Electra Investment Trust PLC Annual Report 2003

ELECTRA

www.electratrust.com

Annual Report and Accounts for the year ended 30 September 2003

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

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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 2003 Electra invested over £3,000 million in private equity investments. 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 £680 million at 30 September 2003. This compares with the stock market value of Electra of £975 million immediately before the announcement of the takeover bid. Over the four and a half year period to 30 September 2003, £440 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 cashflow 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.

Under the existing strategy the continuing priority is to ensure that further returns of capital are achieved as quickly as market conditions permit.

In 2001 shareholders were advised that it would be the Board's intention to review Electra's investment strategy in 2004.

Results

At 30 September 2003 Electra's net asset value was 760p per share. Having fallen by 8.2% in the first six months of the year, the net asset value increased in the second half and was virtually unchanged at the year end. By comparison, the FTSE All-Share Index increased strongly following the end of the Iraq war and ended the year 12.6% higher. During a period of rapid upturn in the stock market it is unlikely that a portfolio of mainly unquoted companies, especially in a realisation phase, will match the performance of the FTSE All-Share Index.

It is encouraging to note the 37% increase in Electra's share price over the year. Significant amounts have been invested in private equity through specialist institutional funds in recent years and there are few investment vehicles such as Electra through which smaller institutional and private investors are able to have an exposure to this distinct asset class.

Portfolio

The year to 30 September 2003 was one of relatively low activity in terms of both purchases and realisations of investments. The weaker economic outlook reported for the first half of the year continued to have an impact upon investment business for the balance of the year. The Board's requirement to achieve maximum value for shareholders when realising investments has meant that the number of portfolio sales achieved over the last year were relatively low. Realisations totalled £54 million over the year by comparison with £137 million for the year ended 30 September 2002. The amount available for new investment was limited by the lower level of realisation proceeds and investment over the year amounted to £39 million compared to £116 million in the previous year. £28 million of the £39 million was invested in existing portfolio companies with £11 million invested under previous commitments to private equity funds.

Prospects for realising a number of portfolio investments over the next twelve months have increased as a result of improved operating results and a more buoyant economic outlook.

Encouragingly, most of the larger investments in the portfolio continued to make good progress over the year particularly Baxi, Vendcrown, Safety-Kleen Europe, Leiner Health Products, Freightliner and Inchcape Shipping Services, which all performed ahead of budget. Full details of these and other investments are included in the Investment Manager's Review.

Prospects for realising a number of portfolio investments over the next twelve months have increased as a result of improved operating results and a more buoyant economic outlook. However, the successful realisation of unquoted investments depends upon the level of interest in the bidding process from trade and financial buyers. Portfolio sales amounting to £51 million have already been achieved since the year end.

Valuation of Investments

Electra's unlisted investments are valued by the Directors on a basis which is consistent with BVCA guidelines. This year the portfolio has been valued using the new guidelines for the valuation and disclosure of venture capital portfolios which require that investments should be reported at fair value. Details are set out on pages 14 and 15.

In the opinion of the Directors the calculation of Electra's net asset value on this new basis did not result in a material impact on the valuation at 30 September 2003.

Borrowing Facilities

In 2001 a £350 million multi-currency banking facility was arranged to finance further returns of capital to shareholders and to provide funding for further investments. During the year the terms of this facility were favourably improved. As at 30 September 2003 the outstanding loan had been reduced to £193 million.

Corporate Governance

The Board has established a sub-committee to consider the implications of the new Combined Code on Corporate Governance which will first apply to Electra for the accounting year commencing 1 October 2004.

Re-election of Directors

At the Annual General Meeting to be held on 4 March 2004, Mr RA Armstrong, Mr MED'A Walton and Lord King of Bridgwater will retire and offer themselves for re-election. Mr RA Armstrong is Chairman of the Audit Committee, Mr MED'A Walton undertakes additional responsibilities in relation to the valuation of the portfolio and Lord King brings a wealth of experience to Board discussions.

The Future

If business confidence continues to grow and realisations are concluded at the values currently projected by the Investment Manager, there is likely to be a significant improvement in Electra's financial position by 30 September 2004. Although the timing of further realisations is difficult to predict with certainty, the Board expects to apply the bulk of future realisation proceeds to the reduction of borrowings and to fund further returns of capital to shareholders. Consistent with existing strategy, the Board's priority is to ensure that further returns of capital to shareholders are achieved as quickly as market conditions permit.

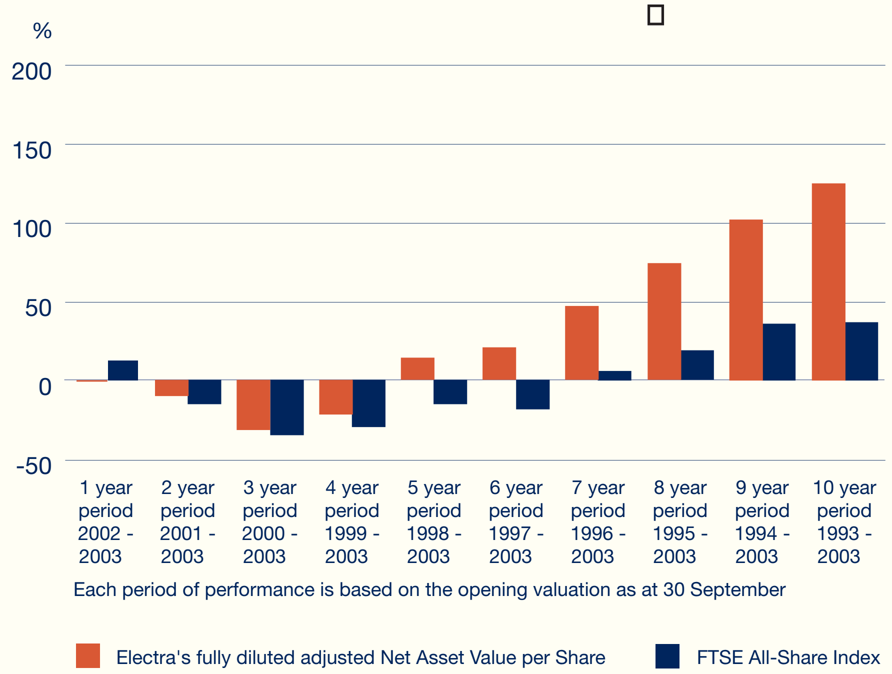
Shareholders were advised in June 2001 that it would be the Board's intention to review Electra's investment strategy in 2004. I look forward to giving shareholders the results of this review in the months ahead.

Sir Brian Williamson
Chairman

9 December 2003

If business confidence continues to grow and realisations are concluded at the values currently projected by the Investment Manager, there is likely to be a significant improvement in Electra's financial position by 30 September 2004.

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
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
2003	495,498	759.60	522.0	633.5

* 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	1999	2000	2001	2002	2003
Adjusted net asset value per share (p)	* 950.77	** 1,084.96	*** 829.52	763.94	759.60
Increase/(decrease) in net asset value per share (%)	40.6	14.1	(23.5)	(7.9)	(0.6)
Increase/(decrease) in FTSE All-Share Index (%)	20.5	7.2	(22.7)	(23.0)	12.6

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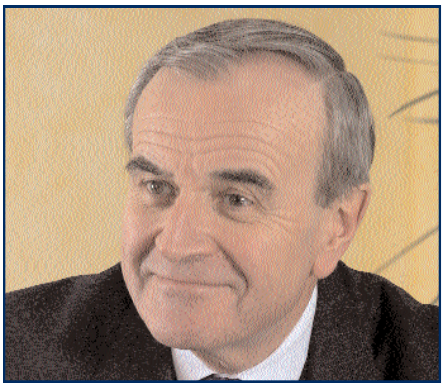
Note

For the year ended 30 September 1999 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 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, 2002 and 2003.

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 58, was appointed a Director in 1994.

A member of the Supervisory Board of Euronext NV, Sir Brian was previously Chairman of the London Financial Futures & Options Exchange. He is a non-executive Director of HSBC Holdings and a senior advisor to Fleming Family & Partners. 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, and a Member of the Court of the Bank of Ireland.

Ronald Armstrong *
Aged 59, 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 64, 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 Group (UK).

Lord King of Bridgwater *
Aged 70, 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 60, 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 61, was appointed a Director in 1994.

He is Chairman of RPC Group, one of Europe's largest producers of plastic packaging and of Eposs, a specialist deliverer of electronic products to the mobile phone industry. He was formerly a Director of Reed International and 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 2003 £'000	Cost of holding at 30 Sept 2003 £'000	Percentage of net assets %
BAXI	61,833	54,590	12.48
VENDCROWN	57,011	19,165	11.51
SAFETY-KLEEN EUROPE	47,913	22,239	9.67
LEINER HEALTH PRODUCTS	31,433	17,423	6.34
CAPITAL SAFETY GROUP	31,317	30,326	6.32
MOSER BAER	28,856	3,167	5.82
AMTICO	28,653	17,072	5.78
ALLFLEX	27,161	22,775	5.48
INCHCAPE SHIPPING SERVICES	26,318	24,864	5.31
GOWER (FORMERLY CHARCO NINETY-NINE)	17,100	178	3.45
ESPORTA	15,492	26,041	3.13
FREIGHTLINER	14,022	37	2.83
PRIZE FOOD GROUP	14,010	9,166	2.83
DEUTSCHE WOOLWORTH	13,696	29,831	2.76
WILLLIAM COOK HOLDINGS	13,480	20,911	2.72
FORTHPANEL	12,516	10,738	2.53
BEZIER	10,559	19,178	2.13
ENERGY POWER RESOURCES	10,500	24,867	2.12
INTERNATIONAL GARDEN PRODUCTS	9,825	15,816	1.98
CANDOVER INVESTMENTS	9,000	226	1.82
	480,695	368,610	97.01

Set out above are the 20 largest investments of the Group at 30 September 2003.

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 2003 Electra's net asset value per share decreased from 764p per share to 760p per share. The second half of the year saw a strong recovery in performance which offset most of the decline in the first half of the year, when the net asset value fell to 702p. Over the period the investment portfolio showed a slight reduction in value from £692 million to £680 million as a result of a net disinvestment from the portfolio of £15 million offset by net gains of £3 million.

New investments in the year amounted to £39 million. This represented a significant reduction from the previous year when £116 million was invested primarily to support existing portfolio companies. The reduced rate of investment was anticipated and reflected greater stability in the underlying investment portfolio.

The changes in the portfolio were as shown below:

Summary of Changes to Overall Portfolio

Year ended 30 September	2003 £'000	2002 £'000
Opening valuation	691,727	759,891
Investments	39,182	116,421
Realisations	(53,803)	(137,208)
Change in valuation	2,505	(47,377)
Closing valuation *	679,611	691,727

* The above valuations at 30 September exclude accrued income (2003: £31,619,000; 2002: £22,633,000).

Despite the economic situation many of Electra's portfolio companies particularly amongst the larger holdings have continued to make good progress ....

Realisations continued to be impacted by uncertain market conditions throughout the period and total cash proceeds of £54 million compared to £137 million in the previous year. However, because of the reduced level of new investment, this lower level of realisation still resulted in a net disinvestment from Electra's portfolio during the period of £15 million, only slightly below the previous year.

At 30 September 2003 Electra's investment portfolio comprised direct investments in 82 companies with an aggregate value of £607 million together with investments in 27 private equity funds with an aggregate value of £73 million. Of the direct portfolio, investments with a value of £86 million were quoted on a recognised stock exchange but were subject to restrictions on sale. The top ten and top twenty investments accounted for 53% and 71% of the total portfolio respectively.

Geographically, 76% of the total portfolio is in the UK and Europe, 16% in North America, 7% in Asia and 1% in South America.

Outlook

The last two years has been a period of economic uncertainty and difficult stock markets. This has resulted in a relatively high level of support for the existing portfolio and a declining trend of realisations. Despite the economic situation many of Electra's portfolio companies particularly amongst the larger holdings have continued to make good progress in terms of enhancing operating earnings and in the continued repayment of acquisition debt. Looking forward, there remains considerable scope to increase the value of Electra's portfolio companies through both further earnings growth and debt reduction. It is also the case that the maturity of the portfolio is such that, given reasonable market conditions, considerable cash flow could be generated from the realisation of certain of the portfolio investments.

Currently there appear to be signs of stronger economic activity. Stock markets have risen sharply and the level of mergers and acquisitions, a significant factor in Electra's markets, appears to be increasing. We believe these factors could lead to greater activity amongst financial buyers who over the past four years have been the major purchaser of Electra's investments. In short, market conditions appear to be more favourable for realisations and this fact, together with the maturing profile of the portfolio, could lead to a significant increase in the amount of cash generated from Electra's portfolio.

Principles of Valuation of Unlisted Investments

General

In valuing investments, the Directors follow the principles recommended in the BVCA's Valuation Guidelines, revised in August 2003. Investments are valued at Fair Value at the reporting date. In the small minority of cases where Fair Value cannot be reliably measured, existing book value, less any impairment, is used as the basis of valuation.

Fair Value represents the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In estimating Fair Value, the Directors use a methodology which is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio. Methodologies are applied consistently from one period to another except where a change results in a better estimate of Fair Value. Because of the inherent uncertainties in estimating the value of private equity investments, the Directors exercise due caution in applying the various methodologies.

Unlisted investments

The principal methodologies applied in valuing unlisted investments include the following:

- Earnings multiple
- Price of recent investment
- Net assets

In applying the Earning Multiple methodology, the Directors apply a market based multiple that is appropriate and reasonable to the maintainable earnings of the company. In the majority of cases the Enterprise Value of the underlying business is derived by the use of an EBIT multiple applied to current year's earnings where these can be forecast with a reasonable degree of certainty and are deemed to represent the best estimate of maintainable earnings. Where this is not the case, historic earnings will generally be used in their place.

Where a recent investment has been made, either by Electra or by a third party in one of Electra's investments, this price will be used as the estimate of Fair Value for a period of up to one year from the date on which the investment was made. An alternative methodology may be used at any time if this is deemed to provide a better assessment of the Fair Value of the investment.

The Fair Value of an investment in a company will be arrived at through the following process:

- The Enterprise Value of the underlying business will be calculated using one of the above methodologies;
- The Enterprise Value of the underlying business will then be adjusted for surplus assets or excess liabilities to arrive at an Enterprise Value for the company; and
- The valuation of Electra's investment will be calculated from the Enterprise Value for the company after deduction of prior ranking debt and other financial instruments and an appropriate marketability discount.

In terms of the marketability discount, this will normally be in the range of 10-30% applied to the Enterprise Value of the company after deducting prior ranking debt and other financial instruments.

The amount of the marketability discount will primarily reflect the ability of Electra to control or influence the timing and nature of any realisation. Where Electra has the ability to control an exit, or is part of a syndicate of like-minded investors who can control the exit, a marketability discount of 15% will normally be applied. This may vary according to market and investee company circumstances. Where the likelihood of an exit is high, the discount is likely to be lower. Where there is no ability to control an exit and exit is not under discussion, the discount is likely to be higher. In cases where no exit is contemplated by controlling shareholders, the investment may be valued by discounting the cash flow from the investment itself.

Restricted quoted investments held within the unlisted portfolio are valued at market price but reduced by a marketability discount of up to 30 per cent. where:

- There is a risk that the holding may not be able to be sold immediately.
- There is a formal restriction on trading in the relevant securities.

Accrued Income

Accrued income is not included within investment valuations but is shown within Debtors and is separately disclosed in Note 20 to the Accounts.

Portfolio Review

New Investments

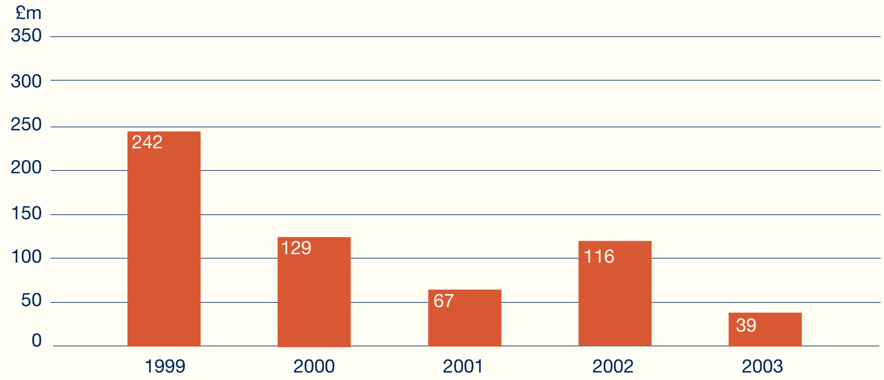
Under Electra's current investment policy, investments can be made to enhance or protect the value of existing portfolio companies and also in new investments to the extent that cash is available. Under this policy one third of the proceeds from realisations can be invested subject to maintaining appropriate levels of bank borrowings. During the year investments were effectively restricted to existing portfolio companies and prior commitments.

Over the year to 30 September 2003, total investment amounted to £39 million compared to £116 million in the previous year.

Over the year to 30 September 2003, total investment amounted to £39 million compared to £116 million in the previous year. This reduction in investment was primarily due to an increase in the health and stability of the existing portfolio resulting from an improvement in the operating environment and from the financial restructuring of investments which were completed during 2002.

Of the £39 million invested, £28 million was invested in the existing portfolio and £11 million was invested in private equity funds as a result of commitments made in prior periods.

Purchases of Unlisted Investments Year to 30 September



Excludes listed investments

By far the most significant investment in the period related to Vendcrown, where £14.3 million was invested to purchase further shares in the company and to provide support to a business experiencing rapid growth. In addition £4.8 million was invested in Energy Power Resources to enable the company's investment in Fibrowatt to be restructured.

Realisations

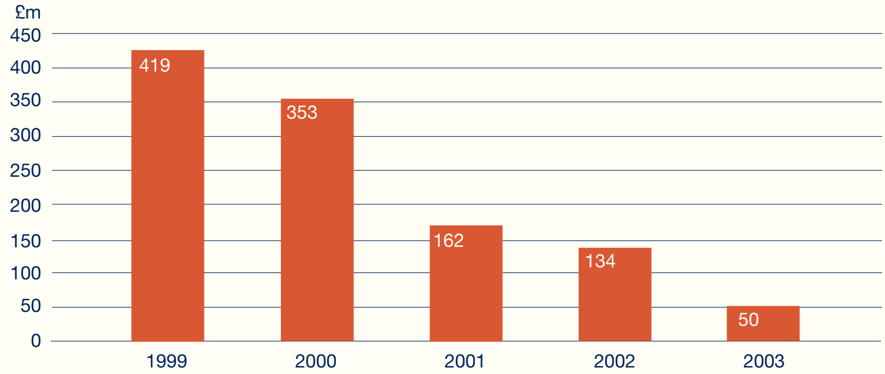
Realisations from the portfolio amounted to £54 million during the year, equal to 8% of the opening portfolio. This represented a significant decrease from the previous year and reflected the fact that conditions for realisation were difficult for most of the period. An important factor was the decline in activity of financial buyers who have provided most of the exit opportunities for Electra's portfolio companies.

Realisations included £23 million from the sale of a number of smaller unlisted investments, £12 million from the partial sale of listed securities, £9 million from private equity funds and £10 million from the refinancing of and redemption of loans by portfolio companies.

The most significant realisation related to Allflex where refinancing of the company provided cash proceeds to Electra of £10.4 million. Of this amount £5.4 million represented repayment of capital while the balance, being payment of accrued interest, was accounted for through the income account.

Shortly after the year end, Electra sold a portion of its holding in Moser Baer following a strong rise in the company's share price. The placing of 40% of Electra's holding gave rise to net proceeds of £14.6 million. This brings total proceeds from the investment in Moser Baer to £33 million compared to the original cost of the investment in 1999 of £5 million. Following this disposal Electra's holding in Moser Baer was valued by the market at £25 million.

Realisations of Unlisted Investments Year to 30 September



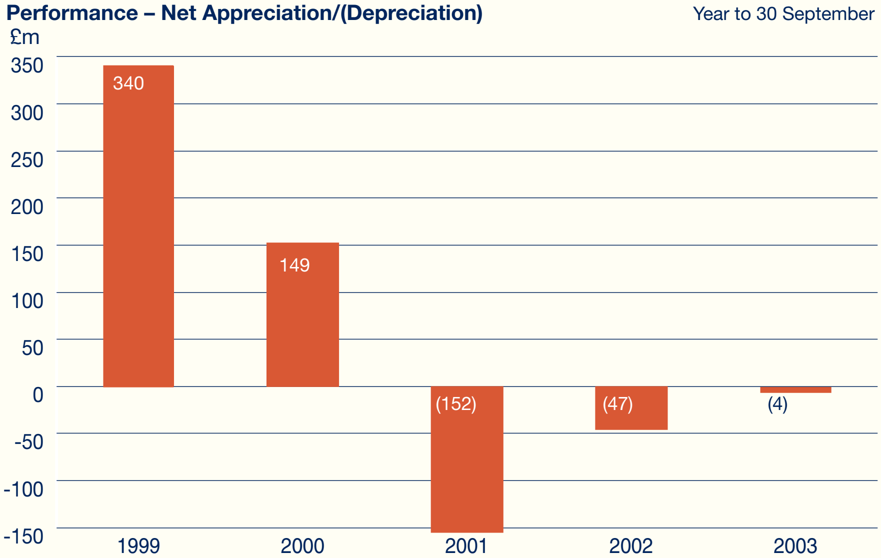
Excludes listed investments

Performance

The performance for the year fell into two distinct periods. The first half of the year saw a 5% decline in the value of the portfolio while the second half of the year saw strong recovery reflecting a rise in stock markets combined with the improving operating results of several portfolio companies. Overall, the value of the portfolio increased by 0.4% in the year. The performance of the year was negatively impacted by the provision of £30 million made against Electra's investment in HLF Group and to a lesser extent by those provisions made against Agricola and Esporta.

... while the second half of the year saw strong recovery reflecting a rise in stock markets combined with the improving operating results of several portfolio companies.

Performance – Net Appreciation/(Depreciation) Year to 30 September



Excludes listed investments

Electra's portfolio of restricted listed securities performed particularly well over the year and increased in value by £30 million giving rise to a percentage increase in excess of 44%. Revaluation of the unlisted securities reduced the value of the portfolio by £17 million including a £14 million reduction in the overall exposure to private equity funds. Realised profits on the sale of investments during the year were £5 million.

In terms of individual investments there were some significant increases in valuation which were made primarily to reflect strong operating performances.

In terms of individual investments there were some significant increases in valuation which were made primarily to reflect strong operating performances. The largest increase related to Safety-Kleen Europe whose value was increased by 56% or £17 million. Other significant increases were made to Baxi, Inchcape Shipping Services, Gower (formerly Charco Ninety-Nine) and Leiner Health Products. Baxi in particular has continued to trade well above budget and the prior year enabling an upward revaluation to be made. The increases in Inchcape Shipping Services, and Leiner Health Products reflect, in part, the success of the restructurings of those companies which took place in the previous year. Useful increases in value were also recorded in respect of Electra's investments in Vendcrown and Freightliner.

Largest Valuation Increases

Company	£'000	%
Safety-Kleen Europe	17,170	56
Inchcape Shipping Services	14,639	102
Moser Baer	14,620	103
Baxi	13,027	27
Gower (formerly Charco Ninety-Nine)	9,206	100
Leiner Health Products	9,177	41
Vendcrown	5,525	15
Freightliner	3,526	48

Largest Valuation Decreases

Company	£'000	%
HLF Group (Heath Lambert)	(30,080)	100
Private equity funds	(14,329)	16
Esporta	(10,549)	41
Agricola Group	(9,710)	66
Deutsche Woolworth	(6,476)	32
UGC (Unipart)	(6,406)	61

The performance of the portfolio was adversely affected by some significant provisions made against individual investments. The largest of these related to HLF Group where a full provision of £30 million was made against Electra's investment. This provision alone represented a 6% reduction in the net asset value of Electra for the year. The reason for the provision is complex and arose from a combination of factors. An attempt was made to list the company in July 2002, which was withdrawn in the light of market conditions. Subsequent discussions with potential trade buyers and provisions made to reflect pension fund and other liabilities led to an erosion of the equity value of the company. The provisions against Agricola Group, a business involved in animal feeds and Esporta, an operator of fitness clubs reflected difficult trading conditions in these particular sectors.

Largest Unlisted Investments

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

Equity Ownership	**22.7%**
Valuation	**£61,833,000**
Accrued income	**£21,366,000**
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 £74 million (2001: £70 million) on turnover of £628 million (2001: £578 million) for the year to 31 December 2002. Baxi continues to trade strongly in 2003.

VENDCROWN	Location: UK

Equity Ownership	**40.4%**
Valuation	**£57,011,000**
Accrued income	**£nil**
Cost	**£19,165,000**

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 installment finance. The company finances commercial insurance premiums, personal insurance premiums and non-insurance services including golf and leisure club memberships, audit fees and school fees.

In the year to 31 December 2002 the company generated £1.8 billion of gross advances. Its revenues were £65.8 million and the profit after tax was £21.6 million (2001: £11.3 million). This included an extraordinary profit of £7.7 million arising on the sale of Electricity Direct (UK), an associated company. Further profit growth is forecast for the current year.

SAFETY-KLEEN EUROPE	Location: UK and Europe

Equity Ownership	**40.8%**
Valuation	**£47,913,000**
Accrued income	**£1,257,000**
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 was subsequently 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 100,000 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 2002 revenues were £84.8 million with an operating profit of £15.6 million (2001: £14.5 million).

Growth continues to be achieved through increased penetration of solvent devices, new aqueous service offerings and geographic expansion, with the most recent being an infill acquisition in Portugal in November 2002.

LEINER HEALTH PRODUCTS

Location: USA

Equity Ownership	11.0%
Valuation	£31,433,000
Accrued income	£nil
Cost	£17,423,000

Valuation based on multiple of earnings

In 1997 Electra invested $20.0 million in a $80.4million in the leveraged buy-out of Leiner Health Products ("Leiner") and subsequently invested a further $8.1million.

Leiner is the leading US manufacturer of private label vitamins, minerals and nutritional supplements ("VMS") and the second largest manufacturer of private label over-the-counter ("OTC") products. Additionally it is a leading contract manufacturer of both product lines for major national brands. Products are distributed primarily through the mass retail market.

In the year to 31 March 2003 the company reported sales of $574.3 million (2002: $585.6 million) and adjusted EBITDA of $74.6 million (2002: $41.4 million). In the current year the company expects to see a return to sales growth and a further significant increase in operating profits.

CAPITAL SAFETY GROUP

Location: International

Equity Ownership	51.3%
Valuation	£31,317,000
Accrued income	£3,380,000
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, karrabiners etc) and systems (permanent fixed anchorings). 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 2003 the company reported sales of £67 million (2001: £71 million) with an operating profit of £10.3 million (2002: £10.6 million). During the current year the manufacturing cost base has been reorganised and the company is experiencing a recovery in profitability.

MOSER BAER

Location: India

Equity Ownership	12.0%
Valuation	£28,856,000
Accrued income	£nil
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. At 30 September 2003, Electra had realisations of $29.3 million and held 5.8 million shares valued at $49.4 million. Subsequent to the year end, 2.5 million shares have been sold producing cash of $24.8 million.

In the year to 31 March 2003 the company reported sales of $221 million (2002: $152 million) and a profit after tax of $51.9 million compared to a profit after tax of $44.5 million the previous year. In the six months to September 2003, the business produced profit after tax of $31 million on sales of $152 million.

With a capacity of 1.45 billion disks per annum, it is estimated that Moser Baer has an 11% share of the global recordable optical disk market. It is a supplier of CD-Rs to 11 out of the 12 top OEM branded CD-R marketers. Moser is also a major producer of CD-RW, DVDR and DVD-RW disks.

AMTICO

Location: UK

Equity Ownership	**49.4%**
Valuation	**£28,653,000**
Accrued income	**£259,000**
Cost	**£17,072,000**

Valuation based on multiple of earnings

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

Amtico 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. 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 2003 the company reported sales of £77 million (2002: £75 million) and an operating profit (before interest) of £8.1 million (2002: £7.5 million). Whilst the commercial market remains flat, the residential market is still achieving year on year growth and the business is on budget for the six months to 30 September 2003 and ahead of prior year.

ALLFLEX

Location: UK, USA and Western Europe

Equity Ownership	**43.8%**
Valuation	**£27,161,000**
Accrued income	**£1,785,000**
Cost	**£22,775,000**

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. Subsequently Electra invested a further £5.1 million in Farmexpress, a sister company established to design a livestock traceability system.

In March 2003 Allflex raised additional bank facilities to finance the acquisition and further expansion of Farmexpress and to meet interest payments to the institutions. As a consequence, Electra received a capital repayment of €7.9 million along with interest of €7.3 million.

In the year ended 31 December 2002, Allflex reported sales of $82.9 million (2001: $74.6 million) and operating profit of $18.7 million (2001: $15.3 million). Trading in 2003 is in line with expectations.

INCHCAPE SHIPPING SERVICES

Location: International

Equity Ownership	**74.0%**
Valuation	**£26,318,000**
Accrued income	**£nil**
Cost	**£24,864,000**

Valuation based on multiple of earnings

In 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 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. It is the largest independently managed network of ship agents in the world. The company benefits from several unique service and product offerings and continues to pursue opportunities with global customers.

In the year ended 31 December 2002 ISS reported EBIT of £8.9 million against a turnover of £124 million. Trading during the first nine months of 2003 has been strong and performance is anticipated to be in excess of prior year and budget.

GOWER

Location: UK

Equity Ownership	37.5%
Valuation	£17,100,000
Accrued income	£nil
Cost	£178,000

Valuation based on multiple of earnings

Gower (formerly Charco Ninety-Nine) is a kitchen manufacturer based in Halifax. Electra invested in the company in 1989, when it backed a management buy-in team to acquire the company. Since that time Gower has become one of the leading UK suppliers to the multiple retailers in the DIY and Builders Merchants' sectors.

Gower was sold to Nobia, a Swedish company quoted on the Stockholm Stock Exchange, for €98 million in December 2003. Nobia is Europe's largest kitchen manufacturing group and its brands include Poggenpohl and Magnet. The sale enabled Electra to realise its investment in full for £18 million.

Over the period of its ownership, Electra has received capital and income from this investment, of more than £40 million.

ESPORTA

Location: International

Equity Ownership	4.0%
Valuation	£15,492,000
Accrued income	£2,119,000
Cost	£26,041,000

Valuation based on multiple of earnings

Electra initially invested in Invicta in 1996 in order to fund the development of health and fitness clubs.

In September 2002 Invicta was acquired by Esporta for £125 million. In this transaction, Electra sold its entire investment in Invicta and received an aggregate consideration of £39.4 million. Of this amount £15.1 million was in the form of loan notes secured on the assets of Esporta and £11 million in the equity strip of Esporta. Esporta operates 18 racquet and 42 health and fitness clubs.

Trading conditions in 2003 have proved to be difficult and a number of senior management changes have been made. However profits for the year to December 2003 will be in line with those made in the previous year. The company is continuing to develop new sites.

FREIGHTLINER

Location: UK

Equity Ownership	29.8%
Valuation	£14,022,000
Accrued income	£nil
Cost	£37,000

Valuation based on multiple of earnings

In 1996 Electra invested £2.5 million for 30% of the equity in the privatisation and management buy out of Freightliner, a division of British Rail. Total funding for the transaction amounted to £72.8 million.

Freightliner's original business consisted of Intermodal, which offers a fully integrated rail service for the transportation of containers from deep sea ports to inland collection points. This also included local haulage to the final destination. Three years ago Freightliner established a heavy haul business to provide an alternative supplier to the bulk freight rail market. Both businesses have offices and freight terminals located around the rail network.

In the year to 29 March 2003 the company reported sales of £186 million, with operating profits of £13.7 million (2002: £8.1 million). The company has seen both its Intermodal and heavy haul businesses continue to grow and expects to deliver improved results for the year to March 2004.

PRIZE FOOD GROUP

Location: UK

Equity Ownership	**18.9%**
Valuation	**£14,010,000**
Accrued income	**£334,000**
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 acquisition has been made financed with a rights issue to which Electra subscribed a further £2.2 million and three businesses have been sold with the proceeds being used to repay debt.

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 a new frozen ready-meals factory has been brought into operation in 2003.

In the year to 31 December 2002, the company reported sales of £180 million and earnings before interest and tax of £14 million (2001: £13 million).

DEUTSCHE WOOLWORTH

Location: Germany

Equity Ownership	**78.8%**
Valuation	**£13,696,000**
Accrued income	**£nil**
Cost	**£29,831,000**

Valuation based on multiple of earnings

In 1998, Electra invested €43.5 million in the management buy-out of Deutsche Woolworth, a general merchandise retailer operating in over 350 stores, most of which are in towns and city centres in Germany. 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.

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 2002 Deutsche Woolworth reduced its operating loss to €16.3 million on a turnover of €937 million. In the current year, trading is ahead of the new business plan with forecast losses narrowing to €9 million. Operations have been cash generative and management is forecasting a return to profit in 2004.

WILLIAM COOK

Location: UK

Equity Ownership	**48.2%**
Valuation	**£13,480,000**
Accrued income	**£nil**
Cost	**£20,911,000**

Valuation based on multiple of earnings

In 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.

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.

However, determined management action has enabled the group to deliver ongoing operating profits of £9.4 million in the year to March 2003. Furthermore, cash flow has continued to be strong and senior debt has been reduced to £5 million compared with £35 million at the time of the buy-out.

FORTHPANEL

Location: International

Equity Ownership	**92.1%**
Valuation	**£12,516,000**
Accrued income	**£nil**
Cost	**£10,738,000**

Valuation based on net assets

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.

BEZIER

Location: UK

Equity Ownership	**66.6%**
Valuation	**£10,559,000**
Accrued income	**£nil**
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 which comprised four specialist printing businesses. 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 remains a difficult environment for UK printing generally and for Bezier's core retail and consumer brand client base. Despite this, Bezier has done very well to win further high quality accounts. Margins have, however, dipped slightly. The general corporate market remains flat but the company has maintained revenue and profitability in this area through attention to costs and high levels of customer service.

In the year to 30 April 2003 the continuing group (excluding the textiles division, sold in September 2003) reported sales of £37.9 million and an operating profit of £4.3 million (2002: £4.2 million).

ENERGY POWER RESOURCES

Location: UK

Equity Ownership	**52.4%**
Valuation	**£10,500,000**
Accrued income	**£nil**
Cost	**£24,867,000**

Valuation based on multiple of earnings

In 1998 Electra invested £10.9 million to fund the construction of two biomass fired renewable energy plants and the development of other renewable energy operations. Due to uncertainties as the government reviewed the renewable regime and various project specific issues, no further plants were developed. In 2002, EPR purchased a controlling interest in Fibrowatt, a well established biomass operation with three generating plants, to become the dominant biomass operation in the UK. It also purchased interests in two wind farms.

In the year to 31 March 2003 sales increased to £27 million (2002: £20 million) and operating profit was £4.2 million (2002: operating loss of £3.0 million).

United Kingdom and Continental Europe

Company	Directors' valuation of holding at 30 Sept 2002 £'000	Net purchases/ (sales) £'000	Performance in year £'000	Directors' valuation of holding at 30 Sept 2003 £'000	Cost of holding at 30 Sept 2003 £'000
BAXI Heating products	48,806	–	13,027	61,833	54,590
VENDCROWN Insurance premium finance	37,153	14,333	5,525	57,011	19,165
SAFETY-KLEEN EUROPE Cleaning and waste removal services	30,743	–	17,170	47,913	22,239
CAPITAL SAFETY GROUP Specialist safety equipment	30,633	–	684	31,317	30,326
AMTICO Luxury flooring manufacturer	28,141	5	507	28,653	17,072
ALLFLEX Animal identification tags	34,847	(5,423)	(2,263)	27,161	22,775
INCHCAPE SHIPPING SERVICES Shipping services	14,316	(2,637)	14,639	26,318	24,864
GOWER (FORMERLY CHARCO NINETY-NINE) Kitchen manufacturer	9,188	(1,294)	9,206	17,100	178
ESPORTA Health and fitness clubs	26,041	–	(10,549)	15,492	26,041
FREIGHTLINER Rail freight operator	10,500	(4)	3,526	14,022	37
PRIZE FOOD GROUP Food manufacturer	14,900	–	(890)	14,010	9,166
DEUTSCHE WOOLWORTH General merchandise retailer	20,172	–	(6,476)	13,696	29,831
WILLIAM COOK HOLDINGS Steel castings	11,000	–	2,480	13,480	20,911
FORTHPANEL Property holding	12,208	(1,108)	1,416	12,516	10,738
BEZIER Printing services	10,560	–	(1)	10,559	19,178
ENERGY POWER RESOURCES Renewable energy provider	10,000	4,781	(4,281)	10,500	24,867
	349,208	8,653	43,720	401,581	331,978

USA, Far East including India and Elsewhere

Company	Directors' valuation of holding at 30 Sept 2002 £'000	Net purchases/ (sales) £'000	Performance in year £'000	Directors' valuation of holding at 30 Sept 2003 £'000	Cost of holding at 30 Sept 2003 £'000
LEINER HEALTH PRODUCTS Manufacturer of vitamin supplements	**22,256**	**–**	**9,177**	**31,433**	**17,423**
MOSER BAER Manufacturer of recordable CDs	**14,236**	**–**	**14,620**	**28,856**	**3,167**
INTERNATIONAL GARDEN PRODUCTS Garden products	**12,718**	**(1,204)**	**(1,689)**	**9,825**	**15,816**
	49,210	**(1,204)**	**22,108**	**70,114**	**36,406**

The unlisted investments shown above and on page 25 represent 72% of the Group's fixed asset unlisted investments at 30 September 2003.

Classification and Distribution of Investments

	UK and Continental Europe Unlisted %	Listed %	USA, Far East including India and Elsewhere Unlisted %	**Total 2003 %**	Total 2002 %
EQUITIES					
Basic Industries					
Chemicals	–	–	0.38	**0.38**	0.24
Construction and Building Materials	4.79	–	0.28	**5.07**	5.63
Forestry and Paper	0.07	–	0.34	**0.41**	0.30
Steel and Other Metals	1.98	–	–	**1.98**	2.21
	6.84	–	1.00	**7.84**	8.38
General Industrials					
Aerospace and Defence	–	–	0.33	**0.33**	0.46
Diversified Industrials	0.04	–	0.01	**0.05**	0.01
Electronic and Electrical Equipment	0.22	–	–	**0.22**	0.14
Engineering and Machinery	–	–	0.42	**0.42**	0.83
	0.26	–	0.76	**1.02**	1.44
Cyclical Consumer Groups					
Automobiles and Parts	0.60	–	–	**0.60**	1.52
Household Goods and Textiles	11.93	1.13	–	**13.06**	9.59
	12.53	1.13	–	**13.66**	11.11
Non-Cyclical Consumer Groups					
Food Producers and Processors	0.74	–	0.25	**0.99**	2.69
Health	–	–	7.69	**7.69**	7.03
Packaging	1.55	–	0.10	**1.65**	1.75
Pharmaceuticals	0.29	0.04	–	**0.33**	0.24
	2.58	0.04	8.04	**10.66**	11.71
Cyclical Services					
Distributors	2.06	–	0.04	**2.10**	2.26
General Retailers	3.18	–	1.45	**4.63**	3.69
Leisure, Entertainment and Hotels	3.55	0.26	0.22	**4.03**	5.98
Media and Photography	0.47	–	0.08	**0.55**	1.61
Support Services	15.63	0.19	0.07	**15.89**	14.33
Transport	5.94	–	0.21	**6.15**	4.07
	30.83	0.45	2.07	**33.35**	31.94

	UK and Continental Europe Unlisted %	UK and Continental Europe Listed %	USA, Far East including India and Elsewhere Unlisted %	**Total 2003 %**	Total 2002 %
Non-Cyclical Services					
Food and Drug Retailers	–	–	–	**–**	0.28
Telecommunications	–	–	0.17	**0.17**	0.05
	–	–	0.17	**0.17**	0.33
Utilities					
Electricity	1.55	–	–	**1.55**	1.45
	1.55	–	–	**1.55**	1.45
Financials					
Insurance	–	–	–	**–**	4.53
Investment Companies	5.24	1.32	5.42	**11.98**	15.09
Real Estate	4.46	–	0.47	**4.93**	3.75
Speciality and Other Finance	8.39	–	–	**8.39**	6.35
	18.09	1.32	5.89	**25.30**	29.72
Information Technology					
Information Technology Hardware	0.12	–	4.24	**4.36**	2.06
Software and Computer Services	–	0.04	2.05	**2.09**	1.86
	0.12	0.04	6.29	**6.45**	3.92
TOTAL 2003	**72.80**	**2.98**	**24.22**	**100.00**	
TOTAL 2002	73.01	2.51	24.48		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 2003 and their Report on its affairs. A review of the business of the Group is given on pages 4 to 28.

Investment Trust Status
The principal activity of the Company throughout the year was that of an investment trust. The Inland Revenue has approved the Company as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the accounting period to 30 September 2002. 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
The Company's assets are managed by Electra Partners, the independent private equity fund management group. As detailed in the Corporate Governance statement on pages 34 and 35, the Board reviews the activities of Electra Partners on an ongoing basis and in light of this ongoing review believes the continuing appointment of Electra Partners on the terms agreed is in the interests of shareholders as a whole.

Electra Partners is responsible for the investment management of a number of limited partnership funds to which the Company has subscribed. The Directors of the Company retain control over its investment policy. Electra Partners manages the investments in accordance with guidelines determined by 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.

The contract with Electra Partners has a rolling one year notice period and therefore can be terminated on one year's notice, without penalty.

Electra Partners receives 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 Company operates carried interest and co-investment schemes for employees and executives of Electra Partners, details of these are contained in Note 21.

Results and Dividend
A revenue loss attributable to shareholders of £1.660 million (2002: loss of £5.836 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 2003 (2002: £nil).

Authority to make Market Purchases of Shares
A special resolution was passed at the Annual General Meeting held on 13 March 2003 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. During the year under review, no purchases of the Company's own shares were made.

Multi-Currency Loan Facility
At 30 September 2003 borrowings under the £350 million multi-currency facility amounted to £193,271,000 (2002: £209,106,000).

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, Mr MED'A Walton and Mr JP Williams were Directors throughout the year ended 30 September 2003. Apart from these persons no other person was a Director of the Company during any part of the year. Lord King of Bridgwater, who attained the age of 70 years on 13 June 2003, will retire at the Annual General Meeting in 2004 and, being eligible, offer himself for re-election. Mr RA Armstrong and Mr MED'A Walton will retire at the 2004 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 2003 and 9 December 2003.

	30 September 2003 Shares	1 October 2002 Shares
Sir Brian Williamson	**30,000**	30,000
RA Armstrong	**30,000**	30,000
Professor Sir George Bain	**2,000**	2,000
Lord King of Bridgwater	**20,000**	20,000
MED'A Walton	**67,774**	67,774
JP Williams	**50,000**	50,000

Substantial Shareholders

At 8 December 2003 the following shareholders had notified an interest of 3% or more in the Company's ordinary shares:

	Shares	%
Deutsche Bank AG, and its subsidiary companies *	7,894,345	12.10
The Equitable Life Assurance Society	2,712,062	4.16
Legal & General Investment Management Limited	2,279,748	3.49
SG Options Europe & Société Générale SA	2,160,853	3.31

* Deutsche Bank AG, 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 (2002: £nil). No political donations were made during the year (2002: £nil).

Auditors

Following the conversion of the Company's Auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 14 March 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as Auditors to fill the casual vacancy thereby arising. A resolution to reappoint PricewaterhouseCoopers LLP as Auditors to the Company will be proposed at the Annual General Meeting. A separate resolution will be proposed at the Annual General Meeting authorising the Directors to fix the remuneration of the Auditors.

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 2003 was one day (2002: one day) and that of the Company was one day (2002: 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 4 March 2004. 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, until the conclusion of the Company's Annual General Meeting in 2005, the Board's authority to buy up to 9,778,207 of the Company's ordinary shares (or such lesser number of shares as is equal to 14.99% of the total number of ordinary shares in issue at the date of the passing of the resolution) 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. Should any shares be purchased under this authority, it is the intention of the Board that such shares be cancelled.

By order of the Board of Directors
PJ Dyke, Secretary, 65 Kingsway, London WC2B 6QT
9 December 2003

Ten Year Record of Earnings and Dividends

Year ended 30 September	Basic Earnings per Share p	Dividends per Share p
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)	–
2003	(2.545)	–

† 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.

Directors' Remuneration Report

The Directors submit this report in accordance with the requirements of Schedule 7A to the Companies Act 1985, which applies for the first time for the financial year ended 30 September 2003. An Ordinary Resolution for the approval of this report will be put to members at the forthcoming Annual General Meeting.

The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such.

Remuneration Committee

The Remuneration Committee is comprised of 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.

The Remuneration Committee reviewed Mr MED'A Walton's fees during the financial year ended 30 September 2003 and concluded that his fee should be increased to £38,500 per annum with effect from 1 October 2002 to reflect the additional responsibilities he has undertaken in relation to the valuation of the Company's portfolio.

The number of Directors of the Company has fallen from seven to six for the year to 30 September 2003 following the retirement of Sir Michael Pickard at the end of September 2002. The remuneration of the Directors has not increased since April 2001 apart from the increase in fees payable to Mr MED'A Walton and the fees payable to the Chairman were last increased in May 2000.

The Committee has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration.

Policy on Directors' Remuneration

The policy of the Remuneration Committee is that remuneration of non-executive Directors should be fair and sufficient to attract and retain Directors to properly oversee the affairs of the Company and should reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue for the year ended 30 September 2004 and subsequent years.

Non-executive Directors are not eligible to receive bonuses, pension benefits, share options or other benefits.

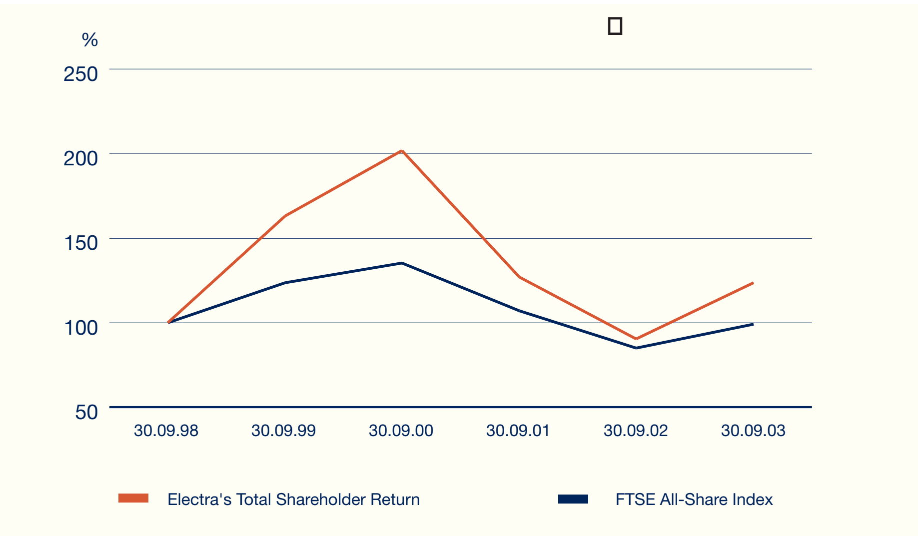
Directors' Service Contracts

None of the Directors has a service contract with the Company. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office.

Total Shareholder Return

The graph below compares the Company's total shareholder return over the five financial years to 30 September 2003 with the FTSE All-Share Index. The Directors consider that since the Company invests in a broad range of commercial sectors the FTSE All-Share Index is the most appropriate index against which to compare the Company's performance.

Electra Investment Trust Total Shareholder Return versus FTSE All-Share Index



Directors' Remuneration for the Year (audited)

The Directors who served during the year received the following emoluments in the form of salary and fees:

	30 September 2003 £000	30 September 2002 £000
Sir Brian Williamson (Chairman & highest paid Director)	**150.0**	150.0
RA Armstrong	**28.5**	28.5
Professor Sir George Bain	**28.5**	28.5
Lord King of Bridgwater	**28.5**	28.5
MED'A Walton	**38.5**	25.0
JP Williams	**28.5**	28.5
Sir Michael Pickard	**–**	28.5
Total	**302.5**	317.5

The Directors fees include £67,000 (2002: £82,000) paid to third parties for making available the services of two of the Directors (2002: three).

By order of the Board of Directors
PJ Dyke, Secretary, 65 Kingsway, London
9 December 2003

Corporate Governance

The Directors confirm that during the year under review the Company has complied with Section 1 of the Combined Code (1998) on Corporate Governance ("the Code") issued by the Financial Services Authority.

The Board of Directors

The Board, which meets regularly, comprised of six Directors as at 30 September 2003, all of whom were non-executive. All of the Directors who held office at 30 September 2003 have been considered by the Board to be wholly independent under the Code. The Board has nominated Mr JP Williams as the Senior Independent Director.

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 is chaired by Mr JP Williams and comprises all the Directors of the Company other than the Chairman, who takes no part in determining his own remuneration. Full details of its role are set out in the Directors' Remuneration Report.

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 has reviewed its effectiveness for the year ended 30 September 2003. 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 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 documented controls
- Custodians are required to produce on a regular basis a report (available for review by the Directors) on their internal controls and their operations including a report by an independent firm of accountants.

Revised Combined Code

A revised Combined Code applies for all reporting periods commencing on or after 1 November 2003. The Board is in the process of reviewing in detail the requirements of the revised Combined Code.

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 Consolidated Statement of Total Return, the Reconciliation of total shareholders' funds, the Consolidated Balance Sheet, the Balance Sheet, and the Consolidated Cash flow Statement, the Statement of Accounting Policies and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A of the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part").

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration 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 and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body 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 into 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 whether the financial statements and the auditable part of the Directors' Remuneration Report have been 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 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 unaudited part of the Directors' Remuneration Report, the Investment Manager's Review, the Corporate Governance statement and the other items described in the contents section.

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 of the Financial Services Authority, 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 and the auditable part of the Directors' Remuneration Report. 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 and the auditable part of the Directors' Remuneration Report 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 2003 and of the total return and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
9 December 2003

- 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 the information presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Consolidated Statement of Total Return (incorporating the Revenue Account)

Note	For the year ended 30 September	2003 Revenue £'000	2003 Capital £'000	2003 Total £'000	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000
	Gains/(losses) on investments:						
17	Realised	–	4,949	4,949	–	13,014	13,014
17	Unrealised	–	(2,585)	(2,585)	–	(52,269)	(52,269)
	Gains/(losses) on revaluation of foreign currencies:						
17	Realised	–	(705)	(705)	–	237	237
17	Unrealised	–	2,742	2,742	–	9,104	9,104
		–	4,401	4,401	–	(29,914)	(29,914)
1	Income of the investment trust	18,181	–	18,181	20,134	–	20,134
2	Net (expenses) of subsidiary undertakings	(327)	–	(327)	(629)	–	(629)
3	Expenses:						
	Priority profit share paid to general partners	(9,840)	–	(9,840)	(11,088)	–	(11,088)
	Other expenses	(3,346)	–	(3,346)	(2,513)	–	(2,513)
	Reversal of income accruals	(276)	–	(276)	(3,579)	–	(3,579)
	Net Return before Finance Costs and Taxation	4,392	4,401	8,793	2,325	(29,914)	(27,589)
6	Interest payable and similar charges	(5,649)	–	(5,649)	(7,668)	–	(7,668)
	Return on Ordinary Activities before Taxation	(1,257)	4,401	3,144	(5,343)	(29,914)	(35,257)
7	Taxation on ordinary activities	–	–	–	–	–	–
	Return on Ordinary Activities after Taxation and Transfers from Reserves for the Year	(1,257)	4,401	3,144	(5,343)	(29,914)	(35,257)
	Exchange differences arising on consolidation	(403)	(5,573)	(5,976)	(493)	(7,030)	(7,523)
17	**Net Transfers from Reserves for the Year**	(1,660)	(1,172)	(2,832)	(5,836)	(36,944)	(42,780)
9	**Return to Shareholders per Ordinary Share**	(2.54p)	(1.80p)	(4.34p)	(8.95p)	(56.63p)	(65.58p)

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

	2003	2002
Number of Ordinary Shares in issue at 30 September	65,231,533	65,231,533

Reconciliation of Total Shareholders' Funds

	Year to 30 Sept 2003 £'000	Year to 30 Sept 2002 £'000
Total Return	**3,144**	(35,257)
Exchange differences arising on consolidation	**(5,976)**	(7,523)
Movements in Total Equity Shareholders' Funds	**(2,832)**	(42,780)
Total Equity Shareholders' Funds at 1 October	**498,330**	541,110
Total Equity Shareholders' Funds at 30 September	**495,498**	498,330

Consolidated Balance Sheet

Note		As at 30 Sept 2003 £'000	As at 30 Sept 2003 £'000	As at 30 Sept 2002 £'000	As at 30 Sept 2002 £'000
	Fixed Assets				
10	Investments:				
	Unlisted		**659,376**		674,362
	Listed		**20,235**		17,365
			679,611		691,727
	Current Assets				
11	Debtors	**36,585**		28,426	
12	Investments	**–**		1,168	
	Cash at bank and in hand	**6,055**		16,179	
		42,640		45,773	
	Current Liabilities				
13	Creditors: amounts falling due within one year	**6,497**		9,022	
	Net Current Assets		**36,143**		36,751
	Total Assets less Current Liabilities		**715,754**		728,478
14	Creditors: amounts falling due after more than one year		**193,271**		209,106
			522,483		519,372
22	Provision for liabilities and charges		**26,985**		21,042
	Net Assets		**495,498**		498,330
	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	**538,914**		609,612	
17	Unrealised capital losses	**(101,561)**		(171,087)	
17	Revenue reserve	**(9,277)**		(7,617)	
			479,190		482,022
	Total Equity Shareholders' Funds		**495,498**		498,330
	Net Asset Value per Ordinary Share		**759.60p**		763.94p

Balance Sheet

Note		As at 30 Sept 2003 £'000	As at 30 Sept 2003 £'000	As at 30 Sept 2002 £'000	As at 30 Sept 2002 £'000
	Fixed Assets				
10	Investments:				
	Subsidiary undertakings		7,979		9,044
	Unlisted		567,696		582,145
	Listed		20,235		17,365
			595,910		608,554
	Current Assets				
11	Debtors	44,532		51,785	
	Cash at bank and in hand	5,768		16,073	
		50,300		67,858	
	Current Liabilities				
13	Creditors: amounts falling due within one year	101,890		105,611	
	Net Current Liabilities		(51,590)		(37,753)
			544,320		570,801
22	Provision for Liabilities and Charges		26,985		21,042
			517,335		549,759
	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	577,988		642,943	
17	Unrealised capital losses	(129,444)		(172,244)	
17	Revenue reserve	1,369		11,638	
			501,027		533,451
	Total Equity Shareholders' Funds		517,335		549,759

The Accounts on pages 39 to 60 were approved by the Directors on 9 December 2003 and were signed on their behalf by:

Sir Brian Williamson, *Chairman*

Consolidated Cash Flow Statement

Note	For the year ended 30 September	£'000	2003 £'000	£'000	2002 £'000
	Operating Activities				
	UK dividend income	**914**		2,131	
	Unfranked investment income	**7,762**		14,496	
	Interest income	**184**		318	
	Other income	**296**		295	
	Proceeds from sale of current asset investment	**838**		–	
	Expenses	**(12,850)**		(11,598)	
a	**Net Cash (Outflow)/Inflow from Operating Activities**		**(2,856)**		5,642
	Returns on Investments and Servicing of Finance				
	Interest paid	**(6,103)**		(7,388)	
	Net Cash Outflow from Returns on Investments and Servicing of Finance		**(6,103)**		(7,388)
	Taxation Paid				
	Corporation tax repaid	**–**		–	
	Total Taxation Repaid		**–**		–
	Capital Expenditure and Financial Investment				
	Purchases of investments	**(39,182)**		(116,421)	
	Sales of investments	**53,803**		143,068	
	Net Cash Inflow from Capital Expenditure and Financial Investment		**14,621**		26,647
	Net Cash Inflow before Management of Liquid Resources and Financing		**5,662**		24,901
b	**Management of Liquid Resources**		**9,900**		(10,500)
	Financing				
	Bank loans drawn	**32,000**		54,000	
	Bank loans repaid	**(45,801)**		(74,246)	
	Loans (advanced)/drawn	**(1,935)**		7,004	
	Net Cash Outflow from Financing		**(15,736)**		(13,242)
	(Decrease)/Increase in Cash in the Year		**(174)**		1,159

Note	For the year ended 30 September	£'000	2003 £'000	£'000	2002 £'000
	Reconciliation of Net Cash Flow to Movement in Net Debt				
	(Decrease)/Increase in cash in the year		**(174)**		1,159
	Cash outflow from debt financing	**13,748**		20,246	
	Cash (inflow)/outflow from change in liquid resources	**(9,900)**		10,500	
			3,848		30,746
	Change in Net Debt Resulting from Cash Flows		**3,674**		31,905
	Translations difference		**2,037**		9,341
	Movement in Net Debt		**5,711**		41,246
	Net debt brought forward		**(192,927)**		(234,173)
	Net Debt carried forward		**(187,216)**		(192,927)

Notes to the Consolidated Cash Flow Statement

		Year to 30 Sept 2003 £'000	Year to 30 Sept 2002 £'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	**4,392**	2,325
	Loss on sale of current assets investments	**330**	700
	Exchange difference	**(257)**	1,416
	(Increase)/Decrease in other debtors and prepayments	**(8,064)**	2,147
	Taxation recovered/(deducted) at source on investment income	**48**	(1,032)
	Increase in other creditors and accruals	**695**	96
	Increase in trade debtors	**–**	(10)
	Net Cash Inflow/(Outflow) from Operating Activities	**(2,856)**	5,642

b Analysis of Net Debt

	At 1 Oct 2002 £'000	Cash Flow £'000	Exchange Movements £'000	At 30 Sept 2003 £'000
Net cash:				
Cash at bank and in hand	**16,179**	**(10,074)**	**(50)**	**6,055**
Less deposits treated as liquid resources	**(13,300)**	**9,900**	**–**	**(3,400)**
	2,879	**(174)**	**(50)**	**2,655**
Liquid resources				
Deposits on money market	**13,300**	**(9,900)**	**–**	**3,400**
Debt:				
Bank loans	**(209,106)**	**13,748**	**2,087**	**(193,271)**
	(192,927)	**3,674**	**2,037**	**(187,216)**

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" 1995 (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 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 2003 £'000	£'000	Year to 30 Sept 2002 £'000
UK Dividend Income from Fixed Asset Investments				
Unlisted – UK	**311**		311	
Partnership interests – UK†	**615**		1,911	
		926		2,222
Unfranked Investment Income from Fixed Asset Investments				
Unlisted – UK	**16,283**		16,527	
Unlisted – overseas	**188**		249	
Partnership interests – UK†	**304**		524	
		16,775		17,300
		17,701		19,522
Interest Receivable and Other Income				
Bank interest receivable	**160**		255	
Rents receivable	**298**		295	
Partnership interests – UK†	**22**		62	
		480		612
		18,181		20,134

† 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 2003 £'000	£'000	Year to 30 Sept 2002 £'000
Unfranked Investment Income from Fixed Asset Investments				
Unlisted – UK	**3**		69	
		3		69
Interest Receivable and Other Income				
Bank interest receivable	**–**		2	
Investment dealing	**(330)**		(700)	
		(330)		(698)
		(327)		(629)

3 Expenses

	Year to 30 Sept 2003 £'000	Year to 30 Sept 2002 £'000
Priority profit share paid to General Partner	9,840	11,088

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	**2,594**	1,810
Directors' remuneration (see Note 4)	**303**	318
Auditors' remuneration	**449**	385
	3,346	2,513

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 LLP 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.

During the year PricewaterhouseCoopers LLP earned the following fees. In addition, an amount of £42,000 was paid to PricewaterhouseCoopers Inc, USA in relation to taxation advisory services.

Audit fees		
Company	**170**	165
Group companies	**48**	47
Limited Partnership Funds	**26**	25
Half year review	**40**	40
	284	277
Advisory services		
Tax advice and compliance services	**45**	44
Other	**78**	64
Auditors' Remuneration	**407**	385
Reversal of Income Accruals	**276**	3,579

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 2003 £'000	Year to 30 Sept 2002 £'000
Chairman's remuneration for year	**150**	150
Directors' fees	**153**	168
	303	318
Emoluments		
Chairman and highest paid Director:	**150**	150
	150	150

4 Directors' Remuneration continued

See Directors' Remuneration Report on page 33.

No pension contributions were made in respect of any of the 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:

	2003 Number	2002 Number		2003 Number	2002 Number
£25,001 – £30,000	**4**	6	£145,001 – £150,000	**1**	1
£35,001 - £40,000	**1**	–			

During the year no Director (2002: nil) waived remuneration amounting to £nil (2002: £nil).

The Directors' fees include £67,000 (2002: £82,000) paid to third parties for making available the services of two of the Directors (2002: three).

5 Employees (Excluding Directors)

The Company has no employees (2002: nil).

6 Interest Payable

	Year to 30 Sept 2003 £'000	Year to 30 Sept 2002 £'000
Loans Repayable between One and Five Years		
Bank loans	**5,649**	7,660
Loans Repayable within One Year		
Bank loans	**–**	8
	5,649	7,668

7 Taxation on Ordinary Activities

No charge to tax arose in the year to 30 September 2003 (2002: £nil). Corporation tax at 30% (2002: 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 2003 £'000	Year to 30 Sept 2002 £'000
Return on ordinary activities before taxation	**(1,257)**	(5,343)
Return on ordinary activities multiplied by the standard rate of UK corporation tax of 30% (2002: 30%)	**(377)**	(1,603)
Dividend income – (2002 write back of accrued income)	**(93)**	945
Disallowable expenses	**163**	130
Priority profit share of partnership income appropriated by General Partners	**2,757**	2,745
Non UK group company losses written off	**2**	3
Brought forward losses utilised	**(3,256)**	(3,859)
Capital allowances	**(3)**	(3)
Unutilised losses arising in the year	**807**	1,642
Tax charge	**–**	–

The deferred tax asset of £807,000 (2002: £1,642,000) in respect of unutilised expenses at 30 September 2003 has not been recognised as it is unlikely that these expenses will be utilised.

8 Revenue Return Attributable to Shareholders

The Revenue Return attributable to shareholders includes a loss of £10,269,000 (2002: profit of £2,231,000) 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 £1,660,000 (2002: £5,836,000) and on a weighted average number of 65,231,533 (2002: 65,231,533) ordinary shares of 25p in issue. The calculation of capital return per share is based on the capital losses attributable to ordinary shareholders of £1,172,000 (2002: deficit of £36,944,000) and on a weighted average number of 65,231,533 (2002: 65,231,533) ordinary shares of 25p in issue.

10 Fixed Asset Investments

	Group		Company	
	30 Sept 2003 £'000	30 Sept 2002 £'000	**30 Sept 2003 £'000**	30 Sept 2002 £'000
Subsidiary Undertakings at Directors' Valuation				
Unlisted – UK and Continental Europe	**–**	–	**1,345**	1,445
Unlisted – USA and Other	**–**	–	**6,634**	7,599
	–	–	**7,979**	9,044
Unlisted at Directors' Valuation				
UK and Continental Europe	**459,432**	481,472	**374,429**	391,804
USA and Other	**112,028**	107,098	**112,028**	107,098
Partnership interests – UK and Continental Europe	**35,321**	23,476	**31,825**	23,476
Partnership interests – USA and Other	**52,595**	62,316	**49,414**	59,767
	659,376	674,362	**567,696**	582,145
Listed at Market Value				
UK and Continental Europe	**20,235**	17,365	**20,235**	17,365

The market value of investments listed on a recognised stock exchange is £20,235,000 (2002: £17,365,000).

	Group £'000	Company £'000
Valuation at 1 October 2002		
Investments	**691,727**	**599,510**
Subsidiary undertakings	**–**	**9,044**
	691,727	**608,554**
Changes due to currency movements	**(5,802)**	**(5,665)**
	685,925	**602,889**
Purchases – at cost	**39,182**	**53,138**
	725,107	**656,027**
Disposals – at valuation 1 October 2002	**(48,854)**	**(46,076)**
	676,253	**609,951**
Increase/(Decrease) in valuation	**3,358**	**(14,041)**
Valuation at 30 September 2003	**679,611**	**595,910**
Cost 30 September 2003	**781,281**	**692,834**

The amount of investments held in limited partnership funds that are managed by Electra Partners is £510,787,000 (2002: £510,975,000).

11 Debtors

	Group		Company	
	30 Sept 2003 £'000	30 Sept 2002 £'000	**30 Sept 2003 £'000**	30 Sept 2002 £'000
Amounts Falling Due within One Year				
Taxation recoverable	**1,434**	1,734	**1,572**	1,248
Amounts owed by subsidiary undertakings	**–**	–	**7,901**	24,066
Other debtors	**3,532**	4,059	**3,440**	3,838
Prepayments and accrued income	**31,619**	22,633	**31,619**	22,633
	36,585	28,426	**44,532**	51,785

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

12 Current Asset Investments

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

The market value of listed investments at 30 September 2003 held as partnership interests is £nil (2002 Listed UK: £1,168,000). Of this total £nil relates to investments listed on a recognised investment exchange (2002: £1,168,000).

13 Creditors

	Group		Company	
	30 Sept 2003 £'000	30 Sept 2002 £'000	**30 Sept 2003 £'000**	30 Sept 2002 £'000
Amounts Falling Due within One Year				
Amounts owed to subsidiary undertakings	**–**	–	**95,535**	97,299
Other creditors	**6,497**	9,022	**6,355**	8,312
	6,497	9,022	**101,890**	105,611

14 Creditors

Amounts Falling Due after more than One Year				
Bank loans				
two to five years	**193,271**	209,106	**–**	–

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 11 to 26.
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 multi-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 disposals in the period of both listed and unlisted investments, which have been used to repay loan facilities. 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, Euros and Sterling, which partially offset exchange risks suffered during the current and previous years 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 2003.

Currency As at 30 September	Foreign currency monetary assets 2003 £'000	2002 £'000	Foreign currency monetary liabilities 2003 £'000	2002 £'000	Net foreign currency monetary assets 2003 £'000	2002 £'000
US Dollar	**154,552**	183,965	**(131,816)**	(139,260)	**22,736**	44,705
Other	**99,054**	99,591	**(45,455)**	(46,346)	**53,599**	53,245
Total	**253,606**	283,556	**(177,271)**	(185,606)	**76,335**	97,950

(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 2003.

Currency As at 30 September 2003	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Sterling	**432,060**	**4,496**	**127,521**	**300,043**
US Dollar	**154,552**	**1,231**	**16,384**	**136,937**
Other	**99,054**	**328**	**1,194**	**97,532**
Total	**685,666**	**6,055**	**145,099**	**534,512**

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

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

Currency As at 30 September	Fixed rate financial assets weighted average interest rate 2003 %	2002 %	Fixed rate financial assets on which no interest is paid weighted average period until maturity 2003 years	2002 years
Sterling	**9.3**	9.4	**0.8**	1.8
US Dollar	**5.0**	8.0	**0.2**	1.2
Other	**5.0**	8.0	**1.5**	2.7

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 2003 was:

Currency As at 30 September	Floating rate financial liabilities 2003 £'000	 2002 £'000
US Dollar	**131,816**	139,260
Other	**45,455**	46,346
Sterling	**16,000**	23,500
Total	**193,271**	209,106
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 2003 was:

As at 30 September	2003 £'000	2002 £'000
Between three and five years	**193,271**	209,106

(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 2003 £'000	 2002 £'000
Primary Financial Assets Held		
Equity shares	**399,754**	356,299
Non-equity shares	**75,742**	89,493
Fixed interest securities	**204,115**	247,103
Cash at bank and in hand	**6,055**	16,179
Primary Financial Liabilities held to Finance the Group's Operations		
Long-term borrowings	**193,271**	209,106

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:

Earnings multiple;
Price of recent investment; or
Nets assets.

The Principles of Valuation of Unlisted Investments are detailed on pages 14 and 15.

16 Share Capital

	30 Sept 2003 £'000	30 Sept 2002 £'000
Allotted, called-up and fully paid 65,231,533 (2002: 65,231,533) ordinary shares of 25p each	**16,308**	16,308
Unissued 134,768,467 (2002: 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 2003 £'000	Company 30 Sept 2003 £'000
a Share Premium		
Share premium at 1 October 2002 and 30 September 2003	**24,147**	**24,147**
b Capital Redemption Reserve		
At 1 October 2002 and 30 September 2003	**26,967**	**26,967**
c Realised Capital Profits		
At 1 October 2002	**609,612**	**642,943**
Subsidiaries written off	**–**	**(1,065)**
Profits less losses on realisation of investments during the year	**4,949**	**4,548**
Profits on repayment of foreign currency bank loans	**(655)**	**–**
Net profits on revaluation of foreign currencies	**(50)**	**(50)**
Unrealised net depreciation at 1 October 2002 on bank loans repaid during the year	**(205)**	**–**
Exchange differences arising on consolidation	**(5,573)**	**(5,604)**
Unrealised net depreciation at 1 October 2002 on investments sold during the year	**(69,164)**	**(62,784)**
At 30 September 2003	**538,914**	**577,988**
d Unrealised Capital Profits		
At 1 October 2002	**(171,087)**	**(172,244)**
Increase/(decrease) in value of fixed asset investments	**3,358**	**(14,041)**
Increase in incentive provisions (see Note 22)	**(5,943)**	**(5,943)**
Profit on revaluation of foreign currency loans	**2,742**	**–**
Unrealised net depreciation at 1 October 2002 on investments sold during the year transferred to realised capital profits	**69,164**	**62,784**
Unrealised net appreciation at 1 October 2002 on bank loans repaid during the year transferred to realised capital profits	**205**	**–**
At 30 September 2003	**(101,561)**	**(129,444)**

17 Reserves continued

	Group 30 Sept 2003 £'000	Company 30 Sept 2003 £'000
e Revenue Profits		
At 1 October 2002	**(7,617)**	**11,638**
Net revenue deficit transfer for the year	**(1,660)**	**(10,269)**
At 30 September 2003	**(9,277)**	**1,369**
Total reserves at 30 September 2003	**479,190**	**501,027**
Total reserves at 30 September 2002	482,022	533,451

18 Contingent Liabilities and Commitments

The Company has undertaken to invest up to a further US$18,713,000 (2002: US$38,126,000) 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 £17,425,000 (2002: £17,995,000).

At 30 September 2003 the Company had uncalled commitments of £10,083,000 to a limited partnership fund managed by Electra Partners (2002: £13,675,000).

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 directly 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 2002 £'000	**Carrying value at 30 Sept 2003 £'000**	**Cost 30 Sept 2003 £'000**
Allflex	34,487	**27,161**	**22,775**
Accrued income	4,596	**1,785**	
Ordinary shares 43.8%			
Preferred ordinary shares 50.9%			
Loan stock 71.5%			
Amtico	28,141	**28,653**	**17,072**
Accrued income	195	**259**	
Ordinary shares 49.4%			
Loan stock 66.1%			
Baxi	48,806	**61,833**	**54,590**
Accrued income	12,926	**21,366**	
Ordinary shares 22.7%			
Preference shares 16.8%			
'A' Loan stock 16.8%			
'B' Loan stock 59.5%			
Bezier	10,560	**10,559**	**19,178**
Ordinary shares 66.6%			
Loan notes 66.7%			
Candover Investments	7,660	**9,000**	**226**
Ordinary shares 3.4%			
Capital Safety Group	30,633	**31,317**	**30,326**
Accrued income	2,245	**3,380**	
Ordinary shares 51.3%			
Preference shares 62.3%			
Loan stock 62.3%			
Deutsche Woolworth (Germany)	20,172	**13,696**	**29,831**
Ordinary shares 78.8%			
Shareholders loans 90.6%			
Energy Power Resources	10,000	**10,500**	**24,867**
Ordinary shares 52.4%			
Loan stock 80.4%			
Esporta	26,041	**15,492**	**26,041**
Accrued income	243	**2,119**	
'B' ordinary shares 4.0%			
Shareholder loans 4.8%			
Vendor loan note I 100.0%			
Vendor loan note II 21.5%			

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 2002 £'000	**Carrying value at 30 Sept 2003 £'000**	**Cost 30 Sept 2003 £'000**
Forthpanel	12,208	**12,516**	**10,738**
Ordinary shares 92.1%			
Freightliner	10,500	**14,022**	**37**
'A' ordinary shares 50.0%			
Preference shares 50.0%			
Gower (formerly Charco Ninety-Nine)	8,625	**17,100**	**178**
Participating ordinary shares 50.0%			
Hornby	2,905	**7,658**	**166**
Ordinary shares 8.2%			
Inchcape Shipping Services	14,316	**26,318**	**24,864**
Ordinary shares 74.0%			
Cumulative redeemable preference shares 100.0%			
Loan notes 100.0%			
Convertible loan notes 100.0%			
International Garden Products (USA)	12,718	**9,825**	**15,816**
Class A1 common stock 34.3%			
Series A preferred stock 50.1%			
Series D preferred stock 39.0%			
Leiner Health Products (USA)	22,256	**31,433**	**17,423**
Partnership interest 18.2%			
Moser Baer (India)	14,236	**28,856**	**3,167**
Ordinary shares 12.0%			
Orthofix International (USA)	7,660	**7,256**	**53**
Common stock 5.0%			
Prize Foods Group	14,900	**14,010**	**9,166**
Accrued income	684	**334**	
Ordinary shares 18.9%			
Loan notes 24.4%			
Safety-Kleen Europe	30,743	**47,913**	**22,239**
Accrued income	740	**1,257**	
Ordinary shares 40.8%			
Loan stock 48.8%			
Vendcrown	37,153	**57,011**	**19,165**
'B' Ordinary shares 40.4%			

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 2002 £'000	**Carrying value at 30 Sept 2003 £'000**	**Cost 30 Sept 2003 £'000**
William Cook Holdings	11,000	**13,480**	**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 certain 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 2003 the participants received £1,538,000 (2002: £5,216,000) under these schemes and had unrealised gains of £24,347,000 (2002: £18,382,000). 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 2003 the participants received £nil (2002: nil) under the scheme and had unrealised gains of £777,000 (2002: £799,000).

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 2003 the unrealised gain under these arrangements was £1,861,000 (2002: £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

	Group **30 Sept 2003 £'000**	Company **30 Sept 2003 £'000**
At 1 October 2002	**21,042**	**21,042**
Amounts paid under incentive schemes	**(1,538)**	**(1,538)**
Incentive scheme provision	**7,481**	**7,481**
Increase in incentive scheme provision	**5,943**	**5,943**
At 30 September 2003	**26,985**	**26,985**

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Notice is hereby given that the sixty-ninth Annual General Meeting of Electra Investment Trust PLC will be held at 12.00 noon on Thursday 4 March 2004 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 2003.
2. To approve the Directors' Remuneration Report for the year ended 30 September 2003 which is set out in the Annual Report and Accounts of the Company for the year ended 30 September 2003.
3. To re-elect Mr RA Armstrong as a Director of the Company.
4. To re-elect Mr MED'A Walton as a Director of the Company.

To consider the following resolution, special notice having been received of the intention to propose the resolution as an ordinary resolution:

5. That Lord King of Bridgwater, who attained the age of 70 years on 13 June 2003, be re-elected as a Director of the Company.

To consider the following resolution, special notice having been received of the intention to propose the resolution as an ordinary resolution:

6. That PricewaterhouseCoopers LLP be re-appointed as Auditors of the Company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of Pricewaterhouse-Coopers), to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

7. 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:

8. 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 or such lesser number of shares as is equal to 14.99 per cent of the total number of ordinary shares in issue as at the date of the passing of this resolution;
   (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 2005 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
9 December 2003

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 2 March 2004 ("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 2 March 2004 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 Mr RA Armstrong, Mr MED'A Walton and Lord King of Bridgwater are contained on page 9.

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