investments in the year amounted to £116 million, an increase over the previous year in which the total reached £67 million. This increase reflected the number of attractive investment opportunities arising either directly, or as a result of the activities undertaken by existing portfolio companies, together with the level of support required to protect the value of the existing portfolio.

The level of realisations was impacted by the uncertain economic outlook and the reduced level of M&A activity. Total realisations of £137 million fell below the level of the previous year (£167 million) but still represented reasonable progress given market conditions. Over the year there was a net disinvestment from Electra's portfolio of an amount in excess of £20 million.

At 30 September 2002 Electra's investment portfolio comprised direct investments in 88 companies with an aggregate value of £606 million together with £86 million of investment in 27 private equity funds. The top twenty direct unlisted investments accounted for 62% of the total portfolio value. The composition of the top twenty investments has changed markedly over the year following the sale of Invicta Leisure, Merlin Communications and Fairbridge Estates and the reduction in value of TM Group and Swifty Serve. Their places have been taken by the new investments in Esporta and Forthpanel and the existing investments in Inchcape Shipping Services, Freightliner and International Garden Products in the USA.

In terms of geographical spread the portfolio is now predominantly in the UK and Europe (76%) with lesser amounts in North America (18%), Asia (4%) and South America (2%).

Outlook

Over the last twelve months conditions in the financial markets have remained unfavourable. Reflecting these conditions the rate of realisations of investments from the portfolio has continued to decline as buyers remain on the sidelines. Under current market conditions it is unlikely that maximum value will be realised from the sale of investments unless special circumstances exist either in the relevant sector or in relation to a particular market. For this reason it is unlikely that there will be a significant increase in the rate of realisations until some improvement in market conditions takes place.

The portfolio has performed robustly in the difficult conditions of the past twelve months. Within the larger companies in the portfolio, considerable scope remains to add value through increases in earnings, further debt repayments and other factors. The portfolio also contains a number of companies where a successful turnaround will add significantly to their value. The current low interest climate will also benefit the overall portfolio in view of the gearing in the underlying companies.

Given more appropriate market conditions Electra's maturing portfolio has considerable potential for generating cash realisations. Meanwhile, the price of new private equity opportunities is likely to become increasingly attractive and new investments will continue to be made to the extent that cash flow permits.

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 held for more than one year are valued on one of the bases described above.
- 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.
- 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.

Portfolio Review

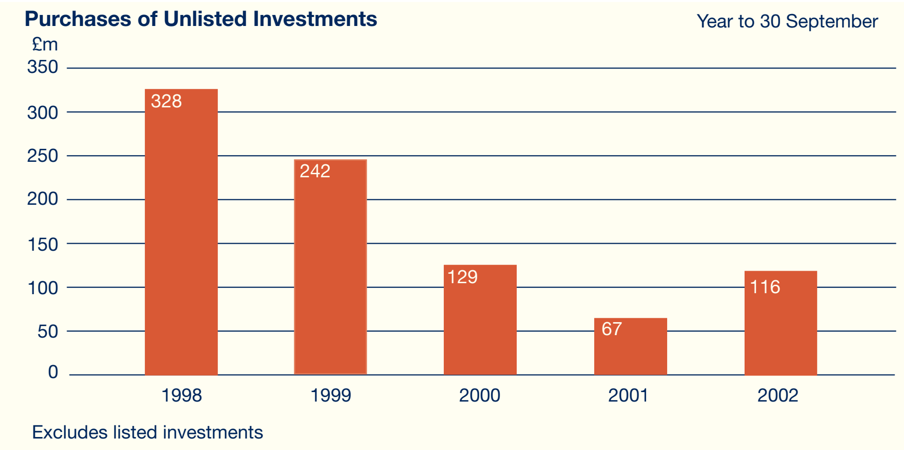
New Investments

Under Electra's investment policy, investments can be made to enhance or protect the value of existing portfolio companies and also in new situations outside the current portfolio. The majority of these new situations are anticipated to be in funds managed by Electra Partners or in private equity opportunities generated by Electra Partners. Over the year to 30 September 2002, total investment amounted to £116 million of which £42 million was in new investments and £74 million was in existing portfolio companies.

The largest single new investment was made in Esporta, one of the market leaders in the operation of premium health clubs with 60 clubs in the UK and Continental Europe. Previously a listed company, Esporta was acquired by a private equity entity and subsequently purchased the whole of Electra's interest in Invicta. As part of this transaction Electra acquired £26.0 million in equity and loan securities in Esporta. Other new investments included £5.7 million in Hemingway for the purpose of acquiring a portfolio of commercial properties. In addition to these new investments, commitments were made to Electra Partners' European buy-out fund (£19 million) and to the Property Venture Capital Fund (£15 million), a property fund co-managed by Electra Partners. During the year £5.7 million was drawn down in respect of the European buy-out fund, to purchase an interest in five buy-out transactions.

Over the year to 30 September 2002, total investment amounted to £116 million...

Of the £74 million invested in existing portfolio companies, £40 million was invested to finance acquisitions by portfolio companies or to acquire additional equity and £34 million was invested principally for the purpose of securing new financing arrangements.



In May 2002, Energy Power Resources, an existing Electra portfolio company, acquired the renewable energy interests of Kelda for £10.6 million with a facility provided by Electra. This has provided Energy Power Resources with significant opportunities to create value in the future and has greatly enhanced the company's prospects.

Support was given to Deutsche Woolworth, Swifty Serve, Inchcape Shipping Services and International Garden Products to facilitate reconstruction of the companies or their finances. In the case of Deutsche Woolworth the capital injection was provided through the purchase of seven properties from that company through a new investment in Forthpanel.

Realisations

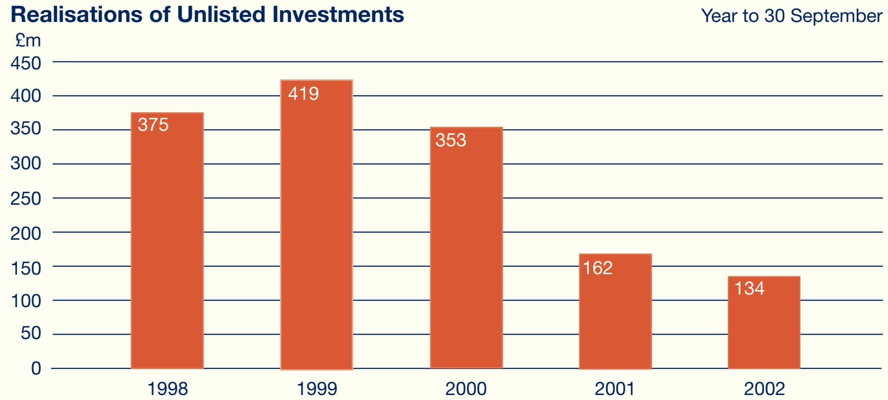
Realisations from the portfolio amounted to £137 million during the year, an amount equal to 18.1% of the opening portfolio. This compared to £167 million in the previous year or 16.4% of the portfolio at the beginning of that year. Thus although the value of realisations fell during the year the percentage of the opening portfolio realised was marginally higher.

Although market conditions remain unfavourable, progress continues to be made in realising the portfolio. During the year £68 million was realised from the sale of unlisted companies, £28 million from the sale of previously restricted listed securities, £23 million through redemption of loans and £18 million was returned from private equity funds.

The largest disposal involved Electra's investment in Invicta Leisure which was sold to Esporta for £39.4 million of which £26 million was reinvested in equity and loans of the purchaser. A portion of the loans may be redeemed if a refinancing of Esporta is completed in the future. Other significant disposals included Merlin Communications (£15.2 million) and Fairbridge Estates (£10.3 million). In September 2002 Electra disposed of its interest in Porter & Haylett, one of the oldest investments in the portfolio. This company was sold to First Choice for a consideration of £5.9 million which compared to its book value immediately prior to disposal of £3.5 million.

...Electra's portfolio performed robustly.

Realisations of Unlisted Investments



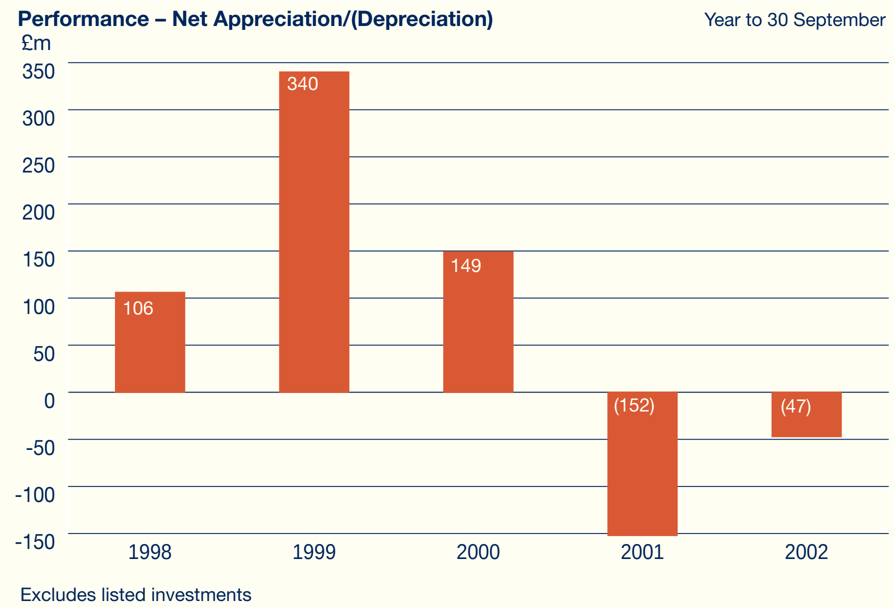
Excludes listed investments

Performance

With global stock markets declining and economic uncertainties surrounding several of the major economies, the year to 30 September 2002 has been one of the most difficult periods for investment markets for many years. Against this background Electra's portfolio performed robustly. The net decrease in valuation of £47 million was equivalent to a reduction in the portfolio of 6.2% compared to a fall in the FTSE All-Share Index of 23.0%.

Investments realised from the portfolio continued to show an increase over book value. In the case of direct unlisted investments aggregate proceeds of sale exceeded the book value by 24%.

Net profits realised on the disposal of investments amounted to £13 million during the year. This was however offset by a £57 million reduction in unrealised appreciation in relation to unlisted investments and a £3 million reduction in the value of restricted listed securities.



The net decrease of £57 million in unrealised appreciation consisted of several components. Ten portfolio companies were revalued upwards during the year by an aggregate of £36 million. This was offset by a £77 million reduction in the valuation of 26 portfolio companies and a £16 million reduction in the valuation of private equity funds.

Ten portfolio companies were revalued upwards during the year by an aggregate of £36 million.

Largest Valuation Changes

Company	£'000	Increase/(decrease) %
Heath Lambert	7,286	32.2
Invicta Leisure	6,962	37.7
Freightliner	5,812	111.8
Leiner Health Products	5,737	42.2
Vendcrown	5,726	18.2
Special Products	(5,495)	(90.3)
Amtico	(5,859)	(17.2)
Swifty Serve	(23,311)	(92.4)

Excluding investments in funds and restricted listed securities, the top twenty unlisted investments accounted for 79% of the remaining portfolio. The performance of the portfolio depends largely on the valuations of these twenty investments. Two of these investments, Esporta and Forthpanel, were valued at cost in view of their recent acquisition. Five of these investments were written up over the year to reflect their individual circumstances. Investments written up included Heath Lambert and Vendcrown which were revalued by £7.3 million and £5.7 million respectively to reflect profit improvements resulting from buoyant conditions in the insurance sector. Leiner Health Products, a US investment was written up by £5.7 million in view of a successful restructuring and Freightliner was revalued by £5.8 million to reflect on improvement in profit and cash position.

Five of the top twenty investments were reduced in value to reflect reductions in earnings multiples used for valuation purposes. The reduction in the valuation of Amtico by £5.9 million was the most significant of these. Five portfolio companies including Baxi, Allflex and Safety-Kleen Europe remained at the same valuation throughout the year as the reduction in earnings multiples used to value the investment was offset by increases in earnings and debt reductions, or as in the case of Agricola, the investment continued to be valued at the redemption value of Electra's loan notes. Of the remaining companies in the top twenty, Deutsche Woolworth, which is in a turnaround phase, continued to be valued at a significant discount to its attributable net assets while Inchcape Shipping Services has been valued at significant discount to cost until the success of its current operations has become more established.

Outside the top twenty investments a number of provisions were made against portfolio companies. The largest of these was a £23 million reduction in the valuation of Swifty Serve, a US convenience store chain with 550 stores and a turnover of circa $1 billion. Over the past twelve months the company had been undergoing an extensive restructuring programme and substantial progress had been achieved. However, delays with the bank restructuring led to a reduction of supplier credit and the necessity for Swifty Serve to file for bankruptcy proceedings under Chapter 11. Electra's investment was substantially written down to reflect this change of circumstances. The valuations of four private equity funds in South America were reduced by 50% during the year with an aggregate provision of £13.3 million.

At 30 September 2002, 56% of the portfolio was valued on an earnings basis, 10% was valued against listed prices and 6% on a cost basis where the investment has been acquired within the previous 12 months. Of the remaining investments 12% represented private equity funds at the relevant managers' valuation, 10% at cost less provision and 6% on other valuation bases.

Largest Unlisted Investments

BAXI	Location: UK, France, Germany, Italy and Turkey

Equity Ownership	**23.1%**
Valuation	**£48,806,000**
Cost	**£54,590,000**

Valuation based on multiple of earnings

In 1996 Electra invested £30.9 million in the management buy-out of the building products division of Williams Holdings. A number of non-core businesses were disposed of in the following years in order to create a group focussed on heating. In 2000 the Baxi boiler business was acquired with Electra investing a further £23.7 million.

The combined business is one of the largest heating businesses in Europe with a significant pan-european market share in boilers and a strong UK presence in water heaters, showers and gas fires.

Substantial synergies have been delivered since the merger and this, combined with strong growth in new products and growth in market share, has positioned the business well for the future.

The company reported an operating profit of €122 million before re-organisation costs on turnover of €1.1 billion for the year to 31 December 2001. There are no corresponding figures for the year prior to the merger in November 2000 which created the enlarged group.

VENDCROWN	Location: UK

Equity Ownership	**32.6%**
Valuation	**£37,153,000**
Cost	**£4,832,000**

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 short-term instalment finance. The company finances commercial insurance premiums, personal insurance premiums and non-insurance services (golf and leisure club memberships, audit fees, school fees and football team tickets).

In the year to 31 December 2001 the company generated £1.4 billion of gross advances. Its revenues were £63.6 million and the profit after tax was £11.3 million (2000: £8.8 million). Further profit growth is forecast for the current year assisted by rising insurance premiums.

ALLFLEX

Location: UK, USA and Western Europe

Equity Ownership	**44.0%**
Valuation	**£34,847,000**
Cost	**£28,198,000**

Valuation based on multiple of earnings

In 1998 Electra invested £23.1 million in the US$160 million buy-out of Allflex which was led by Electra Partners.

Allflex is, by a significant margin, the world's leading manufacturer and distributor of plastic and electronic animal identification tags with factories in France, USA and China.

Since 1998 Electra has invested a further £5.1 million to fund an investment in Allflex's sister company, Farmexpress, established to design and operate an integrated internet based information system to provide "farm to table" livestock traceability.

The livestock tagging market is driven by new regulations (introduced for food safety reasons following widespread outbreaks of BSE, E Coli and Foot and Mouth) and by commercial pressures (consumers' increasing demand for consistent product quality and traceability).

The company reported an operating profit excluding goodwill amortisation of US$15.3 million for the year ended 31 December 2001 (2000: US$14 million) on turnover of US$74.6 million (2000: US$61.6 million). Profit growth was assisted by increased sales of electronic tags and by contract gains, both of which are contributing to the current year's performance.

SAFETY-KLEEN EUROPE

Location: UK and Europe

Equity Ownership	**44.0%**
Valuation	**£30,743,000**
Cost	**£22,239,000**

Valuation based on multiple of earnings

In 1998 Electra invested £22.3 million in the management buy-out of Safety-Kleen Europe with its former parent, Safety-Kleen Corporation retaining an equal interest. This interest has subsequently been acquired by another client of Electra Partners.

Safety-Kleen Europe is the market leader in providing parts cleaners and related services in Europe, with over 80,000 customers and in excess of 800,000 services performed each year. The company is headquartered in the UK and operates in eleven countries throughout Europe. In the year to 31 December 2001 revenues were £79.9 million with an operating profit of £14.5 million (2000: £13.5 million).

Growth continues to be pursued through new product offerings and geographic expansion, with the most recent being an infill acquisition in Portugal in November 2002.

CAPITAL SAFETY GROUP	Location: International

Equity Ownership	**53.3%**
Valuation	**£30,633,000**
Cost	**£30,326,000**

Valuation based on multiple of earnings

In 1998 Electra invested £30.3 million in the £102 million management buy-out of Capital Safety Group ("CSG").

CSG is a manufacturer of fall arrest equipment. Products fall into three main categories: soft goods (harnesses, lanyards etc), hard goods (blocks, tripods, winches, karrabines etc) and systems (permanent fixed anchorings). The product portfolio is also complemented by safety netting together with vacuum anchor safety systems for use within the airline industry. Its main manufacturing sites are in the UK, France and the USA. CSG generates its sales worldwide with 68% sourced in North America, 25% in Europe and the remainder in Asia. Key customer user groups include construction, infrastructure, telecoms, utilities and oil and gas industries.

In the year to 31 March 2002 the company reported sales of £71 million with an operating profit of £10.6 million (2001: £11.2 million). The reduction in profits was caused by the downturn in the US economy, the effects of which were seen in the second half of 2001/2002 and which have continued into the current year. Cash flow remains strong and the company is making good progress in reducing the acquisition debt.

HEATH LAMBERT	Location: UK

Equity Ownership	**13.6%**
Valuation	**£29,900,000**
Cost	**£22,614,000**

Valuation based on multiple of earnings

In 1997 Electra invested £10.6 million in the management buy-out of CE Heath. Following a substantial de-gearing through the sale of various non-core businesses, CE Heath merged with Lambert Fenchurch in late 1999 in a transaction which valued the combined entity at £250m.

Heath Lambert is an insurance broker with a spread of insurance and reinsurance broking businesses, with its headquarters in London. It has a network of offices around the world as well as a UK provincial broking business.

It is currently enjoying strong trading, benefiting from the upturn in insurance markets. Given the turmoil in equity markets and the resultant balance sheet pressures among some insurers, it is anticipated that the insurance markets will remain strong for some time. In the year ended 31 March 2002 the company reported revenue of £279 million and an operating profit of £48.7 million (2001: £36.1 million).

AMTICO	Location: UK

Equity Ownership	**49.5%**
Valuation	**£28,141,000**
Cost	**£17,067,000**

Valuation based on multiple of earnings

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

Amtico designs, manufactures and markets resilient vinyl flooring products. The company is focused on producing premium priced quality products that simulate other materials (wood, marble, slate, metal etc) with a high value-added design element in a comprehensive range of styles. Amtico products are significantly superior to sheet vinyl in terms of appearance, design features and durability and have advantages over more expensive natural materials in durability, maintenance costs and ease of laying. Headquartered in the UK, the company manufactures in the UK and USA and sells its products globally. Customers are 75% commercial and the balance residential.

In the year to 31 March 2002 the company reported sales of £75 million and an operating profit of £7.5 million (2001: £10.5 million). While the commercial market continues to be tough, the residential market is performing strongly and the company is on budget for the first six months of the current financial year and ahead of prior year.

ESPORTA	Location: International

Equity Ownership	**4.0%**
Valuation	**£26,041,000**
Cost	**£26,041,000**

Valuation – cost

Electra invested in Invicta Leisure in 1996 in order to fund the development of racquet clubs. Further funding was provided to finance the roll out of a chain of Indigo city centre health and fitness clubs.

In September 2002 Invicta was acquired by Esporta Group for £125 million. In this transaction, Electra sold its entire investment in Invicta and received aggregate consideration of £39.4 million. Of this amount £15.1 million is in the form of loan notes secured on the assets of the Esporta Group. These are interest bearing and the majority are repayable within three years. In addition Electra invested £11 million of the proceeds in the equity strip (ordinary shares and institutional loan stock) of the enlarged Esporta Group.

The proven track record of Invicta's management team in developing and managing a group of premium clubs made them an obvious choice to run the combined business. Electra's knowledge of the management and the opportunities arising from the merger of the two portfolios of clubs, were the principal factors in its decision to invest.

Electra owns 4% of the equity of the enlarged Esporta Group, which including Invicta's 15 sites, comprises 18 racquet and 42 health and fitness clubs.

LEINER HEALTH PRODUCTS

Location: USA

Equity Ownership	**18.2%**
Valuation	**£22,256,000**
Cost	**£17,423,000**

Valuation based on multiple of earnings

In June 1997 Electra invested $20.0 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. In December 1999 Electra invested a further $3.6 million as part of a $20 million funding to enable the company to acquire private label over-the-counter ("OTC") businesses in the USA and Canada.

Based in Carson, California the company operates plants in South Carolina, Florida, and Canada. Leiner is the leading manufacturer of private label vitamins, minerals and nutritional supplements ("VMS") and the second largest manufacturer of private label OTC products in the USA. It is also the leading manufacturer of both VMS and OTC products in Canada. The company distributes these products primarily through the mass market retail sector.

The last two years have seen an end to the strong growth of the VMS market and an antitrust enforcement action by the US Justice Department against the suppliers of Vitamin D and E oils. These circumstances severely impacted Leiner's results. Reacting to this situation, the company reduced the number of employees, rationalised manufacturing and executed a prepackaged bankruptcy from which it emerged in April 2002. Electra invested a further $4.5 million as part of a $20 million injection to recapitalise the company and repurchase certain public bonds.

In the year to 31 March 2002, the company reported turnover of $648 million and EBITDA of $41 million (2001: $11 million). Subsequent performance has been excellent and in the current year the company is on track to achieve the highest level of operating profits in its history. At the same time, the receipt of liquidated damages from the suppliers of Vitamin D and E oils involved in the antitrust case has enabled the company to substantially degear its balance sheet.

DEUTSCHE WOOLWORTH

Location: Germany

Equity Ownership	**49.3%**
Valuation	**£20,172,000**
Cost	**£29,831,000**

Valuation based on discounted net assets

In September 1998, Electra invested €43.5 million in the management buy-out of Deutsche Woolworth.

Headquartered in Frankfurt, Deutsche Woolworth is a general merchandise retailer operating in over 350 stores, most of which are in Germany and are typically located in town and city centre locations. It offers a wide range of low priced apparel and fashion accessories, household goods, toiletries and other goods. The group owns a significant portfolio of sites in the form of freehold and long term inheritable building rights, a number of which are in prime locations in the principal shopping areas of the largest German cities.

The German retailing market is currently weak and the company operates in an environment characterised by falling retail sales and aggressive price competition. In addition, the strength of the dollar against the Euro has reduced profitability as much of the company's sourcing is undertaken in dollars.

New management, appointed in 2001, has put together a business plan focused on reducing costs and returning the business to its discounting roots. In the year to 30 September 2001 Deutsche Woolworth made a net loss of €45 million on a turnover of €978 million. In the current year, trading is ahead of the new business plan and the operations have been strongly cash generative.

PRIZE FOOD GROUP	Location: UK

Equity Ownership	**19.9%**
Valuation	**£14,900,000**
Cost	**£9,166,000**

Valuation based on multiple of earnings

In 1997 Electra invested £7.0 million in the management buy-in of the prepared foods division of Booker backing a team from within Booker, part of whom Electra Partners have worked with previously. Since then, one loss making business has been sold and one acquisition has been made financed with a rights issue to which Electra subscribed a further £2.2 million.

The business focuses on the supply of fresh and frozen foods to the retail sector with a broad spread of sales across the major multiples. The business has grown strongly since acquisition and this year an additional ready meal factory has been built to accommodate expansion.

In the year to 31 December 2001, the company reported sales of £189 million and earnings before interest and tax of £13 million (2000: £13 million).

AGRICOLA GROUP	Location: UK

Equity Ownership	**8.3%**
Valuation	**£14,710,000**
Cost	**£14,710,000**

Redemption value of loans and preference shares

In 1998 Electra invested £18.4 million in the £46 million management buy-out of Agricola, the holding company of BOCM Pauls, an animal feed producer. In 2000, Agricola was refinanced and Electra received gross cash proceeds of £53.4 million, out of which it reinvested £14.7 million in the new company.

BOCM Pauls is the market leader in the supply of compound animal feed in the UK. Its network of 16 feed mills covers the country with production of cattle, sheep, poultry and pig feed. The business is headquartered in Ipswich.

In the year ended 31 December 2001, Agricola reported an operating profit before interest of £4.5 million (2000 : £7.2 million) on turnover of £458 million. The performance in 2001 was adversely affected by the Foot and Mouth Disease Crisis and the resultant downturn in UK agriculture. The company is anticipating a significantly improved profit performance in the current year.

INCHCAPE SHIPPING SERVICES

Location: International

Equity Ownership	**75.0%**
Valuation	**£14,316,000**
Cost	**£27,501,000**

Valuation based on multiple of earnings

In March 1999 Electra led and fully underwrote the management buy-out of Inchcape Shipping Services Limited ("ISS") from Inchcape plc for a total consideration of £40.8 million. In December 2001 a further £10.0 million (US$14.5 million) was invested in the business as part of a restructuring of the company and the sale of the North American liner operations.

The business operates from 148 locations in 45 countries and is headquartered in the UK. The primary focus is on the provision of ship husbandry services to the global marine sector. As the largest independently managed network of ship agents in the world ISS has a dominant position in the market. The company benefits from several unique service and product offerings and continues to pursue opportunities with the development of global customers.

For the year to December 2001 ISS reported turnover of £151 million and an EBIT loss of £2.2 million (2000: loss £2.0 million). This included the loss making North American liner operations. Excluding North American liner operations, the reported EBIT would have shown a profit of £8.2 million.

MOSER BAER

Location: India

Equity Ownership	**12.0%**
Valuation	**£14,236,000**
Cost	**£3,167,000**

Valuation based on quoted price

In 1998 Electra invested US$8.0 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. Realisations to date from this investment have totalled US$29.3 million including a sale during 2002 of 2.48 million shares (22.1% of the original shareholding) realising $17.3 million.

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 was subsequently expanded to 150 million CD-Rs.

In the year to 31 March 2002 the company reported sales of $152 million and a profit after tax of $44.5 million (2001: $28.9 million).

It is estimated that Moser Baer has an 11% share of the global recordable optical media market. It is a tier-1 supplier of CD-Rs to the majority of the top OEM branded CD-R marketers. Moser has developed CD-RW, DVD-R and DVD-RW products in preparation for future growth in these media.

INTERNATIONAL GARDEN PRODUCTS

Location: USA

Equity Ownership	**34.3%**
Valuation	**£12,718,000**
Cost	**£17,020,000**

Valuation based on multiple of earnings

In April 1997 Electra invested $4.8 million in the first of a series of transactions to execute a consolidation strategy in the garden products sector. The transaction was led by Electra Partners' New York office.

Companies acquired included Iseli, the premier producer of dwarf conifers and other specialty woody ornamentals; Skagit, a grower of annuals and perennials; Weeks, a leading grower of roses and Langeveld, the leading importer of Dutch bulbs.

Notwithstanding the geographic spread of its businesses, in 2001 the company was faced with difficult operating conditions including an extended drought in the growing areas of the North West combined with wet and cold weather in the selling areas of the North East.

To improve its situation, the company sold off some operating companies, closed its offices in the North East and relocated in the growing area of the North West.The company also went through a financial restructuring which required a further injection of capital of which Electra's share amounted to $8 million.

Since these changes, the performance of the company has improved with operating profits in excess of budget.

FORTHPANEL

Location: International

Equity Ownership	**100.0%**
Valuation	**£12,208,000**
Cost	**£11,846,000**

Valuation – cost

Forthpanel is a property holding company that owns seven retail and office sites in Germany. It acquired these sites in April 2002 in connection with a refinancing of Deutsche Woolworth. The acquisition value of these properties was €19.4 million.

WILLIAM COOK

Location: UK

Equity Ownership	**48.2%**
Valuation	**£11,000,000**
Cost	**£20,911,000**

Valuation based on multiple of earnings

In March 1997 Electra invested £20.9 million in the management buy-out of publicly quoted William Cook. The company at that time was the subject of a hostile bid and Electra Partners had been invited by the Board to act as a white knight alternative.

Headquartered in Sheffield and operating out of seven plants in the North of England, William Cook is one of Europe's largest manufacturers of steel castings and supplies a wide range of industries including defence, construction, transportation, materials handling and power generation.

The combination of a difficult manufacturing environment and the strength of sterling has resulted in significant competitive pressures from the Continent, not only in terms of alternative sources of supply available to William Cook's customers, but also because its own UK customer base has been less competitive.

However, determined management action has enabled the group to deliver operating profits of £8.8 million in the year to March 2002 on turnover of £110 million, a significant increase over the operating profit on the previous year of £6.2 million. Furthermore, cash flow has continued to be strong and senior debt has been reduced to £15 million compared to £35 million at the time of the buy-out.

BEZIER

Location: UK

Equity Ownership	**66.6%**
Valuation	**£10,560,000**
Cost	**£19,178,000**

Valuation based on multiple of earnings

In 1998 Electra invested £19.2 million in the £53 million management buy-out of Bezier from the Wace Group. On acquisition Bezier comprised four specialist printing businesses: greetings cards; point-of-purchase advertising materials ('PoP'); food labels; and quality corporate documents. Since acquisition Bezier has sold the labels business and closed the greeting cards business to concentrate on the higher growth and value added areas of its business, which have continued to grow every year since acquisition.

It continues to be a difficult environment for UK printing generally and for Bezier's core retail and consumer brand client base. However, spending on PoP has remained reasonably robust, although margins remain under pressure. Bezier has done well to show further progress in this environment and continues to benefit from the trend of consolidation of supplier base in its target customers. The general corporate market remains flat but the company has secured a healthy amount of new business and has retained the majority of its major clients.

In the year to 30 April 2002 the continuing group reported sales of £35.2 million and an operating profit of £4.7 million (2001: £3.9 million).

United Kingdom and Continental Europe

Company	Directors' valuation of holding at 30 Sept 2001 £'000	Net purchases/ (sales) £'000	Performance in year £'000	Directors' valuation of holding at 30 Sept 2002 £'000	Cost of holding at 30 Sept 2002 £'000
BAXI Heating products	48,806	–	–	48,806	54,590
VENDCROWN Insurance premium finance	31,515	(88)	5,726	37,153	4,832
ALLFLEX Animal identification tags	32,000	1,952	895	34,847	28,198
SAFETY-KLEEN EUROPE Cleaning and waste removal services	30,743	–	–	30,743	22,239
CAPITAL SAFETY GROUP Specialist safety equipment	32,396	–	(1,763)	30,633	30,326
HEATH LAMBERT Insurance broker	22,648	(34)	7,286	29,900	22,614
AMTICO Luxury flooring manufacturer	34,000	–	(5,859)	28,141	17,067
ESPORTA Health and fitness clubs	–	26,041	–	26,041	26,041
DEUTSCHE WOOLWORTH General merchandise retailer	19,960	–	212	20,172	29,831
PRIZE FOODS Food manufacturer	15,200	–	(300)	14,900	9,166
AGRICOLA GROUP Compound animal feeds	15,300	(590)	–	14,710	14,710
INCHCAPE SHIPPING SERVICES Shipping services	4,395	9,921	–	14,316	27,501
FORTHPANEL Property holding	–	11,846	362	12,208	11,846
WILLIAM COOK HOLDINGS Steel castings	11,000	–	–	11,000	20,911
BEZIER Printing services	12,750	–	(2,190)	10,560	19,178
FREIGHTLINER Rail freight operator	5,200	(512)	5,812	10,500	41
UGC (UNIPART) Automotive spare parts manufacturer	11,000	–	(500)	10,500	112
	326,913	48,536	9,681	385,130	339,203

USA, Far East including India and Elsewhere

Company	Directors' valuation of holding at 30 Sept 2001 £'000	Net purchases/ (sales) £'000	Performance in year £'000	Directors' valuation of holding at 30 Sept 2002 £'000	Cost of holding at 30 Sept 2002 £'000
LEINER HEALTH PRODUCTS Manufacturer of vitamin supplements	13,608	2,911	5,737	22,256	17,423
MOSER BAER Manufacturer of recordable CD's	21,241	(10,447)	3,442	14,236	3,167
INTERNATIONAL GARDEN PRODUCTS Garden products	6,804	5,091	823	12,718	17,020
	41,653	(2,445)	10,002	49,210	37,610

The unlisted investments shown above and on page 28 represent 64% of the Group's fixed asset unlisted investments at 30 September 2002.

Classification and Distribution of Investments

	UK and Continental Europe Unlisted %	Listed %	USA, Far East including India and Elsewhere Unlisted %	**Total 2002 %**	Total 2001 %
EQUITIES					
Resources					
Oil and Gas	–	–	–	**–**	–
	–	–	–	**–**	–
Basic Industries					
Chemicals	–	–	0.24	**0.24**	0.40
Construction and Building Materials	5.00	–	0.63	**5.63**	8.38
Forestry and Paper	0.07	–	0.23	**0.30**	0.16
Steel and Other Metals	2.21	–	–	**2.21**	1.49
	7.28	–	1.10	**8.38**	10.43
General Industrials					
Aerospace and Defence	–	–	0.46	**0.46**	0.55
Diversified Industrials	–	–	0.01	**0.01**	0.10
Electronic and Electrical Equipment	0.14	–	–	**0.14**	0.21
Engineering and Machinery	–	–	0.83	**0.83**	0.80
	0.14	–	1.30	**1.44**	1.66
Cyclical Consumer Groups					
Automobiles and Parts	1.52	–	–	**1.52**	1.49
Household Goods and Textiles	9.54	–	0.05	**9.59**	8.56
	11.06	–	0.05	**11.11**	10.05
Non-Cyclical Consumer Groups					
Food Producers and Processors	2.13	–	0.56	**2.69**	2.82
Health	–	–	7.03	**7.03**	8.86
Packaging	1.53	–	0.22	**1.75**	2.12
Pharmaceuticals	0.13	0.11	–	**0.24**	0.49
	3.79	0.11	7.81	**11.71**	14.29

	UK and Continental Europe Unlisted %	Listed %	USA, Far East including India and Elsewhere Unlisted %	**Total 2002 %**	Total 2001 %
Cyclical Services					
Distributors	2.17	0.01	0.08	**2.26**	2.20
General Retailers	3.67	–	0.02	**3.69**	5.80
Leisure, Entertainment and Hotels	4.72	1.03	0.23	**5.98**	5.35
Media and Photography	1.27	–	0.34	**1.61**	3.73
Support Services	13.98	0.20	0.15	**14.33**	13.25
Transport	3.60	–	0.47	**4.07**	1.60
	29.41	1.24	1.29	**31.94**	31.93
Non-Cyclical Services					
Food and Drug Retailers	–	–	0.28	**0.28**	2.06
Telecommunications	–	–	0.05	**0.05**	0.12
	–	–	0.33	**0.33**	2.18
Utilities					
Electricity	1.45	–	–	**1.45**	0.91
	1.45	–	–	**1.45**	0.91
Financials					
Banks, Retail	–	–	–	**–**	0.10
Insurance	4.53	–	–	**4.53**	3.39
Investment Companies	5.64	1.11	8.34	**15.09**	12.81
Real Estate	3.37	–	0.38	**3.75**	0.94
Speciality and Other Finance	6.34	0.01	–	**6.35**	5.09
	19.88	1.12	8.72	**29.72**	22.33
Information Technology					
Information Technology Hardware	–	0.01	2.05	**2.06**	2.89
Software and Computer Services	–	0.03	1.83	**1.86**	3.33
	–	0.04	3.88	**3.92**	6.22
TOTAL 2002	**73.01**	**2.51**	**24.48**	**100.00**	
TOTAL 2001	66.31	2.82	30.87		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 2002 and their Report on its affairs. A review of the business of the Group is given on pages 4 to 31.

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 under Section 842 of the Income and Corporation Taxes Act 1988 for the accounting period to 30 September 2001. The Directors are of the opinion that, since that date, the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under that section. 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 undertakings are set out in Note 19 to the Accounts.

Investment Objectives and Realisation Strategy

In June 2001 shareholders approved changes to Electra's investment strategy whereby at least two thirds of future cash flow will be returned to shareholders with the balance invested in new investments. Further details are given on page 3.

Investment Management Arrangements

Electra Partners continues to be 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 investments in accordance with guidelines determined by the Directors and as specified in limited partnership and in management and investment guideline agreements. The majority of the investments are made as a limited partner of limited partnership funds.

From 1 April 2001 Electra Partners has received a priority profit share of 1.5 per cent on the gross value of Electra's investment portfolio (excluding any amounts committed to Electra Partners' funds). The contract will run for an initial two year term commencing 1 April 2001 with a one-year rolling notice period thereafter.

Results and Dividend

A revenue loss attributable to shareholders of £5.836 million (2001: loss of £17.503 million) was transferred from Revenue Reserves. The Directors do not recommend the payment of a final dividend in respect of the year ended 30 September 2002.

Authority to make Market Purchases of Shares

A special resolution was passed at the Annual General Meeting held on 4 March 2002 which authorised the Directors, in accordance with Section 166 of the Companies Act 1985, to make further market purchases of up to 9,778,207 shares, equal to 14.99% of the Company's shares in issue at that time.

Multi-Currency Loan Facility

At 30 September 2002 borrowings under the £350 million multi-currency facility amounted to £209,106,000 (2001: £239,328,000).

Directors

The current Directors of the Company are listed on page 8. Sir Brian Williamson, Mr RA Armstrong, Professor Sir George Bain, Lord King of Bridgwater, Sir Michael Pickard, Mr MED'A Walton and Mr JP Williams were Directors throughout the year ended 30 September 2002. Apart from these persons no other person was a Director of the Company during any part of the year. On 30 September 2002, Sir Michael Pickard retired as a Director. Sir Brian Williamson and Lord King of Bridgwater will retire at the 2003 Annual General Meeting and, being eligible, offer themselves for re-election.

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 2002 and 4 December 2002.

	30 September 2002 Shares	1 October 2001 Shares
Sir Brian Williamson	**30,000**	20,000
RA Armstrong	**30,000**	30,000
Professor Sir George Bain	**2,000**	2,000
Lord King of Bridgwater	**20,000**	20,000
Sir Michael Pickard	**32,070**	23,070
MED'A Walton	**67,774**	67,774
JP Williams	**50,000**	50,000

Substantial Shareholders

At 2 December 2002 the following shareholders had notified an interest of 3% or more in the Company's ordinary shares:

	Shares	%
Deutsche Bank AG, London *	8,073,142	12.38
The Equitable Life Assurance Society	2,712,062	4.16
Legal & General Investment Management Limited	2,103,684	3.22

* Deutsche Bank AG, London have advised that part of this holding may relate to hedging arrangements for customer transactions, and companies within the group acting as fund managers hold some of the shares on behalf of a number of clients whose portfolios are managed on a discretionary basis.

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 (2001: £nil). No political donations were made during the year (2001: £nil).

Auditors

Resolutions 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 2002 was one day (2001: one day) and that of the Company was one day (2001: one day).

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.

Annual General Meeting

The Annual General Meeting will be held on Thursday 13 March 2003. 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 up to 9,778,207 of the Company's own shares (being 14.99% of the total number of ordinary shares in issue) subject to the constraints set out in the special resolution. 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.

By order of the Board of Directors
PJ Dyke, Secretary, 65 Kingsway, London WC2B 6QT
4 December 2002

Ten Year Record of Earnings and Dividends

Year ended 30 September	Basic Earnings per Share p	Dividends per Share p
1993	7.947	7.000
1994	7.341	7.250
1995	10.202	7.550
1996	10.722	8.400
1997	14.052	† 9.700
1998	15.880	11.175
1999	(3.882)	–
2000	(19.119)	–
2001	(22.941)	–
2002	(8.947)	–

† Excludes special dividend of 0.55p per share

Electra has charged all expenses and finance costs to its Revenue Account in respect of accounting periods since 1 October 1998.

Corporate Governance

The Directors 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 Financial Services Authority.

The Board of Directors

The Board, which meets regularly, comprised of seven Directors at 30 September 2002, all of whom were non-executive. All of the Directors who held office at 30 September 2002 have been considered by the Board to be wholly independent under the Code. Sir Michael Pickard was the Senior Independent Director until his retirement on 30 September 2002. Mr JP Williams became the Senior Independent Director from 1 October 2002.

The Board has agreed a schedule of matters reserved for its specific approval, which includes a 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.

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 entire Board.

The Audit Committee

The Board has an Audit Committee with specified terms of reference. It comprises all the Directors with Mr RA Armstrong as Chairman. The principal role of the 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 when necessary to determine the emoluments of the Directors and the Chairman. It 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 throughout the year. Details of Director's remuneration are shown in Note 4 of the accounts. The Remuneration Committee considers the levels of remuneration paid to be appropriate in the light of responsibilities and duties undertaken by the Directors. None of the Directors has a service contract.

The Nomination Committee

The Nomination Committee meets on an ad hoc basis to consider suitable candidates for appointment as Director. It comprises all the Directors with Sir Brian Williamson as Chairman.

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 a regular dialogue with its institutional shareholders and City analysts, with a number 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.

Internal Control

The Code requires the Directors to review the effectiveness of the Company's system of internal control and report to shareholders that they have done so. The Code extended the earlier reporting requirements and now includes financial, operational and compliance controls and risk management.

The Board confirms that it has an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and has continued since the year end. It is reviewed at regular intervals by the Board and accords with the guidance set out in the Turnbull Report.

The Board is responsible for the Company's system of internal control and it has reviewed its effectiveness for the year ended 30 September 2002. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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 control mainly comprises the monitoring of 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 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 assets and affairs are managed in accordance with the guidelines determined by the Board.
- Management Systems – Electra Partners' system of internal control includes clear lines of responsibility, delegated authority, control procedures and systems. Electra Partners' compliance department monitors compliance with the FSA rules.

The Board keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of the key 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 on a six monthly basis, verifying compliance with documenting 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.

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 Independent Auditors

Independent Auditors' Report to the Members of Electra Investment Trust PLC

We have audited the financial statements of Electra Investment Trust PLC which comprise the Statement of Total Return, the Balance Sheet, Reconciliation of Movements in Shareholders' Funds and the Cash flow Statement and Notes 1 to 22, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the Statement of Accounting Policies.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority. This opinion has been prepared for and only for the Company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. 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. The other information comprises only the Chairman's Statement, the Report of the Directors, the Investment Manager's Review and the Corporate Governance statement.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it 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 Group'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 2002 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
4 December 2002

- The maintenance and integrity of the www.electratrust.com website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Total Return (incorporating the Revenue Account)

Note	For the year ended 30 September	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000	2001 Revenue £'000	2001 Capital £'000	2001 Total £'000
	Gains/(losses) on investments:						
17	Realised	–	13,014	13,014	–	15,553	15,553
17	Unrealised	–	(52,269)	(52,269)	–	(177,456)	(177,456)
	Gains/(losses) on revaluation of foreign currencies:						
17	Realised	–	237	237	–	(7,844)	(7,844)
17	Unrealised	–	9,104	9,104	–	5,096	5,096
		–	(29,914)	(29,914)	–	(164,651)	(164,651)
1	Income of the investment trust	20,134	–	20,134	24,317	–	24,317
2	Net (expenses) of subsidiary undertakings	(629)	–	(629)	(587)	–	(587)
3	Expenses:						
	Priority profit share paid to general partners	(11,088)	–	(11,088)	(14,129)	–	(14,129)
	Other expenses	(2,513)	–	(2,513)	(5,768)	–	(5,768)
	Reversal of income accruals	(3,579)	–	(3,579)	(11,020)	–	(11,020)
	Net Return before Finance Costs and Taxation	2,325	(29,914)	(27,589)	(7,187)	(164,651)	(171,838)
6	Interest payable and similar charges	(7,668)	–	(7,668)	(10,346)	–	(10,346)
	Return on Ordinary Activities before Taxation	(5,343)	(29,914)	(35,257)	(17,533)	(164,651)	(182,184)
7	Taxation on ordinary activities	–	–	–	–	–	–
	Return on Ordinary Activities after Taxation and Transfers from Reserves for the Year	(5,343)	(29,914)	(35,257)	(17,533)	(164,651)	(182,184)
	Exchange differences arising on consolidation	(493)	(7,030)	(7,523)	30	885	915
17	**Net Transfers from Reserves for the Year**	(5,836)	(36,944)	(42,780)	(17,503)	(163,766)	(181,269)
9	**Return to Shareholders per Ordinary Share**	(8.95p)	(56.63p)	(65.58p)	(22.94p)	(214.65p)	(237.59p)

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

	2002	2001
Number of Ordinary Shares in issue at 30 September	65,231,533	65,231,533

Reconciliation of Total Shareholders' Funds

	Year to 30 Sept 2002 £'000	Year to 30 Sept 2001 £'000
Total Return	**(35,257)**	(182,184)
Exchange differences arising on consolidation	**(7,523)**	915
Repurchase of own shares	**–**	(147,831)
Nominal value of own shares repurchased	**–**	(3,832)
Movements in Total Equity Shareholders' Funds	**(42,780)**	(332,932)
Total Equity Shareholders' Funds at 1 October	**541,110**	874,042
Total Equity Shareholders' Funds at 30 September	**498,330**	541,110

Consolidated Balance Sheet

Note		As at 30 Sept 2002 £'000	As at 30 Sept 2002 £'000	* Restated As at 30 Sept 2001 £'000	* Restated As at 30 Sept 2001 £'000
	Fixed Assets				
10	Investments:				
	Unlisted		**674,362**		739,125
	Listed		**17,365**		20,766
			691,727		759,891
	Current Assets				
11	Debtors	**28,426**		41,228	
12	Investments	**1,168**		1,867	
	Cash at bank and in hand	**16,179**		5,155	
		45,773		48,250	
	Current Liabilities				
13	Creditors: amounts falling due within one year	**9,022**		7,478	
	Net Current Assets		**36,751**		40,772
	Total Assets less Current Liabilities		**728,478**		800,663
14	Creditors: amounts falling due after more than one year		**209,106**		239,328
			519,372		561,335
22	Provision for Liabilities and Charges		**21,042**		20,225
	Net Assets		**498,330**		541,110
	Capital and Reserves				
16	Called-up share capital		**16,308**		16,308
17	Share premium	**24,147**		24,147	
17	Capital redemption reserve	**26,967**		26,967	
17	Realised capital profits	**609,612**		660,322	
17	Unrealised capital losses	**(171,087)**		(184,853)	
17	Revenue reserve	**(7,617)**		(1,781)	
			482,022		524,802
	Total Equity Shareholders' Funds		**498,330**		541,110
	Net Asset Value per Ordinary Share		**763.94p**		829.52p

* See Note 22

Balance Sheet

Note		As at 30 Sept 2002 £'000	As at 30 Sept 2002 £'000	* Restated As at 30 Sept 2001 £'000	* Restated As at 30 Sept 2001 £'000
	Fixed Assets				
10	Investments:				
	Subsidiary undertakings		**9,044**		9,044
	Unlisted		**582,145**		663,534
	Listed		**17,365**		20,766
			608,554		693,344
	Current Assets				
11	Debtors	**51,785**		62,910	
	Cash at bank and in hand	**16,073**		5,139	
		67,858		68,049	
	Current Liabilities				
13	Creditors: amounts falling due within one year	**105,611**		150,182	
	Net Current Liabilities		**(37,753)**		(82,133)
			570,801		611,211
22	Provision for Liabilities and Charges		**21,042**		20,225
			549,759		590,986
	Capital and Reserves				
16	Called-up share capital		**16,308**		16,308
17	Share premium	**24,147**		24,147	
17	Capital redemption reserve	**26,967**		26,967	
17	Realised capital profits	**642,943**		696,348	
17	Unrealised capital losses	**(172,244)**		(182,191)	
17	Revenue reserve	**11,638**		9,407	
			533,451		574,678
	Total Equity Shareholders' Funds		**549,759**		590,986

* See Note 22

The Accounts on pages 39 to 60 were approved by the Directors on 4 December 2002 and were signed on their behalf by:

Sir Brian Williamson, *Chairman*

Consolidated Cash Flow Statement

Note	For the year ended 30 September	£'000	2002 £'000	£'000	2001 £'000
	Operating Activities				
	UK dividend income	**2,131**		6,339	
	Unfranked investment income	**14,496**		16,114	
	Interest income	**318**		1,272	
	Other income	**295**		456	
	Expenses	**(11,598)**		(30,074)	
a	**Net Cash Inflow/(Outflow) from Operating Activities**		**5,642**		(5,893)
	Returns on Investments and Servicing of Finance				
	Interest paid	**(7,388)**		(13,945)	
	Net Cash Outflow from Returns on Investments and Servicing of Finance		**(7,388)**		(13,945)
	Taxation Paid				
	Corporation tax repaid	**–**		3,325	
	Total Taxation Repaid		**–**		3,325
	Capital Expenditure and Financial Investment				
	Purchases of investments	**(116,421)**		(75,960)	
	Sales of investments	**143,068**		184,265	
	Net Cash Inflow from Capital Expenditure and Financial Investment		**26,647**		108,305
	Net Cash Inflow before Management of Liquid Resources and Financing		**24,901**		91,792
b	**Management of Liquid Resources**		**(10,500)**		43,504
	Financing				
	Bank loans drawn	**54,000**		282,261	
	Bank loans repaid	**(74,246)**		(283,899)	
	Loans drawn/(advanced)	**7,004**		(2,400)	
	Repurchase of own shares	**–**		(151,663)	
	Net Cash Outflow from Financing		**(13,242)**		(155,701)
	Increase/(Decrease) in Cash in the Year		**1,159**		(20,405)

Note	For the year ended 30 September	£'000	2002 £'000	£'000	2001 £'000
	Reconciliation of Net Cash Flow to Movement in Net Debt				
	Increase/(Decrease) in cash in the year		**1,159**		(20,405)
	Cash outflow from debt financing	**20,246**		1,638	
	Cash outflow/(inflow) from change in liquid resources	**10,500**		(43,504)	
			30,746		(41,866)
	Change in Net Debt Resulting from Cash Flows		**31,905**		(62,271)
	Translations difference		**9,341**		(2,748)
	Movement in Net Debt		**41,246**		(65,019)
	Net debt brought forward		**(234,173)**		(169,154)
	Net Debt carried forward		**(192,927)**		(234,173)

Notes to the Consolidated Cash Flow Statement

		Year to 30 Sept 2002 £'000	Year to 30 Sept 2001 £'000
a	**Reconciliation of Net Return before Finance Costs and Taxation to Net Cash Outflow from Operating Activities**		
	Net return before finance costs and taxation but including interest in associated undertaking	**2,325**	(7,187)
	Loss on sale of current assets investments	**700**	1,421
	Exchange difference	**1,416**	913
	Decrease/(Increase) in other debtors and prepayments	**2,147**	(495)
	Taxation deducted at source on investment income	**(1,032)**	(475)
	Increase/(Decrease) in other creditors and accruals	**96**	(62)
	Increase in trade debtors	**(10)**	(8)
	Net Cash Inflow/(Outflow) from Operating Activities	**5,642**	(5,893)

b Analysis of Net Debt

	At 1 Oct 2001 £'000	Cash Flow £'000	Exchange Movements £'000	At 30 Sept 2002 £'000
Net cash:				
Cash at bank and in hand	5,155	11,659	(635)	16,179
Less deposits treated as liquid resources	(2,800)	(10,500)	–	(13,300)
	2,355	1,159	(635)	2,879
Liquid resources:				
Deposits on money market	2,800	10,500	–	13,300
Debt:				
Bank loans	(239,328)	20,246	9,976	(209,106)
	(234,173)	31,905	9,341	(192,927)

Statement of Accounting Policies

Principal Accounting Policies

The Accounts have been prepared in accordance with Accounting Standards applicable in the United Kingdom.

Basis of Accounting

The Accounts are prepared on the historical cost basis of accounting, modified to include the revaluation of certain assets and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (the SORP).

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.

The structures through which Electra's investments are made mean that for the purposes of consolidation, Electra is deemed not to have significant influence or control over the operating and financial decisions of the investee companies. Consequently, Limited Partnerships and any significant investment holdings are not consolidated. Control in all cases vests with parties outside the Electra Group.

Limited Partnership Funds

Significant investments made by the Company in limited partnership funds managed by Electra Partners, 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 10).

Listed Investments

The listed investment portfolio is held within a limited partnership fund managed by Electra Partners. The investments comprising the Group's interest in this fund are disclosed as listed investments (see Note 10).

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.

Current Asset Investments

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.

Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses in connection with the acquisition of fixed asset investments are included within the cost of the investment; and
- expenses in connection with the disposal of fixed asset investments are deducted from the disposal proceeds of the investment.

Priority Profit Share

The majority of the investments are made by the Company in limited partnership funds managed by Electra Partners. Under the terms of the limited partnership agreements the general partner is 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 have not yet earned sufficient net income or net capital gain to satisfy this priority profit share the entitlement is carried forward to the following period. In all instances the cash amount paid to the general partner in each period is 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 is 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.

The priority profit share is charged wholly to the revenue account.

Taxation

The tax effect of different items of income/gain and expense/loss is allocated between capital and revenue on the same basis as the particular item to which it relates, using the company's effective rate of tax for the accounting period. Deferred Tax is accounted for in accordance with FRS19 'Deferred Tax'. Deferred Tax is provided on all timing differences that have originated but not reversed by the Balance Sheet date. A Deferred Tax asset is only recognised to the extent that it is regarded as recoverable.

Notes to the Accounts

1 Income of the Investment Trust

	£'000	Year to 30 Sept 2002 £'000	£'000	Year to 30 Sept 2001 £'000
UK Dividend Income from Fixed Asset Investments				
Unlisted – UK	**311**		361	
Partnership interests – UK†	**1,911**		5,914	
		2,222		6,275
Unfranked Investment Income from Fixed Asset Investments				
Unlisted – UK	**16,527**		7,985	
Unlisted – overseas	**249**		141	
Partnership interests – UK†	**524**		8,215	
		17,300		16,341
		19,522		22,616
Interest Receivable and Other Income				
Bank interest receivable	**255**		1,269	
Rents receivable	**295**		379	
Partnership interests – UK†	**62**		–	
Other income	**–**		53	
		612		1,701
		20,134		24,317

† 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

	£'000	Year to 30 Sept 2002 £'000	£'000	Year to 30 Sept 2001 £'000
Unfranked Investment Income from Fixed Asset Investments				
Unlisted – UK	**69**		807	
Partnership interests – UK	**–**		24	
		69		831
Interest Receivable and Other Income				
Bank interest receivable	**2**		3	
Investment dealing	**(700)**		(1,421)	
		(698)		(1,418)
		(629)		(587)

3 Expenses

	Year to 30 Sept 2002 £'000	Year to 30 Sept 2001 £'000
Priority profit share paid to General Partner	11,088	14,129

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.

Other expenses		
Administrative expenses	**1,810**	5,118
Directors' remuneration (see Note 4)	**318**	310
Auditors' remuneration	**385**	340
	2,513	5,768

The Audit Committee reviews non-audit assignments annually, and approves all assignments above a set threshold cost.

It is the Group's practice to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where their expertise and experience with the Group are important, principally tax advice and compliance matters, or where they are awarded assignments on a competitive basis.

In accordance with current best practice in relation to disclosure of remuneration paid to Auditors, the current year analysis is more extensive than has been shown in previous years. The comparatives have been restated accordingly. During the year PricewaterhouseCoopers earned the following fees:

Audit fees		
Company	**165**	150
Group companies	**47**	34
Limited Partnership Funds	**25**	17
Half year review	**40**	40
	277	241
Advisory services		
Tax advice and compliance services	**44**	40
Other	**64**	59
Auditors' Remuneration	**385**	340
Reversal of Income Accruals	**3,579**	11,020

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 2002 £'000	Year to 30 Sept 2001 £'000
Chairman's remuneration for year	**150**	150
Directors' fees	**168**	160
	318	310
Emoluments		
Chairman and highest paid Director:	**150**	150
.	**150**	150

4 Directors' Remuneration continued

Directors' Remuneration

All of the Directors received fees of £28,500 per annum for the year except for one director who received £25,000 (2001: £25,000) (2001: £25,000 for the period 1 October 2000 to 31 March 2001 and £28,500 per annum for the period 1 April 2001 to 30 September 2001).

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:

	2002 Number	2001 Number		2002 Number	2001 Number
£25,001 – £30,000	**6**	6	£145,001 – £150,000	**1**	1

During the year no Director (2001: nil) waived remuneration amounting to £nil (2001: £nil).

The Directors' fees include £82,000 (2001: £78,000) paid to third parties for making available the services of three of the Directors (2001: three)

5 Employees (Excluding Directors)

The Company has no employees (2001: nil).

6 Interest Payable

	Year to 30 Sept 2002 £'000	Year to 30 Sept 2001 £'000
Loans Repayable between One and Five Years		
Bank loans	**7,660**	10,337
Loans Repayable within One Year		
Bank loans	**8**	9
	7,668	10,346

7 Taxation on Ordinary Activities

No charge to tax arose in the year to 30 September 2002 (2001: £nil).
Corporation tax at 30% (2001: 30%).

The actual tax charge reconciles to the tax charge on revenue before tax based on the standard rate of corporation tax of 30% as follows:

	Year to 30 Sept 2002 £'000	Year to 30 Sept 2001 £'000
Net income before taxation	**(1,603)**	(5,260)
Dividend income – write back of accrued income	**945**	475
Disallowable expenses	**130**	597
Priority profit share of partnership income appropriated by General Partners	**2,745**	1,956
Non UK group company losses written off	**3**	5
Non UK group company profits not taxable	**–**	(6)
Brought forward losses utilised	**(3,859)**	(1,047)
Capital allowances	**(3)**	(3)
Losses carried forward	**1,642**	3,283
Tax charge	**–**	–

8 Revenue Return Attributable to Shareholders

The Revenue Return attributable to shareholders includes a profit of £2,231,000 (2001: loss of £4,124,000) which has been dealt with in the Accounts of the Company.

9 Return to Shareholders per Ordinary Share

The calculation of revenue return per share is based on the revenue losses attributable to shareholders of £5,836,000 (2001: £17,503,000) and on a weighted average number of 65,231,533 (2001:76,294,548) ordinary shares of 25p in issue. The calculation of capital return per share is based on the capital deficit attributable to ordinary shareholders of £36,944,000 (2001: return £163,766,000) and on a weighted average number of 65,231,533 (2001: 76,294,548) ordinary shares of 25p in issue

10 Fixed Asset Investments

	Group		Company	
	30 Sept 2002 £'000	30 Sept 2001 £'000	**30 Sept 2002 £'000**	30 Sept 2001 £'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
Unlisted at Directors' Valuation				
UK and Continental Europe	**481,472**	485,985	**391,804**	413,730
USA and Other	**107,098**	147,367	**107,098**	146,657
Partnership interests – UK and Continental Europe	**23,476**	24,716	**23,476**	24,716
Partnership interests – USA and Other	**62,316**	81,057	**59,767**	78,431
	674,362	739,125	**582,145**	663,534
Listed at Market Value				
UK and Continental Europe	**17,365**	20,766	**17,365**	20,766

The market value of investments listed on a recognised investment exchange is £17,365,000 (2001: £20,766,000).

	Group £'000	Company £'000
Valuation at 1 October 2001		
Investments	**759,891**	**684,300**
Subsidiary undertakings	**–**	**9,044**
	759,891	**693,344**
Changes due to currency movements	**(8,940)**	**(8,769)**
	750,951	**684,575**
Purchases – at cost	**116,421**	**93,060**
	867,372	**777,635**
Disposals – at valuation 1 October 2001	**(124,193)**	**(121,269)**
	743,179	**656,366**
Decrease in valuation	**(51,452)**	**(47,812)**
Valuation at 30 September 2002	**691,727**	**608,554**
Cost at 30 September 2002	**859,933**	**748,372**

The amount of investments held in limited partnership funds that are managed by Electra Partners is £510,975,000 (2001: £556,262,000).

11 Debtors

	Group		Company	
	30 Sept 2002 £'000	30 Sept 2001 £'000	**30 Sept 2002 £'000**	30 Sept 2001 £'000
Amounts Falling Due within One Year				
Sales for future settlement	**–**	5,860	**–**	5,860
Taxation recoverable	**1,734**	702	**1,248**	36
Amounts owed by subsidiary undertakings	**–**	–	**24,066**	25,039
Other debtors	**4,059**	8,200	**3,838**	5,732
Prepayments and accrued income	**22,633**	26,466	**22,633**	26,243
	28,426	41,228	**51,785**	62,910

Prepayments and accrued income comprise accrued income from fixed asset investments.

12 Current Asset Investments

Partnership interest	**1,168**	1,867	**–**	–

The market value of listed investments at 30 September 2002 held as partnership interests is £1,168,000 (2001 Listed UK: £2,346,000). Of this total £1,168,000 relates to investments listed on a recognised investment exchange (2001: £2,346,000).

13 Creditors

	Group		Company	
	30 Sept 2002 £'000	30 Sept 2001 £'000	**30 Sept 2002 £'000**	30 Sept 2001 £'000
Amounts Falling Due within One Year				
Amounts owed to subsidiary undertakings	**–**	–	**97,299**	143,631
Other taxation	**–**	10	**–**	10
Other creditors	**9,022**	7,468	**8,312**	6,541
	9,022	7,478	**105,611**	150,182

14 Creditors

Amounts Falling Due after more than One Year				
Bank loans				
two to five years	**209,106**	239,328	**–**	–

A variable rate of interest is charged on the bank loans.

15 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 12 to 27.
2. A loan facility, the purpose of which is to finance tender offers, other share buy-backs and on-market purchases of shares, the financing of new investment and refinancing existing debt.

Investments are held with a view to identifying suitable opportunities for realisation.

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 and the preceding year.

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. The Group does not use derivatives.

The Board meets on a number of occasions during each year to consider the realisation programme of the investment portfolio in order to minimise the risk associated with particular sectors. Electra Partners has responsibility for monitoring the realisation programme of the portfolio in accordance with the Group's investment objectives and seeks to ensure that individual stocks meet an acceptable risk reward profile.

Interest Rate Risk

The Group finances its operations through retained profits including both realised and unrealised capital profits. In addition, financing is obtained through loan facilities. During the year, long-term foreign currency loan facilities were in existence. The initial drawdown under the loan facilities was in US Dollars and Euros. The loans have a floating rate of interest.

The cash balances held on deposit mitigate in part the interest rate risk. Investments are held with a view to identifying suitable opportunities for realisation. 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 part (iii) of the Note. These profiles exclude short term debtors and creditors.

Liquidity Risk

The Group's assets comprise listed and unlisted equity and non-equity shares and fixed income securities. There have been significant disposals in the period of both listed and unlisted investments, which have been used to repay loan facilities and in the prior year to return capital to shareholders. As a result the Group's liquidity has increased marginally during the year. Short-term flexibility is achieved through the revolving 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 47.

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

During the year, the Group held loans denominated in US Dollars and Euros, which partially offset exchange risks suffered on foreign fixed asset investments.

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

15 Financial Instruments continued

(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 have an impact on the net assets and return of the Group as at 30 September 2002.

Currency As at 30 September	Foreign currency monetary assets 2002 £'000	Foreign currency monetary assets 2001 £'000	Foreign currency monetary liabilities 2002 £'000	Foreign currency monetary liabilities 2001 £'000	Net foreign currency monetary assets 2002 £'000	Net foreign currency monetary assets 2001 £'000
US Dollar	**183,965**	209,591	**(139,260)**	(164,659)	**44,705**	44,932
Other	**99,591**	86,631	**(46,346)**	(74,669)	**53,245**	11,962
Total	**283,556**	296,222	**(185,606)**	(239,328)	**97,950**	56,894

(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 2002.

Currency As at 30 September 2002	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Sterling	**425,518**	**13,956**	**142,707**	**268,855**
US Dollar	**183,965**	**2,135**	**18,063**	**163,767**
Other	**99,591**	**88**	**7,253**	**92,250**
Total	**709,074**	**16,179**	**168,023**	**524,872**

Interest on floating rate financial assets is at prevailing market rates.

Currency As at 30 September 2001	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Sterling	470,691	5,155	197,767	267,769
US Dollar	209,591	–	22,161	187,430
Other	86,631	–	–	86,631
Total	766,913	5,155	219,928	541,830

Currency As at 30 September	Fixed rate financial assets weighted average interest rate 2002 %	Fixed rate financial assets weighted average interest rate 2001 %	Fixed rate financial assets on which no interest is paid weighted average period until maturity 2002 years	Fixed rate financial assets on which no interest is paid weighted average period until maturity 2001 years
Sterling	**9.4**	8.7	**1.8**	1.4
US Dollar	**8.0**	6.0	**1.2**	1.3
Other	**8.0**	0.0	**2.7**	2.2

The equity shares held have no interest payable and do not have a stated maturity date.

15 Financial Instruments continued

Financial Liabilities

The interest rate profile of the financial liabilities as at 30 September 2002 was:

Currency As at 30 September	Floating rate financial liabilities 2002 £'000	 2001 £'000
US Dollar	**139,260**	164,659
Other	**46,346**	74,669
Sterling	**23,500**	–
Total	**209,106**	239,328
Total loan facility	**350,000**	350,000

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 2002 was:

As at 30 September	2002 £'000	2001 £'000
Between two and five years	**209,106**	239,328

(v) Fair Values of Financial Assets and Liabilities

All the financial assets of the Group are held at fair value as at 30 September. Current asset investments are held at lower of cost or market value.

As at 30 September	Book Value and Fair Value 2002 £'000	 2001 £'000
Primary Financial Assets Held		
Equity shares	**356,299**	456,302
Non-equity shares	**89,493**	91,628
Fixed interest securities	**247,103**	213,828
Cash at bank and in hand	**16,179**	5,155
Primary Financial Liabilities held to Finance the Group's Operations		
Long-term borrowings	**209,106**	239,328

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 or net assets.
The Principles of Valuation of Unlisted Investments are detailed on page 14.

16 Share Capital

	30 Sept 2002 £'000	30 Sept 2001 £'000
Allotted, called-up and fully paid 65,231,533 (2001: 65,231,533) ordinary shares of 25p each	**16,308**	16,308
Unissued 134,768,467 (2001: 134,768,467) ordinary shares of 25p each	**33,692**	33,692
Authorised 200,000,000 ordinary shares of 25p each	**50,000**	50,000

17 Reserves

	Group 30 Sept 2002 £'000	Company 30 Sept 2002 £'000
a Share Premium		
Share premium at 1 October 2001 and 30 September 2002	**24,147**	**24,147**
b Capital Redemption Reserve		
At 1 October 2001 and 30 September 2002	**26,967**	**26,967**
c Realised Capital Profits		
At 1 October 2001	**660,322**	**696,348**
Profits less losses on realisation of investments during the year	**13,014**	**13,115**
Profits on repayment of foreign currency bank loans	**872**	**–**
Net profits on revaluation of foreign currencies	**(635)**	**(635)**
Unrealised net depreciation at 1 October 2001 on bank loans repaid during the year	**935**	**–**
Exchange differences arising on consolidation	**(7,030)**	**(7,309)**
Unrealised net depreciation at 1 October 2001 on investments sold during the year	**(57,866)**	**(58,576)**
At 30 September 2002	**609,612**	**642,943**
d Unrealised Capital Profits		
At 1 October 2001	**(184,853)**	**(182,191)**
Decrease in value of fixed asset investments	**(51,452)**	**(47,812)**
Increase in incentive provisions	**(817)**	**(817)**
Profit on revaluation of foreign currency loans	**9,104**	**–**
Unrealised net depreciation at 1 October 2001 on investments sold during the year transferred to realised capital profits	**57,866**	**58,576**
Unrealised net appreciation at 1 October 2001 on bank loans repaid during the year transferred to realised capital profits	**(935)**	**–**
At 30 September 2002	**(171,087)**	**(172,244)**

17 Reserves continued

		Group 30 Sept 2002 £'000	Company 30 Sept 2002 £'000
e	**Revenue Profits**		
	At 1 October 2001	**(1,781)**	**9,407**
	Net revenue deficit transfer for the year	**(5,836)**	**2,231**
	At 30 September 2002	**(7,617)**	**11,638**
	Total reserves at 30 September 2002	**482,022**	**533,451**
	Total reserves at 30 September 2001	524,802	574,678

18 Contingent Liabilities and Commitments

The Company has undertaken to invest up to a further US$38,126,000 (2001: US$43,385,000) 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 £17,995,000 (2001: £12,318,000).

At 30 September 2002 the Company had uncalled commitments of £13,675,000 to a limited partnership fund managed by Electra Partners (2001: nil).

As a limited partner in a number of limited partnership funds, the Company has entered into agreements with subsidiaries of Electra Partners 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 management agreements are rolling contracts which now allow for termination by either party at the conclusion of a one year notice period.

19 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.

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 (Investment Holding Company)
87,000 ordinary shares of £10 (par value). Paid-in capital £1,027,389. Incorporated in England and Wales.
The subsidiary is wholly owned and held direct by the Company.

20 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.

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 2001 £'000	**Carrying value at 30 Sept 2002 £'000**	**Cost 30 Sept 2002 £'000**
Agricola Group Ordinary shares 8.3% Preference shares 95.0% Loan stock 95.0%	15,300	**14,710**	**14,710**
Allflex Ordinary shares 44.0% Preferred ordinary shares 51.0% Loan stock 70.6%	32,000	**34,847**	**28,198**
Amtico Ordinary shares 49.5% Loan stock 66.1%	34,000	**28,141**	**17,067**
Baxi (formerly Newmond) Ordinary shares 23.0% Preference shares 16.8% 'A' Loan stock 16.8% 'B' Loan stock 59.5%	48,806	**48,806**	**54,590**
Bezier Ordinary shares 66.7% Loan notes 66.7%	12,750	**10,560**	**19,178**
Candover Investments Ordinary shares 3.3%	6,881	**7,660**	**226**
Capital Safety Group Ordinary shares 53.3% Preference shares 62.3% Loan stock 62.3%	32,396	**30,633**	**30,326**
Charco Ninety-Nine Participating ordinary shares 50.0%	9,268	**8,625**	**178**
Deutsche Woolworth (Germany) Ordinary shares 49.3% Shareholders loans 57.6%	19,960	**20,172**	**29,831**
Energy Power Resources Ordinary shares 27.8% Loan stock Loans 100.0%	6,726	**10,000**	**20,082**
Esporta 'B' ordinary shares 4.0% Shareholder loans 4.8% Vendor loan note I 100.0% Vendor loan note II 21.5%	–	**26,041**	**26,041**

20 Particulars of Holdings in Other Companies continued

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 2001 £'000	**Carrying value at 30 Sept 2002 £'000**	**Cost 30 Sept 2002 £'000**
Forthpanel Ordinary shares 100.0%	–	**12,208**	**11,846**
Freightliner 'A' ordinary shares 50.0% 'A' shares 30.0% Preference shares 50.0%	5,200	**10,500**	**41**
Heath Lambert Ordinary shares 13.6% Preferred shares 21.3% Shareholder loans 22.2%	22,648	**29,900**	**22,614**
Inchcape Shipping Services Ordinary shares 74.0% Cumulative redeemable preference shares 100.0% Loan notes 100.0% Convertible loan notes 100.0%	4,395	**14,316**	**27,501**
International Garden Products (USA) Class A1 common stock 34.3% Series A preferred stock 50.1% Series D preferred stock 39.0%	6,804	**12,718**	**17,020**
Leiner Health Products (USA) Partnership interest 18.2%	13,608	**22,256**	**17,423**
Media Partners International 'A' Ordinary shares 11.3% 'B' Ordinary shares 11.3%	7,228	**7,040**	**7,481**
Moser Baer (India) Ordinary shares 12.0%	21,241	**14,236**	**3,167**
Orthofix International (USA) Common stock 5.0%	15,276	**7,660**	**177**
Prize Foods Group Ordinary shares 18.5% Deferred ordinary shares 24.4% Preference shares 24.4%	15,200	**14,900**	**9,166**
Safety-Kleen Europe Ordinary shares 44.0% Loan stock 48.8%	30,743	**30,743**	**22,239**
UGC (Unipart) 'A' Ordinary shares 17.2%	11,000	**10,500**	**112**
Vendcrown 'B' Ordinary shares 49.2%	31,515	**37,153**	**4,832**

20 Particulars of Holdings in Other Companies continued

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 2001 £'000	**Carrying value at 30 Sept 2002 £'000**	**Cost 30 Sept 2002 £'000**
William Cook Holdings	11,000	**11,000**	**20,911**
Ordinary shares 48.8%			
Convertible ordinary shares 56.1%			
Preference shares 59.3%			
Loan stock 59.6%			
Mezzanine loan 11.7%			

21 Related Party Transactions

The Company operates carried interest and co-investment schemes for employees and executives (the "participants") of Electra Partners. 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 2002 the participants received £5,216,000 (2001: £6,712,000) under these schemes and had unrealised gains of £18,382,000 (2001: £17,595,000). In addition the participants are entitled to a percentage of the incremental value of unlisted investments held at 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. During the year ended 30 September 2002 the participants received £nil (2001: nil) under the scheme and had unrealised gains of £799,000 (2001: £769,000).

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. At 30 September 2002 the unrealised gain under these arrangements was £1,861,000 (2001: £1,861,000). No Directors of Electra participate in the above schemes.

Under terms agreed by shareholders in June 2001 the participants waived their rights under the long term incentive scheme and the £16,000,000 previously provided was written back through unrealised reserves. Electra also waived its right to an outstanding loan note repayment of £4.5 million due from the Electra Partners Group. Electra also assigned its interests in profit share entitlements of Electra Partners valued at £7 million and was issued with a loan note by Electra Partners for £7 million.

22 Provision for Liabilities and Charges

Electra and the Company has historically deducted amounts due under incentive schemes from investments. These amounts have now been re-classified under Provision for liabilities and charges. This treatment is considered to be more appropriate in view of the substance of these schemes. There is no effect on the net assets of the Company or of the Group from this re-classification. The prior year figures have been restated accordingly.

Provision for Liabilities and Charges

	Group		Company	
	30 Sept 2002 £'000	30 Sept 2001 £'000	**30 Sept 2002 £'000**	30 Sept 2001 £'000
Amount due under incentive schemes (Note 21)	**21,042**	20,225	**21,042**	20,225

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Notice is hereby given that the sixty-eighth Annual General Meeting of Electra Investment Trust PLC will be held at 12.00 noon on Thursday 13 March 2003 in the Keats & Milton Meeting Rooms at the Kingsway Hall Hotel, Great Queen Street, London WC2B 5BX 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 2002;

2. To re-elect Sir Brian Williamson as a Director of the Company;

3. To re-elect Lord King of Bridgwater as a Director of the Company;

4. To re-appoint PricewaterhouseCoopers as Auditors of the Company; and

5. To authorise the Directors to fix the remuneration of the Auditors.

Special Business

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

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 9,778,207 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 25 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 2004 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.

By order of the Board of Directors
PJ Dyke, Secretary, 65 Kingsway, London WC2B 6QT
4 December 2002

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.

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 41 of the Uncertificated Securities Regulations 2001, only those holders of ordinary shares entered on the register of members of the Company as at 6.00 pm on 11 March 2003 ("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 11 March 2003 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; and

(b) the Memorandum and Articles of Association of the Company.

6 Short biographical details regarding Sir Brian Williamson and Lord King of Bridgwater are contained on page 9.

ELECTRA

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