ELECTRA

Electra Private Equity PLC
Report and Accounts

30 September 2011

Electra's objective is to achieve a rate of return on equity of between 10-15% per year over the long-term by investing in a portfolio of private equity assets.

References in this Report and Accounts to Electra Private Equity PLC and its subsidiaries have been abbreviated to 'Electra' or the 'Company'. References to Electra Partners LLP and EQM Capital LLP (manager of Electra's money market investments) have been abbreviated to 'Electra Partners' or 'the Manager'.

Objective and Investment Policy

Electra has been quoted on the London Stock Exchange since 1976. Electra is managed as an HM Revenue and Customs approved investment trust, and invests primarily in the private equity mid-market.

The business and affairs of Electra are managed on an exclusive and fully discretionary basis by Electra Partners, an independent private equity fund manager with over 25 years experience in the mid-market.

Electra's objective is to achieve a rate of return on equity of between 10-15% per year over the long-term by investing in a portfolio of private equity assets.

Electra Partners aims to achieve this target rate of return on behalf of Electra by utilising a flexible investment strategy and:

In implementing Electra's flexible investment strategy, Electra Partners typically targets investments at a cost of £40 million to £100 million in companies with an enterprise value of up to £300 million.

- exploiting a track record of successful private equity investment;
- utilising the proven skills of its management team with a strong record of deal flow generation and long-term presence in the private equity market;
- targeting private equity opportunities (including direct investment, fund investments and secondary buyouts of portfolios and funds) so that the perceived risks associated with such investments are justified by expected returns;
- investing in a number of value creating transactions with a balanced risk profile across a broad range of investment sectors through a variety of financial instruments; and
- actively managing its capital position and levels of gearing in light of prevailing economic conditions.

The investment focus is principally on Western Europe, with the majority of investments made in the United Kingdom where Electra Partners has historically been most active. There is an emphasis on areas where Electra Partners has specific knowledge and expertise. In circumstances where Electra Partners feels that there is merit in gaining exposure to countries and sectors outside its network and expertise, consideration is given to investing in specific funds managed by third parties or co-investing with private equity managers with whom it has developed a relationship.

In implementing Electra's flexible investment strategy, Electra Partners typically targets investments at a cost of £40 million to £100 million in companies with an enterprise value of up to £300 million.

Electra Partners attempts to mitigate risk through portfolio diversification. Investments will therefore be made across a broad range of sectors and industries and not more than 15% of Electra's net asset value, at the time of investment, will be invested in any single investment. If Electra acquires a portfolio of companies in a single transaction, this limitation shall be applied individually to each of the underlying companies purchased and not to the portfolio as a whole.

Electra has a policy to maintain total gearing below 40% of its total assets.

Unless required to do so to maintain Electra's investment trust status, it is the policy of the Directors not to pay dividends.

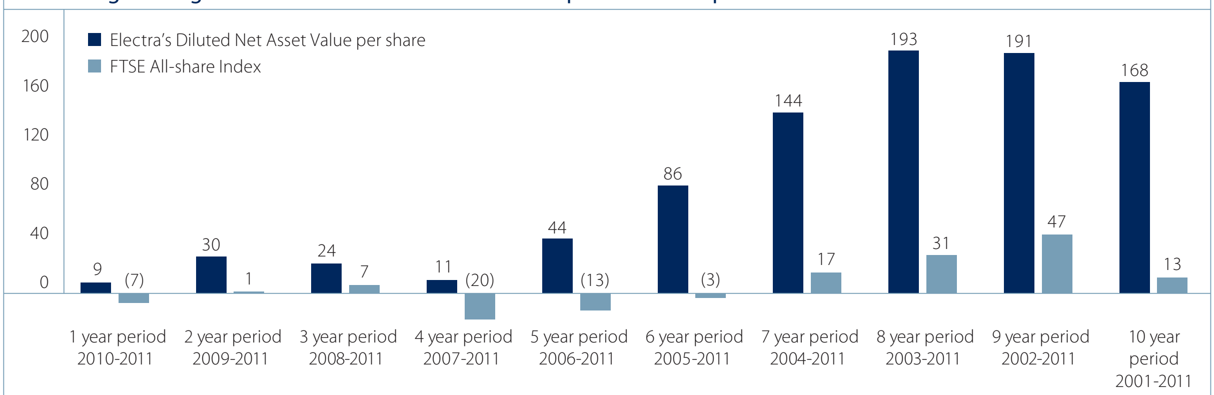
Financial Highlights

As at 30 September 2011

NAV per share (diluted)	2,225p
NAV per share increase over the year (diluted)	8.5%
Share price	1,360p
Share price decrease over the year	0.6%
Total Net Assets	£821m
Net liquid resources	£105m
Annualised return on equity over five years (diluted)	8.1%

Period ended 30 September 2011	6 months	One year	Five years	10 years
NAV per share (diluted)	1.5%	8.5%	44.0%	168.2%
NAV per share (basic)	1.6%	13.4%	50.4%	180.2%
Share price	(18.3)%	(0.6)%	(0.8)%	108.9%
FTSE All-Share	(13.5)%	(7.4)%	(13.0)%	13.4%

Percentage Change in Electra's Diluted Net Asset Value per Share Compared to FTSE All-Share Index



Chairman's Statement

"The performance of the business in the last financial year has once again demonstrated the Manager's ability to invest and divest successfully during tough times. This expertise together with Electra's financial resources and flexible investment mandate, will, in our view, enable the Company to continue to deliver good returns."

Overview

Electra has made solid progress this year despite the continuing financial crisis which has resulted in further market volatility around the world. Trading results of the majority of companies in the unlisted portfolio have been resilient, resulting in another successful year for Electra.

During the year, Electra's capital base was expanded through the issue of £100 million of Subordinated Convertible Bonds and, subsequent to the year end, the refinancing of our existing multi-currency revolving credit facility.

Results

At 30 September 2011 Electra's diluted net asset value per share was 2,225p compared with 2,050p at 30 September 2010, an increase of 8.5% against a FTSE All-Share decrease of 7.4%. Over the five years to 30 September 2011, the diluted net asset value per share, inclusive of Special Dividends, has increased by 46.7% and Electra has achieved an annualised return on equity of 8.1%.

Over the year Electra's share price broadly tracked the volatile movement in the FTSE All-Share rising from 1,368p at the beginning of the year to a high of 1,755p in April 2011 before ending the year at 1,360p, a 0.6% decline over the year.

The year end share price of 1,360p represents a discount to diluted NAV of 39% which continues to remain in line with the average discount of the Company's peer group.

Investment Activity

The first part of the year saw a steady increase in the number of investment opportunities offset by a reduction in the availability of quality deals as a result of renewed market volatility at the end of June. The net effect was that Electra Partners considered 148 new investment opportunities in the year and invested a total of £136 million. The largest new investment was £35.8 million in the buyout of Davies Group, a leading provider of claims management services to the insurance industry. Other investments included a £21.7 million secondary investment in Steadfast Capital Fund II, a fund comprising five investments in Germany.

As I reported in my Statement to 31 March 2011, the initial investments of £26.2 million in Daler-Rowney and £35.6 million in Sentinel Performance Solutions were reduced to £17.4 million and £15.7 million respectively, following an investment by the Electra Partners Club 2007 LP Fund, and the securing of medium-term banking facilities by Sentinel which resulted in Electra receiving £19.9 million.

Total proceeds of £137 million were received in the year from the sale of unlisted investments, of which £54 million related to the disposal of Rio Trens Corporation.

Since the year end, Electra has agreed terms for the sale of its stake in heating products manufacturer BDR Thermea ending a very successful long-term investment in Baxi. Proceeds of £39.1 million have already been received with further proceeds in the region of £40 million due to be received over the next two years. Electra also sold its stake in specialist credit card provider SAV Credit with Electra receiving gross proceeds of £40.8 million.

The performance of the business in the last financial year has once again demonstrated the Manager's ability to invest and divest successfully during tough times.

Convertible Bond Issue and Banking Facilities

In December 2010 Electra issued £100 million of 5% Subordinated Convertible Bonds through a placing and open offer. In October 2011 Electra refinanced its existing multi-currency revolving credit facility, increasing the size to £195 million and extending the loan term to June 2016. This is part of our on-going strategy to diversify the sources and maturity of Electra's capital base, which started in 2009 with the raising of £46 million of ZDPs.

Board Changes

As reported previously, Kate Barker joined the Board in November 2010 and Geoffrey Cullinan was appointed a Director in January 2011. Ron Armstrong and Peter Williams both retired as Directors at the Annual General Meeting held in February 2011. Lucinda Webber was appointed Senior Independent Director and Chairman of the Remuneration and Nomination Committee in March 2011.

Corporate Governance

The duty of the Board is to act in our shareholders' interests at all times and, as part of this, we take corporate governance very seriously. We report in detail on corporate governance matters later in the Report and Accounts. During the year, we established a Management Engagement Committee, chaired by Geoffrey Cullinan, to carry out the work previously done by the full Board in reviewing the performance of the Manager and the terms of the management contract. The duties of Electra Partners include investment management, with full discretion on investments and realisations, and all treasury, accounting and administrative responsibilities of the Trust. I am pleased to confirm that the Board believes that the continuing appointment of the Manager is in the best interests of shareholders.

Outlook

The performance of the business in the last financial year has once again demonstrated the Manager's ability to invest and divest successfully during tough times.

Within the private equity market there are currently a number of conflicting messages on availability, pricing and financing of investments. Electra Partners has successfully invested through several economic downturns and this expertise, together with Electra's financial resources and flexible investment mandate, will, in our view, enable Electra to continue to deliver good returns and enhanced value for shareholders.

Colette Bowe
Chairman
5 December 2011

Capital Safety Group

Specialist safety equipment

The Manager

Electra Partners is an independent private equity fund manager with over 25 years experience in the mid-market. During this time the firm has invested in excess of £3 billion, accumulating considerable expertise and building a strong track record. As at 30 September 2011, Electra Partners had funds under management of over £1.3 billion on behalf of Electra and other clients.

With one of the most experienced and stable teams in the private equity industry, the majority of the senior management have worked together for over 20 years. The investment professionals have on average over 18 years experience in private equity and are supported by a 24-strong team skilled in finance, compliance, investor relations and marketing.

Senior Management Team		Years of private equity experience
Hugh Mumford	Managing Partner	30
Tim Syder	Deputy Managing Partner	26
David Symondson	Deputy Managing Partner	28
Alex Fortescue	Chief Investment Partner	13
Rhian Davies	Partner	18
Philip Dyke	Partner	38
Steve Ozin	Partner	21

Investment Team		Years of private equity experience
Alex Cooper-Evans	Investment Partner	17
Charles Elkington	Investment Partner	17
Nigel Elsley	Investment Partner	23
Chris Hanna	Investment Partner	10
Roger Isaac	Investment Partner	25
John Martin	Investment Manager	9
Sarah Williams	Investment Manager	9
Oliver Huntsman	Portfolio Manager, UK	29
Peter Carnwath	Portfolio Manager, US	29
John Levack	Portfolio Manager, Asia	21
Monique Dumas	Investor Relations Partner	12

Investment Highlights

"Portfolio performance is encouraging and we have a good pipeline of quality deals. However caution is still required and our focus remains on businesses we consider to have good defensive qualities to meet the potential difficulties ahead.

"Against the background of a tightening banking market and shortage of capital, Electra's high level of investment capacity is likely to be extremely advantageous. Electra therefore remains well placed for the challenges ahead."

Market Environment

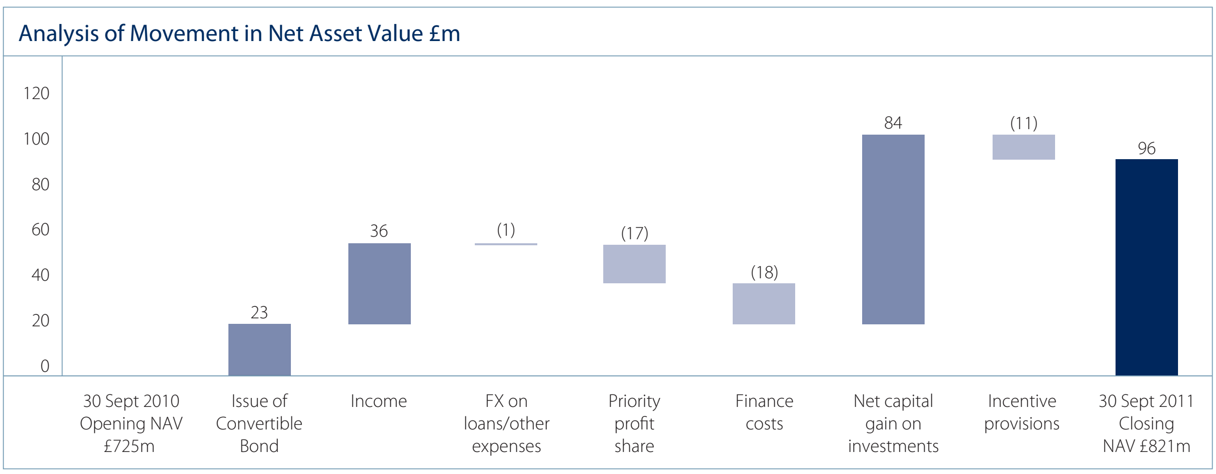
The financial year to 30 September 2011 began with an improvement in market conditions relevant to private equity. However, these conditions deteriorated in the second half of the year as concerns about the eurozone, its financial stability, and global imbalances generally, caused stock markets to fall sharply in many parts of the world. Current market conditions remain difficult in the financial markets.

Performance

Despite these changes in the market, Electra's net asset value continued to make positive progress. Over the year, Electra's diluted net asset value per share increased to 2,225p at 30 September 2011 compared to 2,050p at the beginning of the year. This 175p per share increase represents a growth in net asset value over the year of 8.5% which compares to a decline of 7.4% in the FTSE All-Share over the same period. The increase in net asset value in the second half of the year amounted to 1.5% which compared to a fall of 13.5% in the FTSE All-Share.

The growth in net asset value over the year of £96 million was due to realised and unrealised capital gains in the investment portfolio, net of incentive provisions, of £73 million, together with £23 million which was capitalised in December 2010 on the issue of the £100 million of 5% Subordinated Convertible Bonds.

Analysis of Movement in Net Asset Value



Supporting the growth in net asset value, the underlying investment portfolio has continued to make progress despite the difficult economic conditions. Those portfolio companies, whose value depends predominantly on earnings and which make up the most significant part of the direct unlisted portfolio, delivered an increase in earnings over the year of 6%. This increase in earnings and consequent valuation increases together with interest, dividends and other gains including those resulting from disposals and imminent disposals enabled the portfolio to generate a total return of £118 million, an increase of 15.4%. Excluding the listed portfolio which declined by £22 million in the year, the remaining unlisted portfolio, including funds and secondaries, generated a total return of £140 million, an increase of 21.6%, a highly successful outcome for these segments of the portfolio.

Electra has continued to deliver positive results despite the challenging environment.

During the year the underlying leverage in the portfolio continued to fall and by the end of the year debt levels had fallen to a multiple of 2.5 x EBITDA.

Investment Activity

Over the year Electra has seen an increase in disposal activity. One major realisation occurred during the year and two further significant realisations occurred shortly after the year end. These were all made at substantial premiums to the carrying value of the relevant investment immediately prior to the announcement of the sale.

The environment for new investment continued to be difficult throughout most of the year as prices remained high relative to the uncertain outlook for the growth of operating profits. In view of this we retained a cautious outlook with total investment for the year amounting to £136 million. Within this total however we added four significant new investments to the portfolio. Whilst investment was lower than the previous year, investment activity in terms of deal flow showed a marked increase. At the same time the quality of the deal flow also increased.

Outlook

Electra has continued to deliver positive results despite the challenging environment. Portfolio performance is encouraging and we have a good pipeline of quality deals. However caution is still required and our focus remains on businesses we consider to have good defensive qualities to meet the potential difficulties ahead.

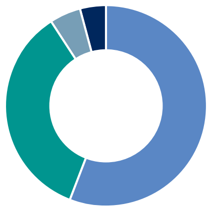
Against the background of a tightening banking market and shortage of capital, having a high level of investment capacity is likely to be highly advantageous. Electra therefore remains well placed for the challenges ahead.

Portfolio Review

At 30 September 2011 Electra's investment portfolio was valued at £883 million. The investment portfolio consists of direct unlisted investments, secondaries, funds and listed companies. The top 10 and 20 investments account for 53.3% and 72.5% respectively of the investment portfolio.

Investment Portfolio – Geographical Breakdown

30 Sept 2011 (30 Sept 2010)



- UK 56% (48%)
- Continental Europe 35% (33%)
- USA 5% (5%)
- Asia and elsewhere 4% (14%)

Portfolio Breakdown

Investment Portfolio* As at 30 September	2011 £m	2010 £m
Direct unlisted	621	501
Secondaries	57	50
Funds	111	96
Listed	94	119
Investment portfolio*	883	766

*Includes accrued income of £52,831,000 (2010: £32,203,000)

Direct Unlisted Investments (70% of portfolio)
Direct unlisted investments form the major part of Electra's portfolio and consist of investments in 37 companies with an aggregate value of £621 million. The 18 largest investments (all of which have a book value in excess of £10 million) accounted for 95% of the direct unlisted investments at the year end.

Secondary Investments (6% of portfolio)
Secondary investments are predominantly acquisitions of limited partnership interests in third party funds where an existing investor is seeking to sell its position prior to the end of the fund's life. At 30 September 2011 Electra held five secondary positions containing 16 investments with an aggregate value of £57 million. As a result of their relative maturity, secondary investments typically produce faster returns than direct investments.

Fund Investments (13% of portfolio)
Investments in funds are made primarily to generate co-investment opportunities for Electra from a limited number of managers of investment partnership funds based in Continental Europe and, in the case of two funds, to gain exposure outside Electra Partners' network. At 30 September 2011, the fund portfolio also contained a number of legacy funds which are in the process of being run off by their managers.

Listed Investments (11% of portfolio)
Listed investments consisted of 10 investments with an aggregate value of £94 million at 30 September 2011. For the most part, listed investments are held where they arise from previously unlisted investments which continue to generate the returns required under Electra's investment objectives. However, Electra may also invest in listed companies where the management team, which Electra wishes to support, operates through a listed vehicle.

Investment Portfolio – Sector Breakdown

30 Sept 2011 (30 Sept 2010)

- Agricultural 13% (11%)
- Building and construction 7% (7%)
- Healthcare 8% (9%)
- Non-cyclical consumer goods 17% (13%)
- Other 2% (3%)
- Private equity funds 14% (16%)
- Property investment 13% (14%)
- Speciality engineering 4% (5%)
- Financial services 19% (11%)
- Software and computing 3% (4%)

*The 2010 classification included Transport of 7% (2011: 0%)

Portfolio Movement

Electra's investment portfolio increased from £766 million to £883 million during the year to 30 September 2011 with realisations and new investments at £137 million and £136 million respectively.

Year ended 30 September	2011 £m	2010 £m	2009 £m
Opening investment portfolio*	766	576	514
Investments	136	183	88
Realisations	(137)	(149)	(33)
Total return	118	156	7
Closing investment portfolio*	883	766	576

*Includes accrued income of £52,831,000 (2010: £32,203,000; 2009: £29,450,000, 2008: £9,034,000)

Direct Unlisted – Age Analysis (by last refinancing date)

30 Sept 2011 (30 Sept 2010)

- Less than 1 year old 13% (32%)
- 1–2 years 26% (3%)
- 2–3 years 6% (12%)
- Over 3 years 55% (53%)

New Investments

New investments during the year of £136 million compared to £183 million in the previous twelve months but, as explained earlier, investing remained difficult in view of the divergence between buyer and seller expectations leading to longer timelines or negotiations being terminated.

The most significant individual new investments were in respect of Davies Group, Daler-Rowney and Sentinel Performance Solutions:

Davies Group, in which Electra invested £35.8 million, is a leading provider of claims management services to the insurance industry. Recognised as one of the most innovative and well-respected providers of claims solutions in the UK, the Davies Group has a strong market position with a stable client base and good growth prospects from further developing their product range to support existing and new customers.

Electra invested £35.6 million in Sentinel which supplies products to increase the performance and efficiency of residential heating and hot water systems. Sentinel also has a strong market position and good opportunities for growth from new product development and the geographic expansion of sales. In April the investment in Sentinel was reduced to £15.7 million following the securing of medium-term bank finance.

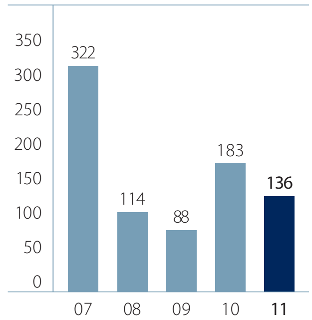
Daler-Rowney, in which Electra invested £17.4 million, is the world's third largest supplier of fine art materials. Daler-Rowney has a strong management team, good defensive characteristics and significant opportunities to expand through consolidation in its marketplace.

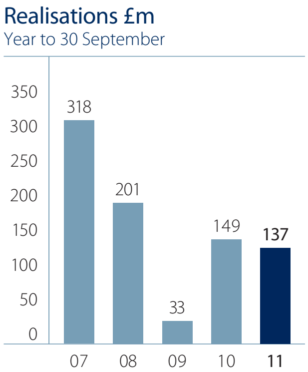
In addition to these individual investments Electra acquired a secondary investment in Steadfast Capital GmbH's second fund at a cost of €24 million together with a commitment of €2 million. Our relationship with this German private equity fund manager dates back to 2008 when Electra invested in their first fund. Steadfast's second fund is fully invested and comprises five investments, the largest of which are FEP (automotive connectors); Kautex (specialist manufacturing equipment); and Falk & Ross (promotional clothing distributor).

In addition to these investments a further £19.9 million was drawn down by private equity funds in which Electra is a limited partner. At 30 September 2011, Electra had commitments to third party funds of £97 million which are expected to be funded substantially from realisation proceeds received from existing fund investments.

New investments £m

Year to 30 September



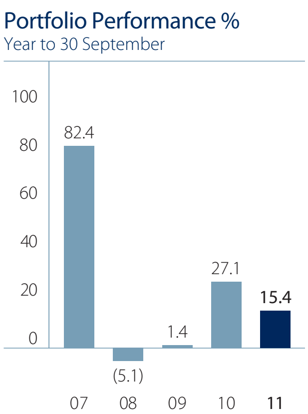


Realisations

Total realisations for the year ended 30 September 2011 amounted to £137 million. The most significant realisation during the year related to Rio Trens Corporation which generated proceeds of £54 million. As previously reported, this sale marked the successful conclusion of a transaction where the original investment was made in 1998 and a substantial restructuring had taken place over a number of years. The period also saw the return of £20 million following the securing of medium-term banking finance by Sentinel and the redemption of the Baxi mezzanine position with proceeds of £11.4 million being received against a cost two years earlier of £3.5 million. £11.7 million was received from the sale of two companies from Electra's portfolio of secondaries and £13.3 million was received from other private equity funds during the period.

Shortly after the year end, Electra made two further substantial realisations involving BDR Thermea and SAV Credit. In October Electra received £39.1 million as the first instalment in respect of proceeds from the sale of the investment in BDR Thermea. Further instalments with a value of approximately £40 million are due over the next two years. In November Electra received £40.8 million from of the sale of the investment in SAV Credit. The sale of SAV Credit, a company involved in the management of credit card portfolios, provided an excellent result for an investment highly dependent on the continuing availability of banking finance. The proceeds of £40.8 million amounted to a 236% increase on the carrying value of the investment at 31 March 2011.

The realisation of BDR Thermea and SAV Credit together with the realisations completed during the year gave rise to proceeds and potential proceeds of £257 million, an amount equal to almost 40% of the unlisted portfolio value at the beginning of the financial year.



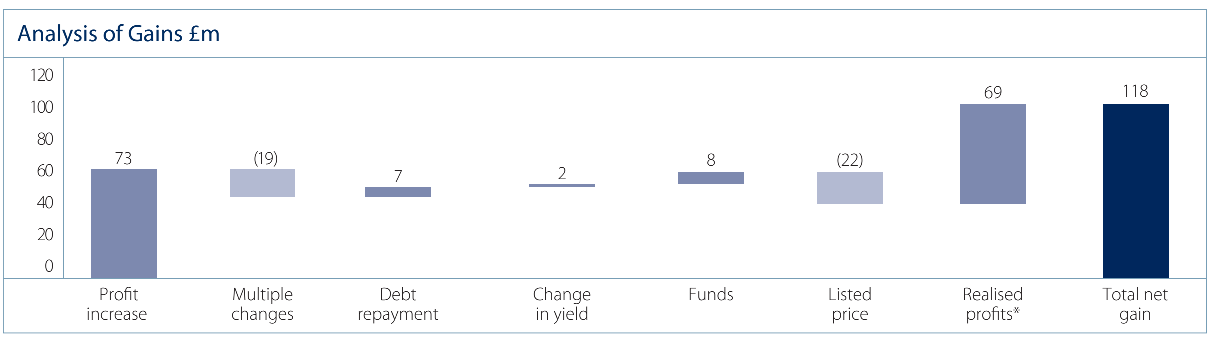
Performance

During the year to 30 September 2011, the total return from Electra's investment portfolio amounted to £118 million, a percentage return of 15.4%. The total return was made up of £84 million of capital gains together with £34 million received or receivable in the form of income or dividends.

Of the total return of £118 million, £129 million arose in respect of direct unlisted investments and £11 million arose in respect of funds and secondaries. These positive returns were offset by a negative return on the listed portfolio of £22 million.

The reason for the increase in Electra's portfolio valuation was principally due to two factors. Firstly the underlying profit performance of the portfolio which resulted in £73 million of valuation increases and secondly from £69 million of gains which were realised during the year or subsequent to the year end. A further £17 million of gains was due to other factors including debt repayment, offset by a £19 million fall in value due to a reduction in multiples used for valuation purposes and a £22 million fall in the value of listed securities.

Analysis of Gains



*£50.4 million realised subsequent to the year end

Valuation Changes

Of the total return recognised in respect of the direct unlisted investments, funds and secondaries, £69 million represented income received and realised gains. For this purpose, gains included those relating to BDR Thermea and SAV Credit which were sold shortly after the year end. The balance of the total return of £71 million, represented unrealised value increases. In terms of individual investments, the three largest unrealised value increases were recorded in respect of Allflex (£27.1 million), esure (£17.8 million) and Capital Safety (£11.2 million), all made to reflect exceptional profit performance.

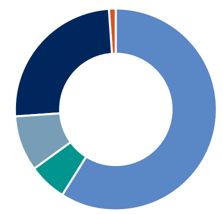
Of the decline in value of the listed portfolio, £7.9 million was due to Zensar which fell in line with the relevant Indian stock exchange and £6.7 million was due to Moser Baer whose decline in value exceeded the market fall. Both these companies have been exceptional investments for Electra and are expected to continue to perform in the longer term.

The performance of Electra's investments in private equity funds was below that of Electra's other unlisted investments. A significant amount of Electra's investment in funds is however now relatively mature and their performance should improve as the realisation process gains momentum.

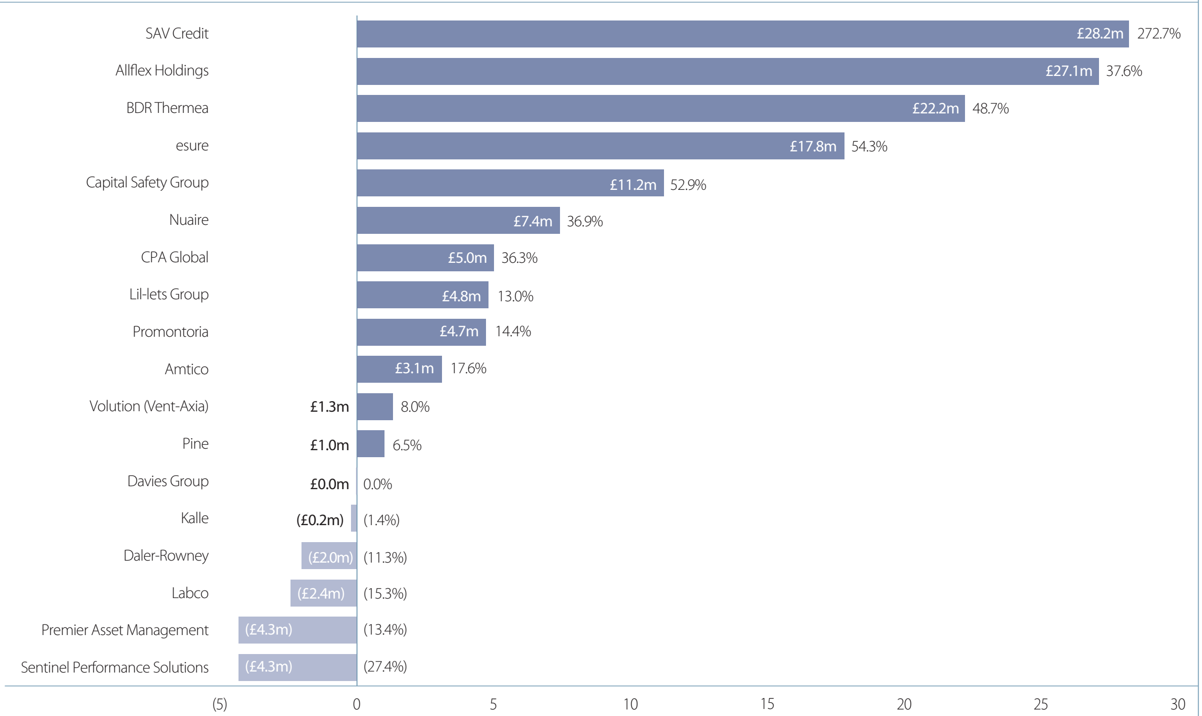
Of the 18 largest investments in the direct unlisted portfolio, 12 increased in value during the year, five were reduced in value and one was retained at the price of the recent transaction having been purchased on 30 September 2011.

Direct Unlisted Investments – Valuation Basis

30 Sept 2011 (30 Sept 2010)



Direct Unlisted Investments – Valuation Changes



Hugh Mumford
Managing Partner
Electra Partners LLP
5 December 2011

Key New Investments and Realisations

New Investment	
Equity Ownership:	50%
Valuation:	£11,385,000
Cost:	£15,692,000
Type of Deal:	MBO

Valuation based on multiple of earnings

Sentinel Peformance Solutions

Location | UK

In February 2011, Electra acquired Sentinel Performance Solutions for £43 million in an all equity financed secondary buyout. In April Electra's investment was reduced to £15.7 million by a subsequent debt and equity refinancing.

Based in Runcorn, Sentinel supplies water treatment products to improve the performance and efficiency of residential heating and hot water systems. It has a strong track record in new product development. Sentinel has developed a market-leading position in the UK and is building a market presence in other European countries as well as the USA.

Difficult conditions during 2011 in the European boiler markets in which Sentinel operates have led to a decline in profitability in the core business. This has been partially mitigated by the launch of new products and the growth of sales in new geographic markets. However the valuation has been reduced to reflect the overall fall in profitability and the fall in comparable multiples.

www.sentinel.co.uk

New Investment	
Equity Ownership:	41.1%
Valuation:	£15,473,000
Cost:	£17,435,000
Type of Deal:	MBO

Valuation based on multiple of earnings

Daler-Rowney

Location | International

Electra acquired Daler-Rowney in March 2011 for £17.4 million. Daler-Rowney is one of the largest suppliers of fine art materials in the world with a comprehensive product range including artists' paints, brushes, papers and canvases which meet the needs of beginner, amateur, student and professional artists. The company manufactures its products in the UK and the Dominican Republic and sells in more than 90 countries worldwide.

Daler-Rowney is successfully growing by building on its strong heritage brands and customer relationships with turnover ahead of prior year. The business strategy is based on further developing market share in established core markets in the US and Continental Europe and on increasing penetration in other markets; this will be achieved through continued investment in sales infrastructure and product development.

Whilst the business has performed strongly since Electra's investment, the valuation of Daler-Rowney has fallen as a result of the decline, in line with the stock market, of comparable company valuation multiples.

www.daler-rowney.co.uk

STEADFAST CAPITAL

New Investment	
Ownership:	16.8%
Valuation:	£20,940,000
Cost:	£21,749,000
Type of Deal:	Secondary

Valuation based on price of recent transaction

Steadfast Capital Fund II

Location | Germany

In June 2011, Electra was the largest investor in a secondary acquisition of a significant limited partnership interest in Steadfast Capital Fund II LP ("Fund II").

Building on the success of Electra's investment in Steadfast Capital Fund I GmbH ("Fund I"), Electra Partners had been monitoring the performance of Fund II for some time and received extensive access prior to making the investment. Fund II is closed to new investments and comprises five assets: FEP (automotive components), Dahlback (retail bakeries), Falk & Ross (clothing distribution), Kautex (capital goods) and proFagus (barbecue fuel).

www.steadfast.de

New Investment

Equity Ownership:	46.2%
Valuation:	£35,789,000
Cost:	£35,789,000
Type of Deal:	MBO

Valuation based on price of recent transaction

Davies Group

Location | UK

On 30 September 2011 Electra invested £35.8 million in Davies Group Limited ("Davies Group"), a leading provider of claims management solutions to the insurance industry. Davies Group is recognised as one of the most innovative and well respected providers of claims solutions in the UK providing a range of services across all sectors of the insurance market, including claims management, validation and loss adjusting services, and claims fulfilment to some of the best-known and most successful insurance brands in the UK.

Operating nationally, Davies acts on behalf of a range of insurance companies, specialist sectors such as Lloyd's of London, as well as service companies, brokers and self-insured entities. With a team of over 600 employees the business processes in excess of 125,000 insurance claims annually, equating to £500 million of insurers indemnity spend. Revenues in year to March 2011 were £37 million, having a compound annual growth rate of 16% per annum since 2009.

www.davies-group.com

Realisation

Proceeds:	£54,137,000
Cost:	£34,362,000

Rio Trens Corporation

Location | Brazil

In 1998 Electra first invested in Rio Trens Corporation ('RTC') which has an investment in a Brazilian transportation company operating 159 trains on a 225km network serving 89 stations. Electra invested US$25 million in the company between 1998 and 2000.

Following a series of financial and operational difficulties the investment was written off by Electra in 2000. Subsequently, changes were made to the management and Electra invested a further £17.3 million to aid the company's ongoing investment programme to improve the network and capacity.

With the forthcoming World Cup and Olympics in Brazil, the concession attracted interest and Electra accepted an offer for its shareholding in RTC in November 2010, receiving £54 million of proceeds.

Key Investments

Direct Unlisted and Secondary Investments

Company	Fair Value of holding at 30 Sept 2010 £'000	Net payments/ (receipts) £'000	Performance in period £'000	Fair Value of holding at 30 Sept 2011 £'000	Cost of holding at 30 Sept 2011 £'000
Allflex Holdings Animal identification tags	71,924	–	27,076	99,000	40,781
BDR Thermea Heating products	63,074	(12,120)	22,246	73,200	44,347
esure Motor & home insurance	35,376	(2,536)	17,829	50,669	29,733
Lil-lets Group Feminine hygiene products	36,346	280	4,779	41,405	21,692
SAV Credit Credit card operator	12,177	(1,848)	28,171	38,500	22,844
Promontoria Property holding company	39,843	(7,124)	4,707	37,426	14,074
Davies Group Provider of claims solutions	–	35,789	–	35,789	35,789
Capital Safety Group Specialist safety equipment	19,854	1,281	11,188	32,323	19,082
Nuaire Fan manufacturer	20,146	–	7,435	27,581	23,138
Premier Asset Management Investment management	31,823	–	(4,262)	27,561	55,785
Amtico Luxury flooring manufacturer	17,734	51	3,139	20,924	22,326
CPA Global Patent renewals management	13,901	(196)	4,974	18,679	13,901
Volution (Vent-Axia) Fan manufacturer	17,559	(842)	1,342	18,059	15,840
Pine Nursery school finance	15,000	282	993	16,275	14,500
Daler-Rowney Fine art materials supplier	–	17,435	(1,962)	15,473	17,435
Labco Medical diagnostics	15,444	233	(2,391)	13,286	24,189
Kalle Food casings	11,684	(31)	(166)	11,487	9,001
Sentinel Performance Solutions Heating system treatment products	–	15,692	(4,307)	11,385	15,692
Sub total	421,885	46,346	120,791	589,022	440,149
Other investments	129,107	** (50,762)	10,810	89,155	
Total Direct Unlisted and Secondary Investments*	550,992	(4,416)	131,601	678,177	

*Includes accrued income

**Includes realisation proceeds of £54 million from Rio Trens Corporation

Listed Investments

	Fair Value of holding at 30 Sept 2010 £'000	Net payments/ (receipts) £'000	Performance in period £'000	Fair Value of holding at 30 Sept 2011 £'000	Cost of holding at 30 Sept 2011 £'000
London & Stamford Property Property holding company	34,214	(2,525)	3,090	34,779	30,195
Zensar Technologies Software	23,971	–	(7,907)	16,064	4,211
Moser Baer Manufacturer of recordable optical media	11,913	(85)	(6,661)	5,167	1,900
Sub total	70,098	(2,610)	(11,478)	56,010	36,306
Other investments	49,025	(433)	(10,269)	38,323	
Total Listed Investments*	119,123	(3,043)	(21,747)	94,333	

*Includes accrued income

Fund Investments

	Fair Value of holding at 30 Sept 2010 £'000	Net payments/ (receipts) £'000	Performance in period £'000	Fair Value of holding at 30 Sept 2011 £'000	Cost of holding at 30 Sept 2011 £'000
Funds	95,686	6,969	8,010	110,665	116,155

The three largest funds were Cognetas Fund II LP, Sinergo Con Imprenditori and Duke Street Capital VI No 1 Limited Partnership, which accounted for 53% of the total value.

Large Private Equity Investments

Equity Ownership:	33.0%
Valuation:	£99,000,000
Cost:	£40,781,000
Type of Deal:	MBO

Valuation based on multiple of earnings

Allflex Holdings

Location | International

In 1998 Electra invested £23.1 million in the US$160 million buyout of Allflex. Allflex is the world's leading manufacturer and distributor of plastic and electronic animal identification tags ("Rfid") with factories in France, Brazil and China. In 2005 and 2007 the business was refinanced with Electra being repaid £90 million cumulatively, whilst retaining an investment of £40.5 million in the equity of the business.

In the year ended 31 December 2010, Allflex generated sales of $222.1 million (2009: $187.4 million). The business is showing strong growth in 2011 as a result of increased sales of electronic tags in Europe, where new sheep identification legislation has been implemented, and the impact of acquisitions completed in 2010.

In July 2011, Allflex completed the acquisition of a US based company active in the livestock, pet and fish identification markets.

Increased traceability regulation is forecast to continue across all species, products and markets over the forthcoming years.

www.allflex.co.uk

Equity Ownership:	6.0%
Valuation:	£73,200,000
Cost:	£44,347,000
Type of Deal:	MBO

Valuation based on net present value of expected disposal proceeds

BDR Thermea

Location | International

Electra has a longstanding relationship with Baxi Group, a leading manufacturer of heating products, and has continued to support the business since its first investment in 1999.

In 2004 Electra re-invested £14.9 million in the buyout of Baxi Group allowing Electra to maintain its exposure to a business considered to have good long-term growth potential.

In October 2009 Baxi combined with De Dietrich Remeha Group to create a leading player in the European heating market. The combined group, now known as BDR Thermea, is active in over 70 countries with over 7,000 employees and has an annual turnover of over €1.8 billion.

On 31 October 2011, the interest in BDR Thermea held by the former Baxi shareholders was acquired by the group's parent company, Remeha Group BV. €45 million was received by Electra on that date, with the remainder of the proceeds receivable over the next two years.

www.bdrthermea.com

Equity Ownership:	7.0%
Valuation:	£50,669,000
Cost:	£29,733,000
Type of Deal:	MBO

Valuation based on multiple of earnings

esure

Location | UK

In February 2010, Electra invested £30 million in the management buyout of esure from Lloyds Banking Group, led by Peter Wood, founder and CEO of esure. The transaction was unleveraged and the total value was in excess of £185 million. esure is now one of the UK's leading motor insurers, offering car, home, pet and travel insurance over the internet and by phone through the esure and Sheilas' Wheels brands. esure also has a 50% interest in Go compare, the internet aggregator.

Following a steep rise in motor bodily injury claims since 2009, management's actions to improve profitability and reserving and relatively benign weather have driven a marked improvement in 2011 in underwriting performance and overall profitability, despite low investment returns. Go compare continues to perform well in a very competitive marketplace. Despite a number of challenges in the UK motor insurance industry, including the OFT's Call for Evidence on Motor Insurance and the potential ban on referral fees, management remains confident in the future prospects of the business.

www.esure.co.uk

Equity Ownership:	61.7%
Valuation:	£41,405,000
Cost:	£21,692,000
Type of Deal:	MBO

Valuation based on multiple of earnings

Lil-lets Group

Location | UK and South Africa

In 2006 Electra made an equity investment in the management buyout of Lil-lets. Lil-lets is a leading feminine hygiene brand with operations in the UK and South Africa and sells a range of applicator and non-applicator tampons, sanitary towels and pantliners.

The UK market for feminine hygiene products remains competitive with a high level of promotional activity on branded and own label products. Lil-lets has recently completed a significant product launch and rebranding exercise and consumers across the country can now choose from a full range of innovative, high-performance Lil-lets products developed and packaged to meet their requirements. South Africa remains a growth market in which the company has a leading position.

Lil-lets is continuing to invest in brand and product development as well as geographic expansion opportunities. Group net sales in the year to 31 December 2010 were £38.6 million (2009: £37.7 million).

www.lil-lets.com

Equity Ownership:	23.2%
Valuation:	£38,500,000
Cost:	£22,844,000
Type of Deal:	Co-investment/ Development Capital

Valuation based on sale proceeds

SAV Credit

Location | UK

In 2006 Electra provided £15 million of senior ranked equity to SAV Credit to support the growth of the business. SAV provides credit cards to non-mainstream profile customers. Electra provided further capital to support SAV's acquisition of the Marbles credit card portfolio in 2007 and again as part of the Opus transaction in 2010. In total, Electra's investment cost in SAV reached £22.9 million in March 2010.

Trading performance has remained robust during 2011 with SAV starting to benefit materially from the improvements in trading in the Opus portfolio, whilst still benefiting from the low interest rate environment. As a result, trading profits during 2011 show significant improvement on the prior year results.

As a result of the improved trading performance, a sales process was launched during 2011 which was concluded in November 2011. Electra realised £39.0 million for its remaining investment in SAV, after a loan of £1.8 million was repaid during September 2011.

www.savcredit.co.uk

Equity Ownership:	10.7%
Valuation:	£37,426,000
Cost:	£14,074,000
Type of Transaction:	Acquisition capital

Valuation based on a combination of rental yield and expected disposal value

Promontoria

Location | Germany

In 2002 Electra provided a first tranche of acquisition funding to Promontoria, an unleveraged investment company which owns 98 retail properties situated throughout the major towns and cities in Germany, of which 84 are leased to the discount chain Woolworth. Electra's investment is in the form of ordinary shares and loan stock.

The German retail property market has remained buoyant in the first half of 2011 with investor demand remaining high. The company has continued to progress over the past six months. Its major tenant, Woolworth, has been significantly restructured and as a result demonstrated a healthy level of profits combined with a strong balance sheet. The development of certain vacated properties is progressing well and more than 50,000 m^2 of retail space has been leased to third parties over the past 12 months. Promontoria has sold 11 properties over the past 18 months for aggregate post tax proceeds of €85 million. Of the remaining 14 vacated stores it is expected that a further seven will be sold during the course of the next 12 months.

Equity Ownership:	10%
Valuation:	£32,323,000
Cost:	£19,082,000
Type of Deal:	MBO

Valuation based on multiple of earnings

Capital Safety Group

Location | International

Electra originally invested in the buyout of Capital Safety Group ("CSG") in 1998. CSG manufactures harnesses, lifelines and anchors for people working at height in a wide range of end user sectors including manufacturing, construction, oil and gas, and utilities. Following the sale of the investment in 2007, Electra reinvested in the mezzanine, shareholder loan and equity of the business to benefit from the continued growth forecast in the fall protection market and complementary acquisitions.

Since investment, CSG has been transformed from having a regional focus into an international brand. A number of acquisitions have been completed in the last year, including the purchase of Arseg, a significant fall protection business in Colombia.

The company continues to focus on winning market share and cost control, as well as entering new markets such as wind power.

www.capitalsafety.com

Equity Ownership:	38.8%
Valuation:	£27,581,000
Cost:	£23,138,000
Type of Transaction:	MBO

Valuation based on multiple of earnings

Nuaire

Location | UK and France

In 2007, Electra led the £83 million management buyout of Nuaire. Nuaire is a leading UK based manufacturer and distributor of ventilation equipment for commercial and residential applications, with factories in Caerphilly, South Wales and St Brisson-sur-Loire, France.

Nuaire had a strong year's trading delivering profits ahead of budget in a challenging environment. In the year to 30 September 2011 Nuaire generated unaudited group sales of circa £60 million (2010: £53.8 million) with a low double digit increase in operating profits on the prior year.

www.nuaire.co.uk

Equity Ownership:	73.7%
Valuation:	£27,561,000
Cost:	£55,785,000
Type of Deal:	MBO

Valuation based on multiple of earnings

Premier Asset Management

Location | UK

Premier is a retail asset manager distributing funds through IFAs as well as other discretionary and advisory channels. Electra initially invested in minority equity and subordinated debt in support of the take-private of Premier in 2007. In December 2009 Electra made a further equity investment in Premier in order to support the acquisition of two OEICs from Aberdeen Asset Management.

Despite assets under management at the end of September 2011 falling to £2.1bn from £2.4bn at the end of March 2011 as a result of market corrections, Premier produced a record profit for the year to September 2011. Premier has now captured cost synergies through the integration of fund management and administration onto a single platform following the Aberdeen transaction and has strengthened its operations through further investment in systems.

Premier is well positioned for organic growth based on its IFA market positioning and distribution infrastructure, as well as the long-term growth nature of the retail investment market. The company's strategy is to accelerate organic growth by selective recruitment and to make further acquisitions.

www.premierassetmanagement.co.uk

Equity Ownership:	18.8%
Valuation:	£20,924,000
Cost:	£22,326,000
Type of Deal:	MBO

Valuation based on a multiple of earnings

Amtico

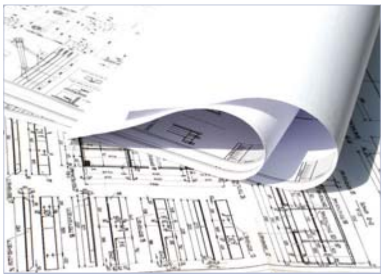
Location | UK

Electra originally invested £17.1 million in Amtico in 1995. Amtico designs, manufactures and markets resilient vinyl flooring products for both the residential and commercial sectors.

In 2006 Amtico underwent a secondary management buy-out providing a successful exit for Electra. However, with a new management team now established, Electra reinvested £22.3 million.

Whilst raw material cost inflation is an issue, the increase in the sales price is partially compensating for any adverse effect. Market conditions remain competitive and difficult, however Amtico continues to grow its sales and profitability with sales at £112 million and EBITDA of £14 million for the year to March 2011.

www.amtico.com



Equity Ownership:	3.5%
Valuation:	£18,679,000
Cost:	£13,901,000
Type of Deal:	Co-investment

Valuation based on multiple of earnings

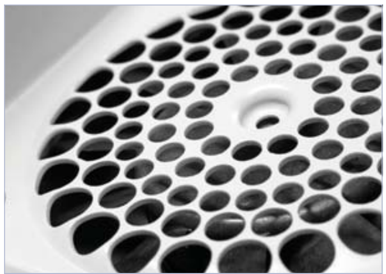
CPA Global

Location | Global

In July 2010, Electra purchased £14 million of mezzanine and equity interests in CPA Global ("CPA"). CPA is a leading provider of legal services outsourcing and the world's top intellectual property management specialist. The company employs more than 1,300 people in 10 countries around the world.

CPA traded well throughout the year ended July 2011 with revenue growth of over 10%. CPA is expanding its international operations with further investment in its USA and German operations, the opening of an office in Korea and the acquisition of Ipendo together with a strategic alliance with Zacco Group to strengthen CPA's presence in Scandinavia.

www.cpaglobal.com



Equity Ownership:	nil
Valuation:	£18,059,000
Cost:	£15,840,000
Type of Deal:	Mezzanine

Valuation based on multiple of earnings

Volution (Vent-Axia)

Location | UK

Electra invested £16 million in the mezzanine and debt instruments in Vent-Axia in 2006. Vent-Axia is a market leader in the manufacture of residential and commercial fans for the ventilation of buildings.

Vent-Axia had a strong trading performance in the year to July 2011 with sales increased to £95.1 million, up 16% on the prior year. EBITDA was also up on the prior year. The increased cash flow was utilised in reducing the company's bank debt. Current trading in the new financial year is ahead of the prior year, despite continuing difficulties within the construction industry.

www.vent-axia.com

Equity Ownership:	98.6%
Valuation:	£16,275,000
Cost:	£14,500,000
Type of Deal:	Start up

Valuation comprises a combination of property investment value and a multiple of earnings

Pine

Location | UK

Electra first invested in PINE as a start up business in 2005. PINE is made up of a nursery school operating business (Treetop Nurseries) and a portfolio of nursery schools let on index-linked leases to nursery school operators who are ranked in the top ten in the UK.

Under Electra's ownership, Treetops Nurseries has grown to become one of the UK's top 10 operators and currently operates 31 schools. EBITDA in the year ended September 2011 was up 10% to £2.2 million.

The portfolio of properties has maintained its value in a difficult commercial property market through a combination of rental growth and general market appetite for index-linked rental income.

www.thepinefund.com

Equity Ownership:	4.6%
Valuation:	£13,286,000
Cost:	£24,189,000
Type of Deal:	Growth capital

Valuation based on multiple of earnings

Labco

Location | Europe

In 2008, Electra invested €30 million for a minority position in Labco. Labco is Europe's largest private network of clinical laboratories. Over 400 senior chemists or doctors perform 500,000 tests per day for 15,000 referring physicians serving approximately 15 million patients each year.

Labco has a leading position in both France and Spain and its strategy is to consolidate the highly fragmented European laboratory sector of which it currently has a 3% market share.

Labco is making steady progress on synergies from its recent acquisitions and continues to consolidate its market driven by changes in European regulation. In the year to December 2010, revenues were over €430 million. In January 2011 the company successfully raised a high yield bond which refinanced a number of bi-lateral arrangements and provided sufficient firepower and flexibility to continue its acquisition plans.

www.labco.eu

Equity ownership:	8.8%
Valuation:	£11,487,000
Cost:	£9,001,000
Type of Deal:	Co-investment

Valuation based on multiple of earnings

Kalle

Location | Germany

In February 2010, Electra invested €10.4m in the equity syndication of Kalle. Kalle is a leading global manufacturer and supplier of sausage casings with operations in Europe and the USA. In the year to 31 December 2010, Kalle had a turnover of circa €220 million.

Kalle has traded reasonably during 2011 and profits remain in line with prior year, despite significant raw material cost inflation.

www.kalleuk.co.uk

Allflex Holdings

Animal identification tags

Consolidated Income Statement

Note	For the year ended 30 September	Revenue £'000	Capital £'000	2011 Total £'000	Revenue £'000	Capital £'000	2010 Total £'000
	Profit on investments:						
2	Investment income/net gain	35,602	83,848	119,450	27,499	127,622	155,121
	Profit on revaluation of foreign currencies	–	388	388	–	5,728	5,728
		35,602	84,236	119,838	27,499	133,350	160,849
3	Other Income	461	–	461	467	–	467
25	Incentive schemes	–	(11,187)	(11,187)	–	(16,360)	(16,360)
4	Priority profit share	(17,048)	–	(17,048)	(14,665)	–	(14,665)
	Fair value movement of derivatives	1,191	–	1,191	(1,159)	–	(1,159)
4	Other expenses	(1,889)	–	(1,889)	(1,928)	–	(1,928)
	Net Profit before Finance Costs and Taxation	18,317	73,049	91,366	10,214	116,990	127,204
7	Finance Costs	(14,394)	(3,474)	(17,868)	(8,103)	(3,205)	(11,308)
	Profit on Ordinary Activities before Taxation	3,923	69,575	73,498	2,111	113,785	115,896
8	Taxation credit/(expenses)	282	245	527	(553)	1,796	1,243
	Profit on Ordinary Activities after Taxation attributable to owners of the parent	4,205	69,820	74,025	1,558	115,581	117,139
11	**Basic Earnings per Ordinary Share**	11.90p	197.57p	209.47p	4.41p	327.07p	331.48p
11	**Diluted Earnings per Ordinary Share**	23.00p	178.97p	201.97p	4.41p	327.07p	331.48p

The 'Total' columns of this statement represent the Group's Income Statement prepared in accordance with International Financial Reporting Standards adopted by the EU ("IFRS"). The supplementary Revenue and Capital columns are both prepared under guidance published by the Association of Investment Companies. This is further explained in the Basis of Accounting and Significant Accounting Policies in Note 27.

The amounts dealt with in the Consolidated Income Statement are all derived from continuing activities.

Consolidated Statement of Comprehensive Income

For the year ended 30 September	2011 £'000	2010 £'000
Profit for the year	74,025	117,139
Exchange differences arising on consolidation	(144)	(561)
Total comprehensive Income for the year	73,881	116,578
Total comprehensive Income attributable to owners of the parent	73,881	116,578

Consolidated Statement of Changes in Equity

For the year ended 30 September 2011

Note		Called-up Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserves £'000	Translation reserve £'000	Realised capital profits/ (losses) £'000	Unrealised capital profits/ (losses) £'000	Revenue reserves £'000	Total Shareholders' funds £'000
20	Total equity at 1 October 2010	8,835	24,147	34,440	–	(3,936)	810,981	(175,434)	25,498	724,531
	Profit/(loss) for the period	–	–	–	–	–	(18,158)	87,978	4,205	74,025
20	Exchange differences arising on consolidation	–	–	–	–	(144)	–	–	–	(144)
17	Convertible bond issue	–	–	–	23,046	–	–	–	–	23,046
17	Conversion of convertible bond	–	34	–	–	–	–	–	–	34
	Total Equity attributable to the owners of the parent at 30 September 2011	8,835	24,181	34,440	23,046	(4,080)	792,823	(87,456)	29,703	821,492

Company Statement of Changes in Equity

For the year ended 30 September 2011

Note		Called-up Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserves £'000	Realised capital profits/ (losses) £'000	Unrealised capital profits/ (losses) £'000	Revenue reserves £'000	Total Shareholders' funds £'000
20	Total equity at 1 October 2010	8,835	24,147	34,440	–	833,506	(171,809)	(4,588)	724,531
	Profit/(loss) for the period	–	–	–	–	(2,562)	91,703	(15,260)	73,881
17	Convertible bond issue	–	–	–	23,046	–	–	–	23,046
17	Conversion of convertible bond	–	34	–	–	–	–	–	34
	Total Equity at 30 September 2011	8,835	24,181	34,440	23,046	830,944	(80,106)	(19,848)	821,492

No special dividend was paid during the year (2010: nil). There were no share buy-backs or cancellations during the year to 30 September 2011 (2010: nil).

Consolidated Statement of Changes in Equity

For the year ended 30 September 2010

Note		Called-up Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Translation reserve £'000	Realised capital profits/ (losses) £'000	Unrealised capital profits/ (losses) £'000	Revenue reserves £'000	Total Shareholders' funds £'000
20	Total Equity at 1 October 2009	8,835	24,147	34,440	(3,375)	780,882	(260,916)	23,940	607,953
	Profit/(loss) for the period	–	–	–	–	30,099	85,482	1,558	117,139
20	Exchange differences arising on consolidation	–	–	–	(561)	–	–	–	(561)
	Total Equity attributable to the owners of the parent at 30 September 2010	**8,835**	**24,147**	**34,440**	**(3,936)**	**810,981**	**(175,434)**	**25,498**	**724,531**

Company Statement of Changes in Equity

For the year ended 30 September 2010

Note		Called-up Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Realised capital profits/ (losses) £'000	Unrealised capital profits/ (losses) £'000	Revenue reserves £'000	Total Shareholders' funds £'000
20	Total equity at 1 October 2009	8,835	24,147	34,440	779,619	(239,549)	461	607,953
	Profit/(loss) for the period	–	–	–	53,887	67,740	(5,049)	116,578
	Total Equity at 30 September 2010	**8,835**	**24,147**	**34,440**	**833,506**	**(171,809)**	**(4,588)**	**724,531**

Consolidated Balance Sheet

Note	As at 30 September	£'000	2011 £'000	£'000	2010 £'000
	Non-Current Assets				
12	Investments held at fair value:				
	Unlisted and listed		883,175		765,801
	Other investments		230,136		174,889
			1,113,311		940,690
	Current Assets				
13	Trade and other receivables	2,173		2,576	
	Current tax asset	831		51	
	Cash and cash equivalents	39,434		36,947	
		42,438		39,574	
	Current Liabilities				
14	Current tax liability	–		158	
14	Trade and other payables	4,414		4,918	
	Derivative financial instruments	358		1,549	
	Net Current Assets		37,666		32,949
	Total Assets less Current Liabilities		1,150,977		973,639
15	Bank loans	163,707		163,945	
16	Zero Dividend Preference Shares	53,034		49,560	
17	Convertible Bond	75,310		–	
24	Deferred tax	–		245	
25	Provisions for liabilities and charges	37,434		35,358	
	Non-Current Liabilities		329,485		249,108
	Net Assets		821,492		724,531
	Capital and Reserves				
19	Called up share capital		8,835		8,835
20	Share premium	24,181		24,147	
20	Capital redemption reserve	34,440		34,440	
20	Other reserves	23,046		–	
20	Translation reserve	(4,080)		(3,936)	
20	Realised capital profits	792,823		810,981	
20	Unrealised capital losses	(87,456)		(175,434)	
20	Revenue reserve	29,703		25,498	
			812,657		715,696
	Total Equity Shareholders' Funds		821,492		724,531
	Basic Net Asset Value per Ordinary Share		2,324.51p		2,050.25p
	Diluted Net Asset Value per Ordinary Share		2,224.78p		2,050.25p
	Ordinary Shares in issue at 30 September		35,340,391		35,338,687

The notes on pages 32 to 61 are an integral part of the financial statements.

The Accounts on pages 25 to 61 were approved by the Directors on 5 December 2011 and were signed on their behalf by:

Colette Bowe, Chairman
Electra Private Equity PLC
Company Number: 303062

Company Balance Sheet

Note	As at 30 September	£'000	2011 £'000	£'000	2010 £'000
	Non-Current Assets				
12	Investments held at fair value:				
	Subsidiary undertakings		610,895		454,008
	Unlisted and listed		127,193		135,113
	Other investments		230,136		174,889
			968,224		764,010
	Current Assets				
13	Trade and other receivables	7,163		45,532	
	Current tax asset	600		403	
	Cash and cash equivalents	37,282		35,669	
		45,045		81,604	
	Current Liabilities				
	Derivative financial instruments	358		1,549	
14	Trade and other payables	67,178		53,564	
	Net Current (Liabilities)/Assets		(22,491)		26,491
	Total Assets less Current Liabilities		945,733		790,501
17	Convertible Bond	75,310		–	
25	Provisions for liabilities and charges	48,931		65,970	
	Non-Current Liabilities		124,241		65,970
	Net Assets		821,492		724,531
	Capital and Reserves				
19	Called up share capital		8,835		8,835
20	Share premium	24,181		24,147	
20	Capital redemption reserve	34,440		34,440	
20	Other reserves	23,046		–	
20	Realised capital profits	830,944		833,506	
20	Unrealised capital losses	(80,106)		(171,809)	
20	Revenue reserve	(19,848)		(4,588)	
			812,657		715,696
	Total Equity Shareholders' Funds		821,492		724,531

The notes on pages 32 to 61 are an integral part of the financial statements.

The Accounts on pages 25 to 61 were approved by the Directors on 5 December 2011 and were signed on their behalf by:

Colette Bowe, Chairman
Electra Private Equity PLC
Company Number: 303062

Consolidated Cash Flow Statement

For the year ended 30 September	£'000	2011 £'000	£'000	2010 £'000
Operating activities				
Purchase of investments	(136,547)		(128,391)	
Purchase of other investments	(321,200)		(132,800)	
Amounts paid under incentive schemes	(9,111)		(1,742)	
Sales of investments	123,631		86,390	
Sales of other investments	266,000		188,000	
Dividends and distributions received	4,695		967	
Other investment income received	10,499		8,015	
Interest income received	162		170	
Other income received	298		297	
Expenses paid	(21,234)		(20,841)	
Taxation (paid)/received	(660)		795	
Net Cash (Outflow)/Inflow from Operating Activities		(83,467)		860
Financing Activities				
Bank loans drawn	10,144		7,628	
Bank loans repaid	(10,203)		(6,899)	
Zero Dividend Preference shares	–		4,459	
Finance costs	(7,756)		(6,699)	
Other finance costs	–		(618)	
Convertible Bond received	96,290		–	
Convertible Bond interest paid	(2,500)		–	
Net Cash Inflow/(Outflow) from Financing Activities		85,975		(2,129)
Changes in cash and cash equivalents		2,508		(1,269)
Cash and cash equivalents at 1 October		36,947		36,500
Translation difference		(21)		1,716
Cash and Cash Equivalents at 30 September		39,434		36,947

Company Cash Flow Statement

For the year ended 30 September	£'000	2011 £'000	£'000	2010 £'000
Operating activities				
Purchase of investments	(135,114)		(72,651)	
Purchase of other investments	(321,200)		(132,800)	
Amounts paid under incentive schemes	(9,111)		(1,721)	
Sales of investments	120,753		80,167	
Sales of other investments	266,000		188,000	
Dividends and distributions received	4,695		2,093	
Other investment income received	6,263		13,078	
Interest income received	157		157	
Other income received	297		297	
Expenses paid	(18,534)		(15,930)	
Taxation (paid)/received	(197)		795	
Net Cash (Outflow)/Inflow from Operating Activities		(85,991)		61,485
Financing Activities				
Zero Dividend Preference shares	–		–	
Purchase of own shares	–		–	
Intercompany loans	(5,799)		(58,011)	
Other finance costs	(366)		(1,255)	
Interest paid	–		(2,272)	
Convertible Bond received	96,290		–	
Convertible Bond interest paid	(2,500)		–	
Net Cash Inflow/(Outflow) from Financing Activities		87,625		(61,538)
Changes in cash and cash equivalents		1,634		(53)
Cash and cash equivalents at 1 October		35,669		34,006
Translation difference		(21)		1,716
Cash and Cash Equivalents at 30 September		37,282		35,669

Notes to Accounts

1 Segmental Analysis

The chief operating decision-maker has been identified as Electra Partners. Electra Partners reviews the Group's internal reporting in order to assess performance and allocate resources. Electra Partners has determined the operating segments based on these reports. Electra Partners considers the business as a single operating segment.

2 Portfolio Investment Income/Net gains

For the year ended 30 September	£'000	2011 £'000	£'000	2010 £'000
Income of the Investment Trust				
UK Dividend Income from Non-current Assets				
Unlisted – UK	1,752		1,600	
Listed – UK	76		27	
Partnership interests – UK*	2,170		–	
		3,998		1,627

*This represents the income that has been appropriated in accordance with the limited partnership agreements by the general partners of the limited partnership funds in which the Group invests.

For the year ended 30 September	£'000	2011 £'000	£'000	2010 £'000
Income of the Investment Trust continued				
Other Investment Income from Non-current Assets				
Unlisted – UK	1,856		9,313	
Unlisted – overseas	606		4,319	
Partnership interests – UK*	4,807		–	
		7,269		13,632
Net Income of Subsidiary Undertakings				
Other Investment Income from Non-current Assets				
Unlisted – UK*	21,249		12,240	
Unlisted – Overseas	3,086		–	
		24,335		12,240
		35,602		27,499

*This represents the income that has been appropriated in accordance with the limited partnership agreements by the general partners of the limited partnership funds in which the Group invests.

3 Other Income

For the year ended 30 September	£'000	2011 £'000	£'000	2010 £'000
Interest and Other Income				
Bank interest income	163		170	
Other income	298		297	
		461		467

4 Expenses

	Year to 30 Sept 2011 £'000	Year to 30 Sept 2010 £'000
Priority profit share paid to general partners	17,048	14,665

For the year ended 30 September	Revenue £'000	Capital £'000	2011 Total £'000	Revenue £'000	Capital £'000	2010 Total £'000
Other Expenses						
Administrative expenses	1,241	–	1,241	1,186	–	1,186
Directors' remuneration (see Note 5)	373	–	373	390	–	390
Auditors' remuneration	275	–	275	352	–	352
	1,889	–	1,889	1,928	–	1,928

Audit services

During the year PricewaterhouseCoopers LLP earned the following fees in relation to audit services:

	Year to 30 Sept 2011 £'000	Year to 30 Sept 2010 £'000
Audit fees		
Statutory audit of the group and parent company	130	188
Statutory audit of the subsidiary companies	50	57
Interim review of the group and subsidiary companies	35	45
	215	290
Other services*	60	62
Auditors Remuneration	275	352

*The above amount includes £47,000 (2010: £62,000) in relation to taxation and compliance services and £13,000 (2010: £nil) for professional services in relation to agreed procedures performed in respect of Electra's Internal Controls Monitoring Reports.

Non-audit services

It is the Group 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 have been awarded assignments on a competitive basis. These services are services that could be provided by a number of firms. Work is allocated to the auditors only if it does not impact upon the independence of the audit team.

An amount of £35,000 was earned by PricewaterhouseCoopers LLP for professional advice in relation to the issue of Convertible Bonds during the period. This amount in relation to Convertible Bonds has been capitalised as costs of the issue of the Bond, as described in Note 17.

5 Directors' Remuneration

	Year to 30 Sept 2011 £'000	Year to 30 Sept 2010 £'000
Chairman's remuneration for year 1 October 2009 to 24 May 2010	–	120
Chairman's remuneration for full year (24 May 2010 to 30 September 2010)*	150	52
Directors' fees	223	218
	373	390
Emoluments		
Chairman and highest paid Director*	150	120

*Sir Brian Williamson held the position of Chairman of the Board for the period from 1 October 2009 until his retirement on 24 May 2010 at which date Colette Bowe was appointed Chairman.

The Board of Directors are considered to be the Key Management Personnel. For further details see Directors' Remuneration Report on pages 75 and 76.

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.

During the year no Director (2010: none) waived remuneration.

6 Employees (Excluding Directors)

The Company has no employees (2010: none).

7 Finance Costs

For the year ended 30 September	Revenue £'000	Capital £'000	2011 Total £'000	Revenue £'000	Capital £'000	2010 Total £'000
Loans Repayable After More Than One Year						
Bank facility	8,544	–	8,544	8,103	–	8,103
Convertible Bond costs	5,850	–	5,850	–	–	–
Zero Dividend Preference Share costs	–	3,474	3,474	–	3,205	3,205
	14,394	3,474	17,868	8,103	3,205	11,308

The bank loan is a £185,000,000 committed revolving multi-currency facility entered into on 17 July 2009 and is repayable on 17 January 2013. The Facility Agreement states that the Group is liable to pay interest at LIBOR rates plus a margin of 3.0%. On 12 October 2011 the facility was amended and restated as a £195,000,000 committed revolving multi-currency facility, repayable on 30 June 2016. The interest remains payable at LIBOR rates plus a margin of 3.0%.

8 Taxation on Ordinary Activities

A tax credit of £527,000 arose in the year to 30 September 2011 (2010: tax credit of £1,243,000). Corporation tax at 27% (2010: 28%).

For the year ended 30 September	Revenue £'000	Capital £'000	2011 Total £'000	Revenue £'000	Capital £'000	2010 Total £'000
(a) UK Corporation Tax						
Current tax	–	–	–	563	–	563
Adjustment in respect of prior periods	(282)	–	(282)	(10)	–	(10)
Overseas tax adjustments in respect of prior periods	–	–	–	–	(1,891)	(1,891)
	(282)	–	(282)	553	(1,891)	(1,338)
Deferred tax overseas	–	(245)	(245)	–	95	95
Tax (Credit)/Charge	(282)	(245)	(527)	553	(1,796)	(1,243)

The actual tax charge reconciles to the tax charge on revenue before tax based on the standard rate of corporation tax of 27% (2010: 28%) as follows:

For the year ended 30 September	Revenue £'000	Capital £'000	2011 Total £'000	Revenue £'000	Capital £'000	2010 Total £'000
(b) Factors Affecting the Tax Charge for the Year						
Profit on ordinary activities before taxation	3,923	69,575	73,498	2,111	113,785	115,896
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 27% (2010: 28%)	1,059	18,785	19,844	591	31,860	32,451
Effects of:						
Prior year adjustments	(282)		(282)	(10)		(10)
Dividend income	(892)	–	(892)	(988)	–	(988)
Disallowed expenses	20	–	20	366	–	366
Priority profit share of partnership income appropriated by general partners	2,719	(2,719)	–	4,106	(4,106)	–
Brought forward loss utilised in the year	(3,092)	(1,796)	(4,888)			
Current losses utilised	–	–	–	(1,394)	–	(1,394)
Capital allowances	–	–	–	(1)	–	(1)
Unutilised losses arising in the year	508	–	508	8	–	8
Deferred tax overseas	–	(245)	(245)	–	95	95
Capital profits not chargeable due to Investment Trust status	–	(14,270)	(14,270)	–	(27,754)	(27,754)
Non-taxable income	(322)	–	(322)	(2,125)	–	(2,125)
Overseas Tax charge	–	–	–	–	(1,891)	(1,891)
Tax (Credit)/Charge	(282)	(245)	(527)	553	(1,796)	(1,243)

9 Dividends

No dividend was approved/paid during the year ended 30 September 2011 (30 September 2010: approved £nil, paid £nil).

10 Total Return Attributable to Equity Shareholders

The Total Return dealt with in the Accounts of the Company includes a profit of £73,881,000 (2010: profit of £116,578,000).

11 Earnings per Share

	Basic earnings per share 2011 p	Basic earnings per share 2010 p	Diluted earnings per share 2011 p	Diluted earnings per share 2010 p
Revenue return per ordinary share	**11.90**	4.41	**23.00**	4.41
Capital return per ordinary share	**197.57**	327.07	**178.97**	327.07
Earnings per ordinary share	**209.47**	331.48	**201.97**	331.48

The calculation of revenue return per share is based on the revenue profits attributable to shareholders of £4,205,000 (basic) and £8,973,000 (diluted), after adding back the finance charge on the Convertible Bond of £5,850,000 less associated tax of £1,082,000 (2010: profit £1,558,000) on a weighted average number of 35,339,597 (basic) and 39,013,929 (diluted) (2010: 35,338,687) ordinary shares of 25p in issue. The calculation of capital return per share is based on the capital profit attributable to ordinary shareholders of £69,820,000 (2010: profit £115,581,000) on a weighted average number of 35,339,597 (basic) and 39,013,929 (diluted) (2010: 35,338,687) ordinary shares of 25p in issue.

The basic Net Asset Value ("NAV") per share is calculated by dividing NAV of £821,492,000 by 35,340,391 (basic) ordinary shares. The diluted NAV per share is calculated by adding the liability component of the Convertible Bond as at 30 September 2011 and then dividing the adjusted NAV (diluted) by ordinary shares amounting to 40,216,732.

12 Non Current Assets

Investments Held at Fair Value

As at 30 September for the Group	2011 Value before accrued income £'000	2011 Accrued income £'000	2011 Valuation £'000	2010 Value before accrued income £'000	2010 Accrued income £'000	2010 Valuation £'000
Unlisted at Fair Value						
UK and Continental Europe	611,038	50,438	661,476	430,137	29,811	459,948
UK and Continental Europe liquidity funds	230,000	136	230,136	174,800	89	174,889
USA and Other	8,945	–	8,945	58,829	–	58,829
Partnership interests – UK and Continental Europe	90,303	–	90,303	100,486	–	100,486
Partnership interests – USA and other	28,118	–	28,118	28,069	–	28,069
	968,404	50,574	1,018,978	792,321	29,900	822,221
Listed at Fair Value						
UK, Continental Europe and other	91,940	2,393	94,333	116,077	2,392	118,469
	1,060,344	52,967	1,113,311	908,398	32,292	940,690

12 Non Current Assets continued

	Group 30 Sept 2011 £'000	Group 30 Sept 2010 £'000	Company 30 Sept 2011 £'000	Company 30 Sept 2010 £'000
Subsidiary Undertakings at Fair Value				
Unlisted – USA and other	–	–	9,225	47,365
Investment partnerships – UK and Continental Europe	–	–	557,867	336,337
Investment partnerships – USA and other	–	–	43,803	70,306
	–	–	610,895	454,008

As at 30 September for the Company	2011 Value before accrued income £'000	2011 Accrued income £'000	2011 Valuation £'000	2010 Value before accrued income £'000	2010 Accrued income £'000	2010 Valuation £'000
Unlisted at Fair Value						
UK and Continental Europe	67,862	52	67,914	35,700	574	36,274
UK and Continental Europe liquidity funds	230,000	136	230,136	174,800	89	174,889
USA and Other	17,777	–	17,777	–	–	–
Partnership interests – UK and Continental Europe	5,772	–	5,772	18,299	–	18,299
Partnership interests – USA and other	11,417	–	11,417	26,065	–	26,065
	332,828	188	333,016	254,864	663	255,527
Listed at Fair Value						
UK, Continental Europe and other	24,313	–	24,313	54,472	3	54,475
	357,141	188	357,329	309,336	666	310,002

Investments held at Fair Value

As at 30 September 2011	Group Value before accrued income £'000	Group Accrued income £'000	Group Valuation £'000	Company Value before accrued income £'000	Company Accrued income £'000	Company Valuation £'000
Valuation at 1 October 2010						
Investments	908,397	–	908,397	763,343	–	763,343
Accrued income at 1 October 2010	–	32,293	32,293	–	667	667
	908,397	32,293	940,690	763,343	667	764,010
Purchases	457,747	–	457,747	507,314	–	507,314
	1,366,144	32,293	1,398,437	1,270,657	667	1,271,324
Accrued income realised	–	15,389	15,389	–	2,779	2,779
Disposals	386,562	–	386,562	384,149	–	384,149
	386,562	15,389	401,951	384,149	2,779	386,928
Increase in accrued income	–	36,063	36,063	–	2,300	2,300
Increase in valuation	80,762	–	80,762	81,528	–	81,528
Valuation at 30 September 2011	1,060,344	52,967	1,113,311	968,036	188	968,224

12 Non Current Assets continued

As at 30 September 2010	Valuation £'000	Accrued income £'000	Group Total £'000	Valuation £'000	Accrued income £'000	Company Total £'000
Valuation at 1 October 2009						
Investments	776,041	–	776,041	704,260	–	704,260
Accrued income at 1 October 2009	–	29,572	29,572	–	579	579
	776,041	29,572	805,613	704,260	579	704,839
Purchases	315,822	–	315,822	206,614	–	206,614
	1,091,863	29,572	1,121,435	910,874	579	911,453
Accrued income realised	–	17,016	17,016	–	576	576
Disposals	296,843	–	296,843	249,604	–	249,604
	296,843	17,016	313,859	249,604	576	250,180
Increase in accrued income provision	–	19,737	19,737	–	664	664
Increase in valuation	113,377	–	113,377	102,073	–	102,073
Valuation at 30 September 2010	908,397	32,293	940,690	763,343	667	764,010

13 Trade and Other Receivables – Current

	30 Sept 2011 £'000	Group 30 Sept 2010 £'000	30 Sept 2011 £'000	Company 30 Sept 2010 £'000
Sales for future settlement	–	508	–	–
Prepayments	1,022	1,809	1,022	1,809
Amounts owed by subsidiary undertakings	–	–	5,281	43,529
Other receivables	1,151	259	860	194
	2,173	2,576	7,163	45,532

14 Trade and Other Payables – Current

	30 Sept 2011 £'000	Group 30 Sept 2010 £'000	30 Sept 2011 £'000	Company 30 Sept 2010 £'000
Amounts owed to Subsidiary undertakings	–	–	64,443	51,568
Other payables	4,414	4,918	2,735	1,996
	4,414	4,918	67,178	53,564

15 Bank Loans

	30 Sept 2011 £'000	Group 30 Sept 2010 £'000	30 Sept 2011 £'000	Company 30 Sept 2010 £'000
Bank Loans are repayable as follows:				
Due between one to two years	163,707	163,945	–	–

A variable rate of interest is charged on the bank loan. The bank loan relates to a £185,000,000 committed multi-currency revolving credit facility, entered into on 17 July 2009 and repayable on 17 January 2013. Under the Facility Agreement the Group is liable to pay interest at LIBOR rates plus a margin of 3%. The weighted average effective interest rate for the year was 4.7% (2010: 4.7%).

16 Zero Dividend Preference Shares

	30 Sept 2011 £'000	Group 30 Sept 2010 £'000	30 Sept 2011 £'000	Company 30 Sept 2010 £'000
Zero Dividend Preference Shares	**53,034**	49,560	**–**	–

Under the Companies Act 2006, the concept of authorised share capital was abolished with effect from 1 October 2009 for companies incorporated after that date. Accordingly, the figure 60,000,000 ZDP Shares stated in the articles of association of Electra Private Equity Investments PLC is the maximum amount of ZDP shares that may be allotted by Electra Private Equity Investments PLC authorised by shareholders in general meeting.

On 2 December 2009, 4,295,000 Zero Dividend Preference Shares were issued at a price of 104p each. Each share has a par value of 0.01p at maturity price of 155.41p. The fair value of the Zero Dividend Preference shares at 30 September 2011 was £56,281,000 (2010: £54,626,000) based on the quoted offer price of 119.0p (2010: 115.50p) per Zero Dividend Preference Share.

17 Convertible Bond

	At 29 Dec 2010 £'000	Costs £'000	Bond net of costs £'000	Finance charge £'000	Finance charge paid £'000	Bond conversion £'000	At 30 Sept 2011 £'000
Fair value of debt (debt cashflows discounted at 9.9%)	76,066	(2,822)	73,244	2,100	–	(34)	75,310
Fair value of equity component	23,934	(888)	23,046	–	–	–	23,046
5% coupon payable*	–	–	–	3,750	(2,500)	–	1,250
Issue of ordinary shares	–	–	–	–	–	34	34
Total Bond issue	**100,000**	**(3,710)**	**96,290**	**5,850**	**(2,500)**	**–**	**99,640**

*Included in trade and other payables

On 29 December 2010, Electra issued £100 million 5% Subordinated Convertible Bonds due 29 December 2017 at an issue price of 100 per cent and with an initial conversion price of 2,050p. Bondholders may convert their bonds into ordinary shares of the Company from 7 February 2011 up to and including the date falling seven business days prior to 29 December 2017. The conversion price of 2,050p will be adjusted to deal with certain events which would otherwise dilute the conversion of bondholders. These events include dividends paid to ordinary shareholders, share rights and share related securities issued to shareholders, issue of other securities to shareholders, demergers and other events detailed in the Prospectus for the Bond.

The Bond, in accordance with IFRS, has been treated as a compound financial instrument that contains both a liability and an equity component. The economic effect of issuing the instrument is substantially the same as issuing both a debt instrument with an obligation to payment of interest and principal (assuming it is not converted) and an equity instrument (a written call option granting the holder the right for a specified period of time to convert into a fixed number of ordinary shares). The proceeds from issuing Convertible Bonds are split on Electra's balance sheet into its constituent parts of debt and equity in accordance with the requirement of IFRS.

The fair value of the debt element of the bond has been calculated by using a market rate of interest for a similar borrowing that does not include an equity component or a conversion option. The rate used for these purposes was 9.9%, which, using discounted cash flow, gives a fair value for the debt component of £73.2 million after deducting the pro rata costs of issue of £2.8 million. The fair value of the equity element is calculated by deducting the fair value of debt from the issue value of the Bond after deducting the pro rata costs of £0.9 million.

Finance costs are taken to the Income Statement and are calculated as the yield to maturity of the fair value of the debt component of the Bond. On conversion the value of the Bonds converted will be debited to long-term liabilities. The nominal value of the ordinary shares issued on conversion will be credited to share capital and the balance representing the excess of conversion proceeds over nominal value of the shares will be credited to the share premium account.

18 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, partnership interests and liquidity funds.

2. A loan facility, issuance of Zero Dividend Preference shares and Convertible Bonds, 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.

3. Interest rate Swap and Cap in order to manage the risk of interest rate fluctuation in interest payable on the new multi-currency loan facility.

The main risks arising from the Group's and Company's financial instruments are fluctuations in market price, interest rate, credit, liquidity, capital and foreign currency exchange rate risk. The policies for managing each of these risks are summarised below. These policies have remained constant throughout the year under review and the preceding year. The financial risks of the Company are aligned to the Group's financial risks.

Market Price 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.

Electra Partners has responsibility for monitoring the portfolio in accordance with the Group's investment objectives and seeks to ensure that individual stocks meet an acceptable risk reward profile.

The Group is exposed to the risk of the change in value of its fund investments, listed and unlisted equity and non-equity shares, fixed income securities and floating rate notes. For funds, listed investments, floating rate notes and liquidity funds the market risk variable is deemed to be the price itself. For unlisted equity and non-equity shares the market risk is deemed to be the price/earnings ratio. The impact on profit or loss after tax and on shareholders' equity, in absolute and percentage terms of those figures, due to movements in these variables, is set out in part (ii) of this Note.

Credit Risk

The Group's exposure to credit risk principally arises from its investment in liquidity funds and its cash deposits. Only major clearing houses are used when making cash deposits and the level of cash is reviewed on a regular basis.

A well diversified portfolio of liquidity funds is maintained with no more than 10% of gross assets held with any one institution. The total invested in liquidity funds was £230,136,000 with associated accrued income of £136,000 (2010: £174,889,000 with associated accrued income of £89,000). The cost of this investment was £230,000,000 (2010: £174,800,000).

Cash held on deposit was principally with two UK banks and totalled £39,434,000 (2010: £36,947,000).

18 Financial Instruments continued

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, a long-term multi-currency loan facility was in existence. The loan has a floating rate of interest. Interest rate swap and cap derivatives were entered into during the year to manage the risk of interest rate fluctuation in interest payable on the Multi-currency facility.

The cash balances held on deposit mitigate in part the interest rate risk.

Interest rate risk profiles for financial assets and liabilities and the impact of the profit or loss after tax and on shareholders' equity of a 1.0% increase or decrease in interest rates, in absolute terms and as a percentage of those figures, are shown in part (iv) of this Note. These profiles exclude short term receivables and payables.

Liquidity Risk

The Group's assets comprise listed and unlisted equity and non-equity shares, fixed income securities and liquidity funds whilst the unlisted equity is intentionally illiquid. Short-term flexibility is achieved through the revolving loan facility, and liquidity funds which are relatively liquid and cash which is available on demand.

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

Capital Risk Management

The Group's objective in the management of capital risk is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure. In doing so the Group may adjust the amount of dividends paid to shareholders (whilst remaining within the restrictions imposed by its investment trust status), return capital to shareholders, change level of borrowing in the £185,000,000 committed multi-currency revolving credit facility or issue new shares. During the year the Group paid no dividend (2010: £nil). In order to be able to pay a dividend out of profits available for distribution the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

The Group manages the levels of cash deposits held whilst maintaining sufficient liquidity for investments. The Group has an existing authority to implement an on-market share buy-back programme to generate shareholder value. During the year £nil (2010: £nil) was utilised to repurchase shares for cancellation.

The £185,000,000 committed multi-currency revolving credit facility was drawn down such that a balance of £163,707,000 was outstanding at the year end (2010: £163,945,000). The loan is repayable on 17 January 2013. On 5 August 2009 the Group issued 43,000,000 Zero Dividend Preference Shares at 100p each and on 2 December 2009 4,295,000 Zero Dividend Preference Shares were issued at 104p each (Note 16). On 29 December 2010, Electra issued £100 million 5% Subordinated Convertible Bonds due on 29 December 2017 (Note 17). The level of outstanding borrowings is reviewed on an ongoing basis taking into account the need to buy back shares, future levels of investment and any foreign currency hedging concerns.

18 Financial Instruments continued

The Group's capital comprises:

	30 Sept 2011 £'000	30 Sept 2010 £'000
Debt		
Borrowing under the credit facility	163,707	163,945
Zero Dividend Preference shares	53,034	49,560
Convertible bond	75,310	–
	292,051	213,505
Equity		
Equity share capital	8,835	8,835
Retained earnings and other reserves	812,657	715,696
	821,492	724,531
Total capital	1,113,543	938,036
Debt as a percentage of total capital	26.2%	22.8%

Foreign Currency Risk

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

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

During the year, the Company held loans denominated in US Dollars and Euros, which partially offset foreign currency risk on foreign currency investments. The ratio of loans held in US Dollar and Euro is under regular review in order to partially hedge as efficiently as possible.

Foreign currency exposures and the impact on profit after tax on shareholders' equity of 10% increases and decreases in the value of US Dollar and Euros, in absolute terms and as a percentage of those figures, are analysed in part (iii) of this Note.

(ii) Market Price Exposure

	2011 Increase in variable £'000	2011 Decrease in variable £'000	2010 Increase in variable £'000	2010 Decrease in variable £'000
10% movement in price of fund, listed investments, liquidity funds* and price/earnings ratio for unlisted investments				
Impact on profit after tax	88,177	(100,255)	83,818	(90,038)
Impact as a percentage of profit after tax	119.1%	(135.4)%	71.6%	(76.9)%
Impact on shareholders' equity	88,177	(100,255)	83,818	(90,038)
Impact as a percentage of shareholders' equity	10.7%	(12.2)%	11.6%	(12.4)%

*1% movement on liquidity funds.

18 Financial Instruments continued

(iii) Foreign Currency Exposures

A portion of the financial assets and liabilities of the Group are denominated in currencies other than sterling, which has an impact on the net assets and return of the Group as at 30 September 2011.

Currency As at 30 September	2011 £'000	Foreign currency assets 2010 £'000	2011 £'000	Foreign currency liabilities 2010 £'000	2011 £'000	Net foreign currency assets 2010 £'000
US Dollar	199,393	233,462	(33,220)	(27,905)	166,173	205,557
Euro	187,425	175,239	(130,487)	(131,040)	56,938	44,199
Total	386,818	408,701	(163,707)	(158,945)	223,111	249,756

Currency

	Sterling appreciation £'000	2011 Sterling depreciation £'000	Sterling appreciation £'000	2010 Sterling depreciation £'000
10% Movement in Euro				
Impact on profit after tax	(78)	244	(5,297)	9,621
Impact as a percentage of profit after tax	(0.1)%	0.3%	(4.5)%	8.2%
Impact on shareholders' equity	(78)	244	(5,297)	9,621
Impact as a percentage of shareholders' equity	–	0.1%	(0.7)%	1.3%
10% Movement in US Dollar				
Impact on profit after tax	(11,354)	15,355	(13,449)	18,562
Impact as a percentage of profit after tax	(15.2)%	20.7%	(11.5)%	15.8%
Impact on shareholders' equity	(11,354)	15,355	(13,449)	18,562
Impact as a percentage of shareholders' equity	(1.4)%	1.9%	(1.9)%	2.6%

(iv) 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 financial instruments shown below are separated into the type of income they generated as at 30 September 2011.

Currency As at 30 September 2011	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Sterling	765,927	264,743	330,340	170,844
US Dollar	199,393	11,892	23,845	163,656
Euro	187,425	–	11,603	175,822
Total	1,152,745	276,635	365,788	510,322

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

Currency As at 30 September 2010	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Sterling	568,936	209,854	232,854	126,228
US Dollar	233,462	11,619	20,055	201,788
Euro	175,239	1,066	11,803	162,370
Total	977,637	222,539	264,712	490,386

18 Financial Instruments continued

Currency As at 30 September	Fixed rate financial assets weighted average interest rate 2011 %	2010 %	Fixed rate financial assets on which no interest is paid weighted average period until maturity 2011 years	2010 years
Sterling	10.0	11.5	–	–
US Dollar	12.7	12.8	–	–
Euro	12.0	12.0	–	–

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

Financial Liabilities

The interest rate profile of the financial liabilities:

Currency As at 30 September	Total 2011 £'000	2010 £'000	Fixed rate financial liabilities 2011 £'000	2010 £'000	Floating rate financial liabilities 2011 £'000	2010 £'000
Sterling	128,344	54,560	128,344	49,560	–	5,000
US Dollar	33,220	27,905	–	–	33,220	27,905
Euro	130,487	131,040	–	–	130,487	131,040
Total	292,051	213,505	128,344	49,560	163,707	163,945

The floating rate financial liabilities comprise a £185,000,000 committed multi-currency revolving credit facility, entered into on 17 July 2009. The margin is 3.0%. The weighted average effective interest rate for the year was 4.7% (2010: 4.7%). Interest rate swap and cap derivatives are used to manage the risk of interest rate fluctuation in the interest payable on the multi-currency facility. The fixed rate financial liabilities comprise 47,295,000 (2010: 47,295,000) Zero Dividend Preference shares and £75,310,000 (2010: £nil) Convertible Bonds issued on 29 December 2010.

	2011 Increase in variable £'000	2011 Decrease in variable £'000	2010 Increase in variable £'000	2010 Decrease in variable £'000
1% movement in interest rates				
Impact on interest income from cash	301	(149)	232	(152)
Impact on interest income on floating rate notes and liquidity funds	1,098	(1,098)	1,053	(1,053)
Impact on interest payable on credit facility	(1,665)	1,665	(1,654)	1,654
Total impact on profit/(loss) after tax and shareholders' equity	(266)	418	(369)	449
Impact as a percentage of profit/(loss) after tax	(0.4)%	0.6%	(0.3)%	0.4%
Impact as a percentage of shareholders' equity	0.0%	0.1%	(0.1)%	0.1%

18 Financial Instruments continued

(v) Maturity of Financial Liabilities

The maturity profile of the Group's undiscounted cash flow for financial liabilities as at 30 September was:

As at 30 September	2011 £'000	2010 £'000
Between one and two years	163,707	163,945
Over four years	173,462	73,496

The financial liability between one and two years (2010: one and three years) relates to a £185,000,000 committed multi-currency revolving credit facility. The facility was entered into on 17 July 2009 and is repayable on 17 January 2013 (see Note 26). The financial liability over five years relates to the 47,295,000 Zero Dividend Preference Shares: 43,000,000 issued on 5 August 2009 and 4,295,000 issued on 2 December 2009. These are redeemable on 5 August 2016. On the 29 December 2010 the Company issued £100 million 5% Convertible Bonds, convertible on or before 29 December 2017 (see Note 17).

(vi) Fair Values of Financial Assets and Liabilities

Carrying value of the financial assets are equal to the fair value.

As at 30 September	Fair Value 2011 £'000	Fair Value 2010 £'000
Primary Financial Assets Held		
Equity shares	511,995	435,339
Non-equity shares	23,845	18,100
Fixed interest securities	343,859	264,712
Floating rate securities	233,612	222,539
Cash at bank and in hand	39,434	36,947
Fair value of interest rate swaps and caps	358	1,549
Primary Financial Liabilities held to Finance the Group's Operations		
Bank loans	163,707	163,945
Zero Dividend Preference shares	53,034	54,626
Convertible bond	75,310	–

The unlisted financial assets held at fair value, in accordance with the Principles of Valuation of Unlisted Equity Investments are detailed within the Basis of Accounting.

(vii) Fair value hierarchy

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group's view of market assumptions in the absence of observable market information. The Group utilises techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

The levels of fair value measurement bases are defined as follows:

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair values measured using valuation techniques for all inputs significant to the measurement other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

18 Financial Instruments continued

Level 3: fair values measured using valuation techniques for any input for the asset or liability significant to the measurement that is not based on observable market data (unobservable inputs).

The following table represents the Group's assets by IFRS 7 hierarchy levels:

As at 30 September 2011	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Unlisted and listed investments	883,175	94,810	–	788,365
Other investments	230,136	230,136	–	–
Interest rate swaps	(358)	–	–	(358)
	1,112,953	324,946	–	788,007

As at 30 September 2010	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Unlisted and listed investments	765,801	118,469	–	647,332
Other investments	174,889	174,889	–	–
Interest rate swaps	(1,549)	–	–	(1,549)
	939,141	293,358	–	645,783

Assets measured at fair value based on Level 3

	2011 £'000	2010 £'000
Opening balance as at 1 October 2010	647,332	459,075
Purchases	136,545	179,250
Disposals	(102,972)	(121,475)
Increase in value	107,460	130,482
Closing balance as at 30 September 2011	788,365	647,332

19 Share Capital

	2011 £'000	2010 £'000
Allotted, called-up and fully paid 35,340,391 (2010: 35,338,687) ordinary shares of 25p each	8,835	8,835

During the year ended 30 September 2011, 35 Subordinated Convertible Bonds were converted into 1,704 ordinary shares.

No shares were purchased by the Company from shareholders during the year ended 30 September 2011 (2010: nil).

20 Capital and Reserves

For the year ended 30 September 2011 for the Group

	Called-up Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserves £'000	Translation reserve £'000	Realised capital profits/ (losses) £'000	Unrealised capital profits/ (losses) £'000	Revenue reserves £'000	Total Shareholders' Funds £'000
Opening balance at 1 October 2010	8,835	24,147	34,440	–	(3,936)	810,981	(175,434)	25,498	724,531
Net revenue transferred to reserves	–	–	–	–	–	–	–	4,205	4,205
Net profits on realisation of investments during the year	–	–	–	–	–	4,014	–	–	4,014
Financing costs	–	–	–	–	–	(3,474)	–	–	(3,474)
Increase in value of non-current investments	–	–	–	–	–	–	79,834	–	79,834
Increase in incentive provisions	–	–	–	–	–	–	(11,187)	–	(11,187)
Gains and losses on foreign currencies	–	–	–	–	(144)	217	171	–	244
Investments sold during the year	–	–	–	–	–	(19,160)	19,160	–	–
Convertible bond issue	–	–	–	23,046	–	–	–	–	23,046
Conversion of convertible bond	–	34	–	–	–	–	–	–	34
Tax liabilities on capital	–	–	–	–	–	245	–	–	245
At 30 September 2011	8,835	24,181	34,440	23,046	(4,080)	792,823	(87,456)	29,703	821,492

For the year ended 30 September 2010 for the Group

	Called-up Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Translation reserve £'000	Realised capital profits/ (losses) £'000	Unrealised capital profits/ (losses) £'000	Revenue reserves £'000	Total Shareholders' Funds £'000
Opening balance at 1 October 2009	8,835	24,147	34,440	(3,375)	780,882	(260,916)	23,940	607,953
Net revenue transferred to reserves	–	–	–	–	–	–	1,558	1,558
Net losses on realisation of investments during the year	–	–	–	–	15,472	–	–	15,472
Increase in value of non-current investments	–	–	–	–	–	112,096	–	112,096
Increase in incentive provisions	–	–	–	–	–	(16,360)	–	(16,360)
Gains and losses on foreign currencies	–	–	–	(561)	(788)	6,517	–	5,168
Unrealised net appreciation at 1 October 2009 on investments sold during the year	–	–	–	–	13,619	(16,771)	–	(3,152)
Tax liabilities on capital	–	–	–	–	1,796	–	–	1,796
At 30 September 2010	8,835	24,147	34,440	(3,936)	810,981	(175,434)	25,498	724,531

1 The capital redemption reserve is established by the Group on the redemption or repurchase of its own shares.
2 The translation reserve consists of foreign exchange differences arising on retranslation of the equity and reserves of subsidiaries with functional currencies other than sterling.
3 The realised capital reserve recognises all realised profits that are capital in nature or have been allocated to capital.
4 The unrealised capital reserve recognises all unrealised profits that are capital in nature or have been allocated to capital.
5 The revenue reserve shows all profits that are revenue in nature or have been allocated to revenue.

20 Capital and Reserves continued

For the year ended 30 September 2011 for the Company

	Called-up Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserves £'000	Realised capital profits/ (losses) £'000	Unrealised capital profits/ (losses) £'000	Revenue reserves £'000	Total Shareholders' Funds £'000
Opening balance at 1 October 2010	8,835	24,147	34,440	–	833,506	(171,809)	(4,588)	724,531
Net revenue transferred to reserves	–	–	–	–	–	–	(15,260)	(15,260)
Net profits on realisation of investments during the year	–	–	–	–	3,549	–	–	3,549
Increase in value of non-current investments	–	–	–	–	–	77,317	–	77,317
Increase in incentive provisions	–	–	–	–	–	(11,187)	–	(11,187)
Gains and losses on foreign currencies	–	–	–	–	67	177	–	244
Unrealised net appreciation at 1 October 2010 on investments sold during the year	–	–	–	–	(25,396)	25,396	–	–
Revaluation of subsidiaries	–	–	–	–	19,218	–	–	19,218
Convertible bond issue	–	–	–	23,046	–	–	–	23,046
Conversion of convertible bond	–	34	–	–	–	–	–	34
At 30 September 2011	8,835	24,181	34,440	23,046	830,944	(80,106)	(19,848)	821,492

For the year ended 30 September 2010 for the Company

	Called-up Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Realised capital profits/ (losses) £'000	Unrealised capital profits/ (losses) £'000	Revenue reserves £'000	Total Shareholders' Funds £'000
Opening balance at 1 October 2009	8,835	24,147	34,440	779,619	(239,549)	461	607,953
Net revenue transferred to reserves	–	–	–	–	–	(5,049)	(5,049)
Net profits on realisation of investments during the year	–	–	–	18,180	–	–	18,180
Increase in value of non-current investments	–	–	–	–	91,578	–	91,578
Increase in incentive provisions	–	–	–	–	(16,735)	–	(16,735)
Losses on foreign currencies	–	–	–	(1,129)	6,516	–	5,387
Net fees	–	–	–	–	–	–	–
Unrealised net appreciation at 1 October 2009 on investments sold during the year	–	–	–	13,619	(13,619)	–	–
Revaluation of subsidiaries	–	–	–	21,327	–	–	21,327
Tax liabilities on capital	–	–	–	1,890	–	–	1,890
At 30 September 2010	8,835	24,147	34,440	833,506	(171,809)	(4,588)	724,531

1 The capital redemption reserve is established by the Group on the redemption or repurchase of its own shares.
2 The realised capital reserve recognises all realised profits that are capital in nature or have been allocated to capital.
3 The unrealised capital reserve recognises all unrealised profits that are capital in nature or have been allocated to capital.
4 The revenue reserve shows all profits that are revenue in nature or have been allocated to revenue.

21 Contingent Liabilities and Commitments

The Company has undertaken to invest up to a further US$32,019,000 (2010: US$36,488,000) 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 £76,421,000 (2010: £49,148,000).

As a limited partner in a number of limited partnership funds, the Company has entered into agreements with 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 the general partners. The management agreements are rolling contracts which now allow for termination by either party as set out in the section entitled 'Management Arrangements' on pages 67 and 68.

22 Particulars of Holdings

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.

The results and balances of the following significant subsidiaries are included in the consolidated financial statements of the Group.

Albion (Electra) Limited (trading partnership member)
4,995 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.

Credit Opportunities LP
Capital contributions of £308. Incorporated in Jersey.
The subsidiary is wholly owned and held through Electra Investments Limited.

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.
Capital contributions of £300. Incorporated in England and Wales.
The subsidiary is 100% owned and held directly by the Company.

Electra Private Equity Investments PLC (Zero Dividend Preference Share Holding Company)
50,000 ordinary shares of £1.00 (par value). Paid-in capital £50,000.
Incorporated in England and Wales.
The subsidiary is wholly owned and held directly by the Company

Kingsway Equity Partners LP
Capital contributions of £10,705,000. Incorporated in Scotland.
The subsidiary is 99% owned and held directly by the Company.

Electra Private Equity Partners 1995 LP
Capital contributions of £9,500. Incorporated in England and Wales.
The subsidiary is 99% owned and held through Kingsway Equity Partners LP.

22 Particulars of Holdings continued

Electra Quoted Partners 1995 LP

Capital contributions of £120,277,699. Incorporated in England and Wales.
The subsidiary is 99% owned and held through Kingsway Equity Partners LP.

EF Private Equity Partners (Americas) LP

Capital contributions of $2,500. Incorporated in England and Wales.
The subsidiary is 99% owned and held through Kingsway Equity Partners LP.

Electra Far East LP

Capital contributions of $5,640. Incorporated in England and Wales.
The subsidiary is 99% owned and held through Kingsway Equity Partners LP.

Electra Private Equity Partners (Scotland)

Capital contributions of £17,500,000. Incorporated in Scotland.
The subsidiary is 99% owned and held through Kingsway Equity Partners LP.

Electra Private Equity Partners 2001 - 2006 Scottish LP

Capital contributions of £20. Incorporated in Scotland.
The subsidiary is 99% owned and held through Kingsway Equity Partners LP.

Electra Private Equity Partners 2006 Scottish LP

Capital contributions of £20. Incorporated in Scotland.
The subsidiary is 99% owned and held through Kingsway Equity Partners LP.

Other Companies Held as Investments at Fair Value

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 fair value of the undertakings shown below each represent by value more than 1% of the non-current asset investments of the Group:

	Carrying value at 30 Sep 2010 £'000	Carrying value at 30 Sep 2011 £'000	Cost 30 Sep 2011 £'000
ALLFLEX HOLDINGS III	71,924	99,000	40,781
Class 'A' common stock 1.9%			
Class 'G' common stock 100.0%			
A Warrants 98.8%			
Loan notes 100.0%			
AMTICO	17,734	20,924	22,326
A Ordinary shares 18.8%			
Mezzanine loan 100.0%			
Unsecured deep discount bond 23.8%			
BARCLAYS GLOBAL INVESTMENTS	49,325	25,019	25,000
Liquidity fund 0.2%			

22 Particulars of Holdings continued

	Carrying value at 30 Sep 2010 £'000	Carrying value at 30 Sep 2011 £'000	Cost 30 Sep 2011 £'000
BDR THERMEA	63,074	73,200	44,347
Class A shares 11.0%			
Class B shares 22.0%			
Class C shares 5.0%			
Class A PECs 11.0%			
Class B PECs 22.0%			
Class C PECs 5.0%			
CAPITAL SAFETY GROUP III	19,854	32,323	19,082
A PECs 13.5%			
A Ordinary shares 12.1%			
E1 Ordinary shares 12.1%			
F1 Ordinary shares 12.1%			
G1 Ordinary shares 12.1%			
H1 Ordinary shares 12.1%			
Mezzanine loan 16.7%			
CPA GLOBAL	13,901	18,679	13,901
Ordinary shares 3.5%			
B Preference shares 6.5%			
C Preference shares 3.8%			
Mezzanine loan 4.8%			
DALER ROWNEY	–	15,473	17,435
B Ordinary shares 43.9%			
G Ordinary shares 100.0%			
B Unsecured loan notes 67.0%			
DAVIES GROUP	–	35,789	35,789
G Ordinary shares 100.0%			
Warrants 99.9%			
Senior unsecured loan notes 70.7%			
Unsecured loan notes 58.6%			
ESURE	35,376	50,669	29,733
C Ordinary shares 6.8%			
Preferred ordinary shares 15.0%			
Priority return shares 15.0%			
Loan note 15.0%			
Perpetual subordinated note 15.0%			
GOLDMAN SACHS	24,010	25,021	25,000
Liquidity fund 0.6%			
INSIGHT	28,217	25,020	25,000
Liquidity fund 0.3%			
JP MORGAN LIQUIDITY FUND	24,009	25,021	25,000
Liquidity fund 0.4%			
LABCO	15,444	13,286	24,189
C Ordinary shares 4.6%			

22 Particulars of Holdings continued

	Carrying value at 30 Sept 2010 £'000	Carrying value at 30 Sept 2011 £'000	Cost 30 Sept 2011 £'000
LIL-LETS GROUP	36,346	41,405	21,692
Ordinary shares 44.6%			
'B' Ordinary shares 100.0%			
Warrants 44.7%			
Unsecured loan notes 96.3%			
LONDON & STAMFORD PROPERTY	34,214	34,779	30,195
B Ordinary shares 7.0%			
NUAIRE	20,146	27,581	23,138
A' Ordinary shares 97.1%			
B' Ordinary shares 100.0%			
Series 'A' loan notes 99.6%			
Series 'B' loan notes 31.9%			
PINE UNIT TRUST	15,000	16,275	14,500
Income units 98.4%			
Capital units 98.4%			
PREMIER ASSET MANAGEMENT	31,823	27,561	55,785
B Ordinary shares 67.8%			
G Ordinary shares 100.0%			
Warrants 100.0%			
B Preference shares 100%			
Deferred shares 38.4%			
PROMONTORIA	39,843	37,426	14,074
'B' Ordinary shares 10.0%			
Loan notes 10.4%			
ROYAL BANK OF SCOTLAND	49,321	65,024	65,000
Liquidity fund 0.8%			
SAV CREDIT	12,177	38,500	22,844
"A" Preferred shares 100%			
Subordinated loan			
C Fixed preference shares 26.8%			
SCOTTISH WIDOWS	–	65,031	65,000
Liquidity fund 0.8%			
SENTINEL PERFORMANCE SOLUTIONS	–	11,385	15,692
B Ordinary shares 66.7%			
G Ordinary shares 100.0%			
Warrants 66.7%			
Unsecured loan stock 66.7%			
VOLUTION (VENT-AXIA)	17,559	18,059	15,840
Mezzanine loan 45.7%			
Senior loan 47.1%			
ZENSAR TECHNOLOGIES (INDIA)	23,971	16,064	4,211
Ordinary shares 22.1%			

23 Related Party Transactions

Certain members of Electra Partners (the "participants") are entitled under various limited partnership agreements to benefit from carried interest and co-investment arrangements. Under these schemes the participants invest in every new investment made by the Company up to 31 March 2006. 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 2011, the participants received £3,952,000 (2010: £759,000) under these schemes and had provisional allocations of £14,074,000 (2010: £14,830,000) based on current valuations. 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 2011, the participants received £nil (2010: £962,000) and had provisional allocations of £72,000 (2010: £66,000) based on current valuations.

Following approval at the Extraordinary General Meeting held on 12 October 2006, two new schemes were created. The participants are entitled to receive a percentage of the incremental value of certain investments held at 31 March 2006 following the Company receiving total proceeds equal to the value at that date and a preferred return, after deduction of related priority profit share. During the year ended 30 September 2011, the participants received £5,159,000 (2010: £nil) and had provisional allocations of £18,860,000 (2010: £16,952,000) under this scheme based on current valuations. The second scheme entered into under the new arrangements requires the participants to invest in every new investment made by the Company since 1 April 2006 until 30 September 2009. On a pooled basis, participants receive a percentage of the total capital and revenue profits once the Company has received back its initial investment, a preferred return and a related priority profit share. During the year ended 30 September 2011, the participants had provisional allocations of £nil (2010: £2,078,000) based on current valuations. Following the same methodology new pools commenced for deals starting since 1 October 2009. During the year ended 30 September 2011, the participants had provisional allocations of £4,428,000 (2010: £1,432,000) based on current valuations.

No Directors of Electra participated in the above arrangements. The non-executive Directors' remuneration is set out on page 76 in these accounts.

During the year ended 30 September 2007, Electra Partners exercised its option to cancel all priority profit share reductions by paying Electra the equivalent of the net present value of the remaining expected priority profit share reductions. An amount of £1.1 million will be payable over the period to October 2011. The amount was approved by a qualified independent third party.

In November 2007, Electra entered into a co-investment agreement with Electra Partners Club 2007 LP ("Club"), a fund managed by Electra Partners LLP. The co-investment agreement requires Electra to co-invest at the ratio of 2:1 in all Electra Partners investments in private equity opportunities in Western Europe where the combined investment of Electra and the Club would represent a controlling stake and where the combined equity investment is between £25 million to £75 million. Both parties will invest on the same terms and conditions. The agreement allows for variations to these arrangements in certain prescribed circumstances. For example, where investment would compromise Electra's ability to qualify as an Investment Trust or where the Club would exceed certain concentration ratios. Investments that arise from interests that Electra already held prior to the establishment of the Club are unaffected by these sharing arrangements. These arrangements will expire in May 2013.

Net sales of investments to Electra from Electra Investments Limited amounted to £51,000,000 for the year ended 30 September 2011 (2010: to Electra Investments Limited from Electra of £nil). Net loans advanced by Electra to Electra Investments Limited were £19,620,004 (2010: loans advanced by Electra Investments Limited to Electra of £55,984,000). Interest of £198,000 (2010: £221,000) was paid on these loans.

Net loans for working capital and/or to clear intercompany balances were made to Albion (Electra) for £26,000 (2010: £66,000), to Electra Holdings Inc for £52,000 (2010: to Electra Holdings Inc for £56,000), to Electra Property, Inc for £17,000 (2010: to Electra Property, Inc for £45,000), from Electra Private Equity Investments PLC for £1,651,000 (2010: £5,880,000).

24 Deferred Tax

	Group 30 Sept 2011 £'000	30 Sept 2010 £'000	Company 30 Sept 2011 £'000	30 Sept 2010 £'000
Deferred Tax Overseas	–	245	–	–

The deferred tax position relates to overseas tax provided on unrealised gains on investment.

The analysis of the deferred tax liabilities is as follows:

	Group 30 Sept 2011 £'000	30 Sept 2010 £'000	Company 30 Sept 2011 £'000	30 Sept 2010 £'000
Deferred Tax liabilities:				
Deferred tax liability to be recovered after more than 12 months	–	245	–	–

The gross movement on the deferred income tax account is as follows:

	Group 30 Sept 2011 £'000	30 Sept 2010 £'000	Company 30 Sept 2011 £'000	30 Sept 2010 £'000
At 1 October	245	148	–	–
Exchange differences	–	2	–	–
Charged/(credited) directly to equity	(245)	95	–	–
As at 30 September	–	245	–	–

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred Tax liabilities	Accelerated Tax depreciation	Fair Value Gains	Other	Total
At 1 October 2010	–	245	–	245
Charged/(credited) directly to equity	–	(245)	–	(245)
At 30 September 2011	–	–	–	–

25 Provision for Liabilities and Charges

	Group £'000	30 Sept 2011 £'000	Company £'000	30 Sept 2011 £'000
Incentive scheme provision				
At 1 October 2010	35,358		65,970	
Amounts paid and payable under incentive schemes	(9,111)		(9,111)	
		26,247		56,859
Increase in incentive scheme provision		11,187		11,187
		37,434		68,046
Liability in subsidiaries		–		(19,115)
At 30 September 2011		**37,434**		**48,931**

Current and former executives of Electra Partners are entitled to incentives based on the performance of investments made by Electra. Under the current contractual terms of the Realisation Incentive Schemes, executives receive the value of any amounts that were due at 30 September 2000 and 8% on uplifts in value from that date, on a pooled basis, 10% on uplifts from 31 March 2006 valuations after a 15% preferred return and on deals invested at cost on 31 March 2006, 18% on a 3 year pooled basis on uplifts after an 8% preferred return on deals commencing from 1 April 2006 until 30 September 2009 and 18% on a three year pooled basis on uplifts after an 8% preferred return on deals commencing from 1 October 2009 until 30 September 2012.

26 Post Balance Sheet Events

On 12 October 2011 the Bank Loan, a £185 million revolving multi-currency credit facility agreement, dated 17 July 2009 was amended and restated on broadly similar terms at a revised total facility amount of £195 million and repayable on 30 June 2016.

27 Basis of Accounting and Significant Accounting Policies

The Accounts for the year ended 30 September 2011 have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRS"). IFRS comprises standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") as adopted in the European Union as at 30 September 2011.

In order to reflect the activities of an investment trust company, supplementary information which analyses the Consolidated Income Statement between items of a revenue and capital nature has been presented alongside the Consolidated Income Statement. In analysing total income between capital and revenue returns, the Directors have followed the guidance contained in the Statement of Recommended Practice for investment companies issued by the Association of Investment Companies in January 2009 (the "SORP").

The recommendations of the SORP which have been followed include:

- Realised and unrealised profits or losses arising on the revaluation or disposal of investments classified as held at fair value through profit or loss should be shown in the capital column of the Income Statement. Realised gains are taken to the realised reserves in equity and unrealised gains are transferred to the unrealised reserves in equity.
- Returns on any share or debt security (whether in respect of dividends, interest or otherwise) should be shown in the revenue column of the income statement. The total of the revenue column of the Income Statement is taken to the revenue reserve in equity.
- The Board should determine whether the indirect costs of generating capital gains should also be shown in the capital column of the Income Statement.

If the Board decides that this should be so, the management fee should be allocated between revenue and capital in accordance with the Board's expected long term split of returns, and other expenses should be charged to capital only to the extent that a clear connection with the maintenance or enhancement of the value of investments can be demonstrated. The Board has decided that the Company should continue to charge priority profit share and finance costs, other than those in relation to the Zero Dividend Preference shares, as revenue items for the year ended 30 September 2011.

In accordance with the Company's status as a UK investment company under Section 833 of the Companies Act 2006, capital reserve may not be distributed by way of dividend.

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 and accordingly has not presented a separate parent company income statement.

The Accounts have been prepared on a going concern basis and under the historical cost basis of accounting, modified to include the revaluation of certain assets at fair value, as disclosed in the Principles of Valuation of Investments.

Application of New Standards

At the balance sheet date, the Company has adopted all Standards and IFRIC interpretations that were either issued, or which become effective, during the year. None of the standards applicable during the year were relevant and did not have a significant impact on the financial statements or accounting policies.

27 Basis of Accounting and Significant Accounting Policies continued

New Standards to be Applied

At the date of authorisation of these financial statements, the IASB and the IFRIC have issued the following standards, amendments and interpretations to be applied to financial statements with periods commencing on or after the following dates:

- IAS 24 (revised) Related Party Disclosures (effective for financial periods beginning on or after 1 January 2011). Revises the definition of related parties.
- IFRS 9 Financial instruments: Classification (effective for financial periods beginning on or after 1 January 2013). Standard addresses the classification and measurement of financial assets in the form of debt instrument or equity.
- IFRS 7 (amendments) Financial Instruments: Disclosures (effective for financial periods beginning on or after 1 January 2011). Amendments include multiple clarifications related to the disclosures of financial instruments.
- IFRS 10 Consolidated financial statements (effective for financial periods beginning on or after 1 January 2013, subject to endorsement by the EU). Standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 13 Fair value measurement (effective for financial periods beginning on or after 1 January 2012, subject to endorsement by the EU). Standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.
- IAS 27 (revised 2011) Separate Financial Statements (effective for financial periods beginning on or after 1 January 2013, subject to endorsement by the EU). Standard contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates, when an entity prepared separate financial statements.

Basis of Consolidation

The consolidated Accounts include 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. A subsidiary is an entity where the Company has the power to govern the financial and operating policies so as to obtain benefit from its activities. The principal subsidiaries comprise wholly owned companies and near wholly owned investment holding limited partnerships set up by the Company through which investments are made and through which external borrowings for investment purposes are raised. These are set out in Note 22. The holdings in investment holding limited partnerships and wholly owned investment holding companies are included in the consolidated financial statements, on the basis that they are considered to be special purpose entities of the Company, which have been set up for the specific purpose of holding investments. These investment holding limited partnerships and wholly owned investment holding companies are considered to be controlled by the Company under the interpretation of SIC 12 'Special Purpose Entities' as the Company enjoys predominantly all the risks and rewards from their activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments

The Board have appointed Electra Partners LLP ("Electra Partners"), an independent investment manager, under a contract of full discretionary management to manage the investments of the Company. This is effected through the Management and Investment Guideline Agreement and the relevant limited partnership agreements of the investment holding limited partnerships through which the Company makes its investments. Under these agreements Electra Partners as Manager, has full power to exercise the voting rights attaching to any of the Company's investments without reference to the Board. Consequently, the Company does not have the power to participate in or govern the financial and operating policies of any of its investments and therefore even where the holding is greater than 50% of the equity, or between 20% and 50% of the equity, investments are not consolidated or accounted for using the equity method respectively.

Purchases and sales of listed investments and floating rate notes are recognised on the trade date where a contract exists whose terms require delivery within a time frame determined by the relevant market. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional. Investments are designated at fair value through profit or loss (described in the Accounts as investments held at fair value) and are subsequently measured at reporting dates at fair value. The fair value of direct unquoted investments is calculated in accordance with the Principles of Valuation of Investments below. Changes in the fair value of investments are recognised in the Income Statement through the capital column.

27 Basis of Accounting and Significant Accounting Policies continued

Principles of Valuation of Investments

(i) General

In valuing investments, Electra Partners (the "Manager") values investments at Fair Value at the reporting date, in accordance with IAS 39.

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 Manager uses 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 more accurate estimate of Fair Value.

(ii) Unlisted Investments

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

- Earnings multiple
- Price of recent investment
- Net assets
- Discounted cash flows
- Industry valuation benchmarks

In assessing whether a methodology is appropriate the Manager will be biased towards those methodologies that draw heavily on market based measures of risk and return, favouring those that rely on observable market data rather than assumptions.

Typically an earnings multiple basis will be used. In applying the earnings multiple methodology, the Manager applies a market based multiple that is appropriate and reasonable to the maintainable earnings of the portfolio company. In the majority of cases the Enterprise Value of the underlying business is derived by the use of an earnings multiple applied to the 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.

- The Enterprise Value of the underlying business will be calculated using the earnings multiple or other appropriate basis (as above);
- 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 portfolio company; and
- The valuation of Electra's investment will be calculated from the Enterprise Value for the portfolio company after deduction of prior ranking debt and other financial instruments.

The Manager will normally derive the earnings multiple by reference to current market based multiples reflected in the valuations of quoted comparable companies or the price at which comparable companies have changed ownership. Differences between the comparator multiple and the unquoted company being valued are reflected by adjusting the multiple for points of difference. The reasons why such adjustments may be necessary include the following:

- Size and diversity of the entities
- Rate of growth of earnings
- Reliance on a small number of key employees
- Diversity of product ranges
- Diversity and quality of customer base
- Level of borrowing
- Any other reason the quality of earnings may differ
- Risks arising from the lack of marketability of the shares

27 Basis of Accounting and Significant Accounting Policies continued

Where a recent investment has been made, either by Electra or by a third party in one of Electra's investments, after considering the background of the underlying investment, this price will generally be used as the estimate of Fair Value, subject to consideration of changes in market conditions and company specific factors. Other methodologies, as detailed above, may be used at any time if this is deemed to provide a more accurate assessment of the Fair Value of the investment. The indicators that the price of recent investment may no longer be appropriate include:

- Significant under / over achievement of budgeted earnings
- Concerns with respect to debt covenants or refinancing
- Significant movements in the market sector of the investment
- Regulatory changes in the industry

The Company's valuation model for debt instruments is the net present value of estimated future cash flows based on a discounted cash flow model. The discount rate used by the Company is based on the risk-free rate of the economic environment in which portfolio companies operate and is adjusted in relation to other factors such as liquidity, credit and market risk. Similar to the earnings multiple model the cash flows used in the discounted cash flow model are based on projected cash flow or earnings of the portfolio companies.

(iii) Listed Investments

Listed investments that are traded on active markets are stated at the market bid price on the balance sheet date without discount. Where the market for the listed investment is not considered to be active, the investment is treated as unlisted for valuation purposes. Markets will be considered active if transactions are occurring regularly enough to provide reliable pricing information. Markets will be considered inactive if the market price is not current, there is little publicly available information or there are few transactions for the investment.

(iv) Limited Partnership Funds

Limited partnership funds are those set up by a third party where the Company does not hold a majority share and are at fair value, typically using the third party manager's valuation after adjustment for purchase and sales between the date of the valuation and current financial year end.

(v) Other Investments

Liquidity funds are held at the current fair value of the note.

Accrued Income

Accrued income is included within investment valuations.

Derivative Financial Instruments

Derivative financial instruments are used by the Group to manage the risk associated with changes in interest rates on its borrowings. This is achieved by the use of interest rate swaps and interest rate caps. All derivative financial instruments are held at fair value.

Derivative financial instruments are recognised initially at fair value on the contract date and subsequently remeasured at fair value at each reporting date. The fair value of currency swaps and interest rate swaps is determined with reference to future cash flows and current interest and exchange rates. All changes in the fair value of financial instruments are accounted for in the Income Statement.

Cash and Cash Equivalents

Cash comprises cash at bank and short term deposits with an original maturity of less than three months.

27 Basis of Accounting and Significant Accounting Policies continued

Dividends

Dividend distributions to shareholders are recognised as a liability in the period in which they are approved unconditionally by the shareholders or in the case of interim dividends when paid.

Foreign Currencies

The Group's presentational currency and the Company's functional and presentational currency is pounds sterling ("sterling"), since that is the currency of the primary economic environment in which the Group operates. Transactions in currencies other than sterling are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currencies of the Group's respective entities at rates prevailing at the balance sheet date. Exchange differences arising are recognised through the Income Statement. At each balance sheet date assets and liabilities of foreign operations are translated into sterling at the rates prevailing on the balance sheet date. Foreign exchange differences arising on retranslation of the equity and reserves of subsidiaries with functional currencies other than sterling, are recognised directly in the Translation Reserve in equity. Foreign exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the Income Statement for the period.

Investment Income/Net Gains

Dividends receivable from equity shares are accounted on the ex-dividend date or, where no ex-dividend date is quoted, are accounted when the Group'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 when it is probable that economic benefit will flow to the Group. 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 its receipt, then these amounts are reversed through expenses.

Income distributions from limited partnership funds are recognised when the right to distribution is established.

Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue column of the Income Statement except for expenses in connection with the disposal and acquisition of non-current asset investments, which are deducted from the disposal proceeds and added to acquisition costs of investments.

Finance Costs

Costs of borrowings are expensed as revenue items through the Income Statement as they accrue on an effective interest rate basis. Any costs incurred which were not directly related to the borrowing facility are expensed in the revenue account.

Priority Profit Share

The majority of the investments are made by the Company through investment holding limited partnerships managed by Electra Partners. Under the terms of the relevant 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 partnerships, an amount equivalent to its priority profit share. In periods in which the investment holding limited partnerships 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.

The priority profit share is charged wholly to the revenue column of the Income Statement.

27 Basis of Accounting and Significant Accounting Policies continued

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 the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Zero Dividend Preference Shares

Zero Dividend Preference Shares which exhibit the characteristics of debt are recognised as liabilities in the Balance Sheet in accordance with IAS 32. After initial recognition, these liabilities are measured at amortised cost, which represents the initial net proceeds from the issuance after issue costs plus the accrued entitlement to the balance sheet date.

The accrued entitlement is calculated as the difference between the proceeds on the issue of these shares and the redemption amount at maturity and is charged as interest expense over the life of these shares using the effective interest method. In accordance with the AIC SORP this interest expense is allocated to the capital column of the Income Statement.

Convertible Bonds

See Note 17.

Provisions

Provisions are recognised when the Group has a present obligation of uncertain timing or amount as a result of past events and it is probable that the Group will be required to settle that obligation and a reliable estimate of that obligation can be made. The provisions are measured at the Directors' best estimate of the amount to settle the obligation at the balance sheet date. Changes in provisions are recognised in the Income Statement.

The provision for the incentive schemes is based on the valuation of investments as at the balance sheet date. The incentive scheme is charged to the capital column of the Income Statement as a direct cost.

Revenue and Capital Reserves

Net Capital return is taken to the non-distributable Capital Reserve in the Consolidated Statement of Changes in Equity. The net revenue return is taken to the Revenue Reserve from which dividend distributions are made.

Operating segments

The chief operating decision-maker has been identified as Electra Partners. Electra Partners review the Group's internal reporting in order to assess performance and allocate resources. Electra Partners has determined the operating segments based on these reports. Electra Partners considers the business as a single operating segment.

Bank Loans and receivables

Bank loan is initially recognised at the fair value of the consideration received net of issue costs associated with the loan. After initial recognition, these are subsequently measured at amortised cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

27 Basis of Accounting and Significant Accounting Policies continued

Share Capital

Ordinary shares issued by the Group are recognised at the proceeds or fair value received with the excess of the amount received over nominal value being credited to the share premium account. Direct issue costs net of tax are deducted from equity.

Key Estimates and Assumptions

Estimates and judgements used in preparing the financial information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting estimates will, by definition, seldom equal the related actual results.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to the valuation of unquoted investments. These are valued by Electra Partners in accordance with IAS 39. Judgement is required in order to determine the appropriate valuation methodology under this standard and subsequently in determining the inputs into the valuation model used. These judgements include making assessments of the future earnings potential of portfolio companies, appropriate earnings multiples to apply, and adjustments to comparable multiples.

Independent Auditors' Report to the Members of Electra Private Equity PLC

We have audited the financial statements of Electra Private Equity for the year ended 30 September 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 83, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2011 and of the Group's profit and Group's and Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 77 to 82 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 71, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Mark Pugh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 December 2011

Daler-Rowney

Fine art materials supplier

Report of the Directors

To the Members of Electra Private Equity PLC

The Directors present the audited Accounts of the Group for the year ended 30 September 2011 and their Report on its affairs.

Investment Trust Status

The Company carries on business as an investment trust. HM Revenue and Customs has approved the Company as an investment trust under Section 1158 of the Corporation Taxes Act 2010 for the accounting period to 30 September 2010. In accordance with the self-assessment of Corporation Tax this approval is based upon the computations submitted by the Company and is subject to the findings of any enquiries that HM Revenue and Customs may make. 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.

Business Review

This Business Review describes the business of the Company and details the main risks and uncertainties associated with the Company's activities, taking into account performance as measured by the Key Performance Indicators ('KPIs').

Objective and Investment Policy

The Objective and Investment Policy of the Company are set out on page 1.

Current and future development

A review of the main features of the year is contained in the Chairman's Statement, the Investment Highlights and Portfolio Review.

The Board regularly reviews the development and strategic direction of the Company. The Board believes that the current investment strategy which was approved by shareholders in October 2006 remains effective in the light of existing market conditions. The Board's main focus continues to be on the Company's long-term investment return. The Board, in consultation with the Manager, reviews, sets a strategy for and monitors the Company's total capital position and gearing.

Performance

A detailed review of performance during the year is contained in the Investment Highlights and Portfolio Review.

A number of performance measures are considered by the Board and the Manager in assessing the Company's success in achieving its objectives.

The KPIs used to measure the progress and performance of the Company are established industry measures and are as follows:

- Return on equity over the long term
- The movement in net asset value per ordinary share
- The movement in share price

Details of the KPIs are shown on page 3.

Risk management

As the Company is focused on investment in private equity assets, Electra Partners aims to limit the risk attaching to the portfolio as a whole by careful selection of investments and by a spread of holdings in terms of overall portfolio analysis, age and geographic split in accordance with the Company's Objective and Investment Policy.

It is the role of the Board to review and manage all risks associated with the Company, either mitigating these directly or through Electra Partners. The principal risks facing the Company include Market Price Risk, Credit Risk, Interest Rate Risk, Liquidity Risk and Capital Risk as further detailed in Note 18 of the Notes to the Accounts.

In addition the Company is also focused on the following risks:

Macroeconomic risks

The performance of the Company's underlying investment portfolio is principally influenced by a combination of economic conditions, the availability of appropriately priced debt finance, interest rates and the number of active trade and financial buyers. All of these factors have an impact on the Company's ability to invest, the Company's ability to exit from its underlying portfolio and the levels of profitability achievable on exit.

Gearing risks

The Company uses gearing in a number of forms, through its multi-currency revolving credit facility, its Subordinated Convertible Bonds ('Bonds') and Zero Dividend Preference Shares ('ZDP Shares').

At 30 September 2011, the Company had a revolving credit facility of £185 million which was due to expire in January 2013. In October 2011, this was refinanced with the facility increasing in size to £195 million and the loan term being extended to June 2016.

In December 2010, the Company issued £100 million of 5% Subordinated Convertible Bonds which have their final redemption in 2017 unless they are converted into ordinary shares. In 2009, Electra Private Equity Investments Plc, a wholly owned subsidiary of the Company, issued ZDP Shares, which have their final capital entitlement due in 2016, which represents a form of gearing for the Company.

All of these forms of gearing rank prior to the Company's ordinary shares, with the multi-currency revolving credit facility ranking higher than the ZDP Shares which in turn rank higher than the Bonds.

The Company may also invest in unquoted companies or private equity funds which are geared by loan facilities that rank ahead of the Company's investment both for payment of interest and capital.

One of the principal risks of gearing is that it can cause both gains and losses in the asset value of the Company to be magnified. Another significant risk associated with gearing is the potentially severe operational impact on the Company of a breach of its banking covenants. Secondary risks relate to whether the cost of gearing is too high and whether the length of the gearing is appropriate. The Board regularly monitors the headroom available under banking covenants and reviews the impact of the various forms of gearing and their cost to the Company.

Foreign Currency Risk

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

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

During the year, the Company held loans denominated in US Dollars and Euros, which partially offset foreign currency risk on foreign currency investments. The ratio of loans held in US Dollar and Euro is under regular review in order to partially hedge as efficiently as possible.

Long-term strategic risk

The Company is subject to the risk that its long-term strategy and its level of performance fail to meet the expectations of its shareholders. The Board monitors the level of discount of share price to net asset value per share and considers the most effective methodologies to keep this at a minimum, including the share buy-back policy. With the need to fund the future redemption of the ZDP shares and anticipating attractive investment opportunities, the Board considers that the purchases of shares for cancellation will be less likely in the medium term. Nevertheless, Directors will continue to seek shareholder authority on an annual basis to enable them to purchase shares for cancellation when they believe it will be in the best interests of shareholders.

In addition the Board regularly reviews the Objective and Investment Policy in light of prevailing investor sentiment to ensure the Company remains attractive to its shareholders.

Overview

Business review

Financial statements

Governance

Further information

Government policy and regulation risk

The Company carries on business as an investment trust under section 1158 of the Corporation Taxes Act 2010. Retention of investment trust status is subject to the Company conducting its affairs in a manner which will satisfy annually the HM Revenue and Customs conditions for continuing approval as an investment trust. Expected and actual changes in government policy and treatment of investment trusts are closely monitored, as are other changes which could affect the Company's business or financial position.

Electra Partners is an authorised person under the Financial Services and Markets Act 2000 and is regulated by the FSA. Changes to the regulatory framework under which Electra Partners operates are closely monitored by Electra Partners and reported upon as necessary by Electra Partners to the Board.

Investment risks

The Company operates in a very competitive market. Changes in the number of market participants, the availability of funds within the market, the pricing of assets, or in the ability of Electra Partners to access deals could have a significant effect on the Company's competitive position and on the sustainability of returns.

In order to source and execute good quality investments the Company is primarily dependent on Electra Partners having the ability to attract and retain executives with the requisite investment experience and whose compensation is in line with the Company's objectives.

Once invested, the performance of the Company's portfolio is dependent upon a range of factors. These include but are not limited to: (i) the quality of the initial investment decision; (ii) the ability of the portfolio company successfully to execute its business strategy; and (iii) actual outcomes against the key assumptions underlying the portfolio company's financial projections. Any one of these factors could have an impact on the valuation of a portfolio company and upon the Company's ability to make a profitable exit from the investment within the desired timeframe. A rigorous process is put in place by Electra Partners for managing the relationship with each investee company. This includes regular asset reviews and in many cases, board representation by one of Electra Partners' executives.

The Board reviews both the performance of Electra Partners and its incentive arrangements on a regular basis to ensure that both are appropriate to the objectives of the Company.

Valuation risk

In order to value investments correctly, the Company is primarily dependent on Electra Partners following Accounting Standards, in this case IAS 39 as further detailed on page 57.

Operational risk

The Company's investment management, custody of assets and many administrative systems are provided or arranged for the Company by Electra Partners. Therefore the Company is exposed to a range of operational risks at Electra Partners which might arise from inadequate or failed processes, people and systems or from external factors affecting these. These include operational events such as human resources risks, legal and regulatory risks, information technology systems failures, business disruption and shortcomings in internal controls.

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, as further detailed in the Corporate Governance Statement on pages 77 to 82.

Management Arrangements

Electra Partners is appointed as the Manager of the Company under a management agreement dated 12 October 2006. The agreement may be terminated by either party giving notice of not less than 12 months. Whatever notice period is worked, Electra Partners will be entitled to receive additional compensation equivalent to 12 months' priority profit share (determined by reference to the previous 12 months' priority profit share).

If Electra Partners terminates the management agreement, Electra may pay compensation in lieu of any part of the notice period but Electra Partners is not entitled to any additional compensation.

Electra Partners receives a priority profit share of 1.5% on the gross value of the Company's investment portfolio including cash (but excluding any amounts committed to funds established and managed by Electra Partners).

During the year the Company continued to operate carried interest and co-investment schemes for executives of Electra Partners and details of these schemes are contained in Notes 23 and 25 of the Notes to the Accounts.

As detailed in the Corporate Governance Statement, the Board reviews the activities of Electra Partners on an ongoing basis and believes that 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. Electra Partners manages the Company's investments in accordance with guidelines determined by the Directors and as specified in limited partnership and in management and investment guideline agreements.

Management Engagement Committee

A Management Engagement Committee was established in 2011. The Committee is chaired by Mr Cullinan and comprises Ms Barker and Ms Webber. The Committee has written terms of reference which are available on the Company's website. Further details in relation to the committee are provided in the Corporate Governance Statement on pages 77 to 82.

Social, community, employee and environmental issues

In carrying out its activities and in its relationships with the community, the Company aims to conduct itself responsibly, ethically and fairly. The Company has no employees and the Board is composed entirely of non-executive Directors. As an investment trust, the Company has no direct impact on the environment. However, the Company believes that it is in the shareholders' interests to consider environmental, social and ethical factors when selecting and retaining investments.

Electra believes that high standards of corporate social responsibility ('CSR') make good business sense and have the potential to protect and enhance investment returns. Consequently, the investment process takes social, environmental and ethical issues into account when, in Electra Partners' view, these have a material impact on either investment risk or return.

Electra recognises and supports the view that social, environmental and ethical best practice should be encouraged. It favours investing in companies committed to high standards of CSR and to the principles of sustainable development.

Results

A revenue profit attributable to shareholders of £4,205,000 (2010: profit of £1,558,000) was transferred to Revenue Reserves. No dividend is proposed in respect of the year ended 30 September 2011 (2010: nil).

Share capital

On 29 December 2010 the Company issued £100 million of 5% Subordinated Convertible Bonds due 29 December 2017 at an issue price of 100 per cent and with an initial conversion price of 2,050p. Bondholders may convert their bonds into ordinary shares of the Company from 7 February 2011 up to and including the date falling seven business days prior to 29 December 2017. The conversion price of 2,050p will be adjusted to deal with certain events which would otherwise dilute the conversion of bondholders. These events include dividends paid to ordinary shareholders, share rights and share related securities issued to shareholders, issue of other securities to shareholders, demergers and other events detailed in the Prospectus for the Bond dated 30 November 2010.

During the year, 35 Subordinated Convertible Bonds were converted into 1,704 ordinary shares.

At 30 September 2011 there were 35,340,391 ordinary shares of 25p each in issue. The Company does not hold any shares in treasury.

Authority to Make Market Purchases of Shares
As at 30 September 2011, the Company had authority to purchase for cancellation up to 5,297,269 shares. This authority will lapse at the 2012 Annual General Meeting when a Special Resolution will be proposed to renew the Company's authority to make market purchases of its own shares.

During the year the Company did not purchase any shares for cancellation.

Multi-Currency Loan Facility
At 30 September 2011 borrowings under the £185 million (2010: £185 million) multi-currency revolving credit facility amounted to £163,707,000 (2010: £163,945,000).

In October 2011, the Company completed a refinancing of the existing facility, increasing the size from £185 million to £195 million and extending the loan term from January 2013 to June 2016.

Directors
The current Directors of the Company are listed on pages 84 and 85. Dr C Bowe, Mr RK Perkin, Mr MED'A Walton and Ms L Webber served as Directors throughout the year ended 30 September 2011. Ms K Barker was appointed as a non-executive Director on 1 November 2010 and Mr G Cullinan as a non-executive Director on 1 January 2011. Mr RA Armstrong and Mr JP Williams retired from the Board at the conclusion of the Annual General Meeting on 24 February 2011. No other person was a Director of the Company during any part of the year. Mr Perkin and Mr Walton will retire at the Annual General Meeting in 2012 and, being eligible, offer themselves for re-election.

Mr Cullinan offers himself for election at the Annual General Meeting in 2012.

Board Diversity
The Board of Electra Private Equity PLC supports the recommendations of Lord Davies of Abersoch in his report "Women on Boards".

The current balance of the Board is 50:50 women : men, with three female and three male Directors on the Board. There have been two female Directors on the Board since 2007.

The Company aims to have a balance of relevant skills, experience and background amongst the Directors on the Board and believes that all Board appointments should be made on merit and with due regard to the benefits of diversity, including gender. The Board's aim is to continue to maintain a diverse Board and, subject to appointing the best candidates available when current Directors retire, to have a proportion of at least one third women on the Board.

The Company is an investment trust which has no employees other than the non-executive Directors and therefore has no disclosures to make in this regard.

Directors' Conflicts of Interest
Directors report on actual or potential conflicts of interest at each Board meeting. The Board has agreed that the Remuneration and Nomination Committee is responsible for considering and reviewing conflicts of interest and that any Director or Directors with a potential conflict would be excluded from such a review. After consideration, if required, the Remuneration and Nomination Committee would subsequently make a recommendation to the Board of Directors. The terms of reference of the Remuneration and Nomination Committee have been amended accordingly.

Directors' Indemnity
Directors' and Officers' Liability insurance cover has been put in place. In addition, the Company's Articles of Association provide, subject to the provisions of applicable UK legislation, an indemnity for Directors in respect of costs incurred in the defence of any proceedings brought against them by third parties arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour.

Directors' Interests

The interests of the Directors (including connected persons) in the ordinary shares and 5% Subordinated Convertible Bonds 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 and 5% Subordinated Convertible Bonds of the Company between 1 October 2011 and 5 December 2011.

	30 September 2011 Shares	30 September 2011 Bonds	30 September 2010 Shares
Dr C Bowe	5,000	–	5,000
K Barker*	1,000	–	–
G Cullinan*	1,500	–	–
RK Perkin	–	42	–
MED'A Walton	16,016	44	16,016
L Webber	2,500	4	1,500

*Upon appointment neither Ms Barker nor Mr Cullinan had an interest in any ordinary shares of the Company.

Substantial Interests

The Company has received the following notifications of interests of 3% or more in the voting rights attached to the Company's ordinary shares:

	Direct No.	Voting Rights Notified Indirect No.	Direct %	Percentage of Voting Rights* Indirect %
Prudential PLC group of companies	2,707,768	1,825	7.66	–
The Cooperative Asset Management	2,027,730	–	5.74	–
Investec Wealth & Investment Limited	–	1,850,616	–	5.24
Asset Value Investors Limited as discretionary manager	1,741,132	–	4.93	–
Bear, Stearns International Trading Limited	1,441,394	–	4.08	–
Legal & General Group PLC	1,409,952	–	3.99	–
HSBC Holdings PLC	–	1,767,264	–	5.00

*Percentage shown as a percentage of 35,340,391 ordinary shares, being the number of shares in issue at the latest practicable date before the publication of this Directors' Report.

Audit Information

Each of the Directors confirms that so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware and they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Auditors

A resolution to re-appoint 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 determine the remuneration of the Auditors.

The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

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.

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 23 February 2012. In addition to the ordinary business the following special business will be considered:

Authority to Purchase own Shares (Resolution 8)

A special resolution will be proposed to renew the Board's authority to purchase its own shares, so as to permit the purchase of up to 5,297,524 of the Company's ordinary shares (or such 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 would intend to use this authority to purchase shares only if 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.

The Directors believe that the renewal of the Board's authority to purchase shares, as detailed above, is in the best interests of shareholders as a whole and therefore recommend shareholders to vote in favour of Resolution 8.

Additional Information for Shareholders

Set out below is a summary of certain provisions of the Company's current Articles of Association (the "Articles") and applicable English law concerning companies (the Companies Act 2006 ("Companies Act")). This is a summary only and the relevant provisions of the Articles or the Companies Act should be consulted if further information is required.

Alteration of Articles of Association

Any change to the Company's articles of association needs to be approved by shareholders by means of a special resolution.

Share Capital

The Company has a single class of share capital which is divided into ordinary shares of 25 pence each. The shares are in registered form.

Dividends and Distributions

Subject to the provisions of the Companies Act, the Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends whenever the financial position of the Company, in the opinion of the Board, justifies such payment.

The Board may withhold payment of all or any part of any dividends payable in respect of the Company's shares from a person with a 0.25% interest of a class of shares if such a person has been served with a notice after failure to provide the Company with information concerning interest in those shares required to be provided under the Companies Act.

Voting Rights

Subject to any rights or restrictions attached to any shares, on a show of hands, every member who is present in person has one vote and every proxy present who has been duly appointed has one vote for every complete 25p in nominal amount of the shares of which he is the holder. However, if the proxy has been duly appointed by more than one member entitled to vote on the resolution, and is instructed by one or more of those members to vote for the resolution and by one or more others to vote against it, or is instructed by one or more of those members to vote in one way and is given discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way) he has one vote for and one vote against the resolution. Every corporate representative present who has been duly authorised by a corporation has the same voting rights as the corporation would be entitled to. On a poll every member present in person or by duly appointed proxy or corporate representative has one vote for every share of which he is the holder or in respect of which his appointment as proxy or corporate representative has been made.

A member, proxy or corporate representative entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way.

In the case of joint holders the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members.

A member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of the Company. The appointment of a proxy shall be deemed also to confer authority to demand or join in demanding a poll. Delivery of an appointment of proxy shall not preclude a member from attending and voting at the meeting or at any adjournment of it. A proxy need not be a member. A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him.

Restrictions on Voting

No member shall have the right to vote at any general meeting or at any separate meeting of the holders of any class of shares, either in person or by proxy, in respect of any share held by him unless all amounts presently payable by him in respect of that share have been paid. In addition, if a person with a 0.25% interest of a class of shares has been served with a notice after failure to provide the Company with information concerning interest in those shares required to be provided under the Companies Act the member shall not be entitled to vote.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representative. The Articles provide a deadline for submission of a proxy form in hard copy and electronic form of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. In the case of a poll taken subsequently to the date of the meeting or adjourned meeting, the proxy form must be received not less than 24 hours (or such shorter time as the Directors may determine) before the time appointed for the taking of the poll.

Variation of rights

The Articles specify that if the capital of the Company is divided into different classes of shares, rights attached to any class may be varied, either in such manner (if any) as may be provided by those rights; or in the absence of any such provision, with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise. At every such separate meeting other than an adjourned meeting the quorum shall be two persons together holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question (excluding any shares of that class held as treasury shares). At an adjourned meeting, the quorum shall be two persons holding shares of the class in question (other than treasury shares) or his proxy.

Transfer of shares

The instrument of transfer of a share in certificated form may be in any usual form or in any other form which the Directors approve and shall be executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. Where any class of shares is, for the time being, a participating security, title to shares of that class which are recorded on an operator register of members as being held in uncertificated form may be transferred by means of the CREST system. The transfer may not be in favour of more than four transferees. Transfers of shares in uncertificated form are effected by means of the CREST system.

The Directors may, in their absolute discretion, refuse to register the transfer of a share in certificated form which is not fully paid provided that if the share is listed on the Official List of the UK Listing Authority such refusal does not prevent dealings in the shares from taking place on an open and proper basis.

The Directors may also refuse to register a transfer of a share in certificated form (whether fully paid or not) unless the instrument of transfer:

(a) is lodged, duly stamped, at the Office or at such other place as the Directors may appoint and (except in the case of a transfer by a financial institution where a certificate has not been issued in respect of the share) is accompanied by the certificate for the share to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) is in respect of only one class of share; and

(c) is in favour of not more than four transferees.

If the Directors refuse to register a transfer of a share, they shall as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company (in the case of a transfer of a share in certificated form) or the date on which the Operator-instruction was received by the Company (in the case of a transfer of a share in uncertificated form to a person who is to hold it thereafter in certificated form) send to the transferee notice of the refusal together with reasons for the refusal. The Directors shall send such further information about the reasons for the refusal to the transferee as the transferee may reasonably request.

Nothing in the Articles shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.

Appointment and replacement of Directors

Unless otherwise determined by the Company by ordinary resolution the number of Directors (disregarding alternate Directors) shall not be less than three nor more than fifteen.

At the annual general meeting in every year all Directors who held office at the time of each of the two preceding annual general meetings and who did not retire at either of them shall retire from office by rotation and such further Directors (if any) shall retire by rotation as would bring the number retiring by rotation up to one-third of the number of Directors in office at the date of the notice of the meeting (or, if their number is not a multiple of three, the number nearest to but not greater than one third). The additional Directors to retire shall be those who have been longest in office since their last appointment or reappointment, but, as between persons who became or were last reappointed Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any non-executive Director (other than the chairman) who has held office as a non-executive Director for nine years or more shall retire from office at each annual general meeting and shall be eligible for reappointment. A Director who retires at an annual general meeting may be reappointed. If he is not reappointed or deemed to have been reappointed, he shall retain office until the meeting elects someone in his place or, if it does not do so, until the close of the meeting.

If the Company, at the meeting at which a Director retires under any provision of the Articles, does not fill the vacancy the retiring Director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or a resolution for the reappointment of the Director is put to the meeting and lost.

The office of a Director shall be vacated if a Director:

(i) becomes bankrupt or compounds with his creditors generally;

(ii) is prohibited by law from being a Director;

(iii) has a court order made in respect of his mental health which wholly or partly prevents him from exercising powers or rights which he would otherwise have;

(iv) sends a notice to the Company that he is resigning or retiring from his office and such registration or retirement has taken effect;

(v) sees his appointment (at an executive office) terminated or expiring and the Directors resolve that he should cease to be a Director;

(vi) is absent without permission of the Board from meetings of the Board for six consecutive months and the Board resolves that the office is vacated; or

(vii) notice is served upon a Director in writing by all other co-Directors.

Powers of the Directors

Subject to the Articles, the Companies Act and any directions given by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company.

The Directors shall restrict the borrowings of the Company and exercise all powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure that the aggregate principal amount (including any premium payable on final repayment) outstanding of all money borrowed by the Company and its subsidiaries shall not at any time, save with the previous sanction of an ordinary resolution of the Company, exceed (i) the amount paid up or credited as paid up on the share capital of the Company or (ii) the total of any credit balance on the distributable and undistributable reserves of the Company and its subsidiaries, subject to certain adjustments.

The Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Directors. Subject to the provisions of the Articles and to the rights attaching to any shares, any dividends or other monies payable on or in respect of a share may be paid in such currency as the Directors may determine. The Directors may deduct from any dividend payable to any member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to shares of the Company. The Directors may retain any dividends payable on shares on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

Significant agreements: Change of control

If there is a no fault termination by the Company of the Management Agreement dated 12 October 2006 (between the Company and Electra Partners) within 24 months of a change of effective control of the Company, 100% of the carried interest which has accrued as at the date of termination will be payable to the members of Electra Partners over three years and any future additional carry on existing investments will vest at 80% and will be paid on the realisation of investments when it becomes due in the ordinary course.

By order of the Board of Directors
Frostrow Capital LLP, Company Secretary
25 Southampton Buildings, London WC2A 1AL
5 December 2011

Directors' Remuneration Report

The Directors submit this report in accordance with the requirements of Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008. 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 and Nomination Committee

The Remuneration and Nomination Committee comprises all the non-executive Directors of the Company. The Board considers it appropriate, given the number of non-executive Directors, that all Directors should be members of the Committee.

The Committee met three times in the year.

On 31 March 2011, Ms L Webber was appointed as Chairman of the Remuneration and Nomination Committee and as Senior Independent Director in place of Mr JP Williams who retired as a Director at the Annual General Meeting in February 2011.

The Committee resolved that the role of Senior Independent Director should receive an additional fee of £6,000 per annum, to reflect the increased responsibility and time commitment involved. The Committee resolved at the same time that the additional fee paid to the Chairman of the Remuneration and Nomination Committee should be reduced to £3,000 (previously £6,000). The Committee did not consider it necessary to recommend any other changes to the existing fee arrangements during the year.

The basic Director's fee for each Director is £35,000 per annum with an additional fee of £115,000 per annum for the Chairman of the Company. An additional fee of £6,000 per annum is payable to the Chairman of each of the Audit and Valuations Committees and to the Senior Independent Director. Separate additional fees of £3,000 per annum are payable to the Chairman of the Remuneration and Nomination Committee and the non-Chairman members of the Valuations Committee.

The Company has no employees.

Policy on Directors' Remuneration

The Company's policy is that remuneration of non-executive Directors should be fair and sufficient to enable Directors properly to 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 2012 and subsequent years. Non-executive Directors are not eligible to receive bonuses, pension benefits, share options or other benefits. The Remuneration and Nomination Committee relies mainly on general salary surveys in respect of its consideration of the level of Directors' remuneration. The total remuneration of the Directors is determined by the provisions of the Articles of Association and by shareholders' resolutions.

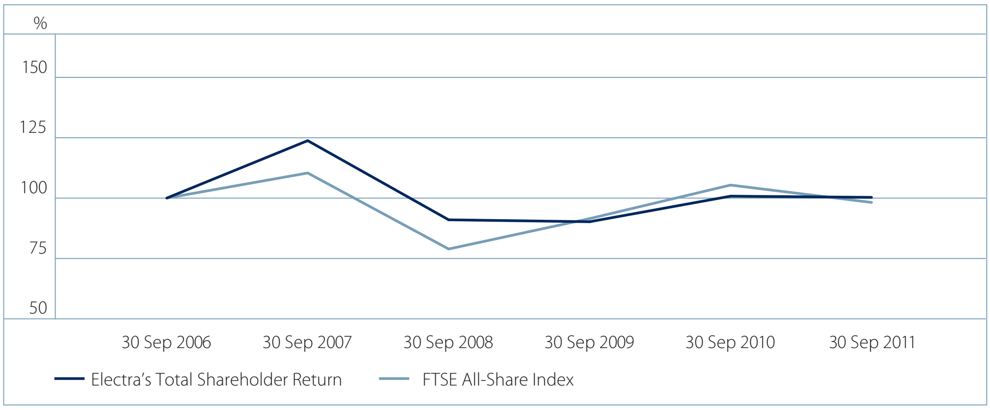
Directors' Service Contracts

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 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 Private Equity Total Shareholder Return versus FTSE All-Share Index As at 30 September



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 2011 £000	30 September 2010 £000
Dr C Bowe (Highest paid Director)	150	77
RA Armstrong (retired 24 February 2011)	15	38
K Barker (appointed 1 November 2010)	34	–
G Cullinan (appointed 1 January 2011)	29	–
RK Perkin	44	35
MED'A Walton	41	41
L Webber	43	38
JP Williams (retired 24 February 2011)	17	41
Sir Brian Williamson (retired 25 May 2010)	–	120
Total	373	390

L Webber, Chairman of the Remuneration and Nomination Committee
Paternoster House
65 St Paul's Churchyard, London EC4M 8AB
5 December 2011

Corporate Governance

The Board of the Company has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide') both of which were issued in October 2010. The AIC Code as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, which was issued in June 2010, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. Copies of the UK Corporate Governance Code can be found on the Financial Reporting Council's website www.frc.org.uk and copies of the AIC Code and the AIC Guide can be found on the website of the Association of Investment Companies www.theaic.co.uk.

The Board considers that reporting against the principles and recommendations of the AIC Code and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code during the year to 30 September 2011 except as set out below.

The UK Corporate Governance Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers that these provisions are not relevant to the position of the Company, which is an externally managed investment company. The Company has not, therefore, reported further in respect of these provisions.

In addition, the AIC Code includes provisions relating to the annual re-election of Directors of FTSE 350 companies which the Board considers not relevant to the position of the Company as explained further below.

The Board of Directors

The Board comprised six Directors at 30 September 2011, all of whom were non-executive. The Board appointed Ms K Barker as a non-executive Director on 1 November 2010 and Mr G Cullinan as a non-executive Director on 1 January 2011. The Board nominated Ms L Webber as the Senior Independent Director with effect from 31 March 2011 in place of Mr JP Williams who retired from the Board at the Annual General Meeting in February 2011. The Directors' terms of appointment are available for inspection on request.

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. The Board has agreed a schedule of matters reserved for its specific approval, which includes a regular review of the Company's management arrangements with Electra Partners.

Management agreements between the Company and Electra Partners set out the matters for which Electra Partners is responsible and those over which Electra Partners has authority in accordance with the policies and directions of the Board. Regular Board meetings are held to consider, as appropriate, such matters as overall strategy, investment performance, gearing, share price performance, share price discount, the shareholder profile of the Company and communication with shareholders. The Chairman is responsible for setting the Board's agenda and ensuring that adequate time is available for discussion on all agenda items, in particular strategic issues. The Board considers that it meets sufficiently regularly to discharge its duties effectively.

The numbers of meetings of the Board and Committees of the Board held during the year and the attendance of the individual Directors at those meetings is shown in the table below. All the Directors attended the 2011 Annual General Meeting.

Directors' Attendance at Meetings of the Board and Committees of the Board

	Board	Audit Committee	Remuneration and Nomination Committee	Valuations Committee
Number of Meetings	14	4	3	2
Dr C Bowe*	14	–	3	–
RA Armstrong**	5	2	1	–
K Barker***	11	3	2	1
G Cullinan***	7	2	1	1
RK Perkin	13	4	3	2
MED'A Walton	14	4	3	2
L Webber	12	4	2	2
JP Williams**	6	2	1	–

*Dr Bowe is not a member of the Audit or Valuation Committees.

**Mr RA Armstrong and Mr JP Williams were not members of the Valuations Committee. They retired from the Board on 24 February 2011.

***Ms Barker and Mr Cullinan were appointed to the Board during the year.

The Board receives information that it considers to be sufficient and appropriate to enable it to discharge its duties. Directors receive board papers several days in advance of Board meetings and are able to consider in detail the Company's performance and any issues to be discussed at the relevant meeting.

The Directors believe that the Board has an appropriate balance of skills and experience, independence and knowledge of the Company to enable it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience can be found on pages 84 and 85.

Independence of the Board

Mr Walton has served on the Board for more than nine years. Dr Bowe and Mr Perkin were non-executive Directors of Electra Private Equity Investments PLC throughout the year and Mr Walton was appointed as a non-executive Director of Electra Private Equity Investments PLC on 31 March 2011. Electra Private Equity Investments PLC is a wholly-owned subsidiary of Electra which was established solely for the purpose of issuing and redeeming Zero Dividend Preference shares.

The Board has carefully considered the independence of each Director under the provisions of the AIC Code and, notwithstanding Mr Walton's length of service and the cross-directorships detailed above, has concluded that each Director is wholly independent on the basis that the Board firmly believes that independence is a state of mind and the character and judgement which accompany this are distinct from and are not compromised by length of service. Mr Walton is the only Director who has been in office for more than nine years and he submits himself for annual re-election by shareholders.

The Board carried out a formal appraisal process of its own operations and performance and those of its Committees during the year. This was implemented by means of questionnaires circulated to the Directors, the results of which were then reviewed by the Board. Issues covered included Board composition, meeting arrangements and communication. The process was considered by the Board to be constructive in identifying areas for improving the functioning and performance of the Board and of its Committees. The Board concluded that its performance and that of its Committees was satisfactory.

The Board proposes to commission an externally-facilitated evaluation of its operations and performance and those of its Committees in early 2012.

The Chairman carried out a formal appraisal of each of the Directors during the year and the Board, under the leadership of the Senior Independent Director, similarly appraised the Chairman. Relevant matters considered included the attendance and participation at Board and Committee meetings, commitment to Board activities and the effectiveness of the contribution made by the relevant Director. As a result of this process, the Chairman has confirmed that each of the Directors being proposed for re-election continues to be effective and that each of them continues to show commitment to his role.
The Senior Independent Director has also confirmed the continuing effectiveness and commitment of the Chairman.

Directors' Terms of Appointment

It is the Board's policy that Directors shall retire and be subject to appointment by shareholders at the first Annual General Meeting following their appointment by the Board and be subject to re-election at least every third year thereafter. Directors who have served for more than nine years and who wish to continue in office are required to submit themselves for re-election annually. The Board does not believe that length of service disqualifies a Director from seeking re-election.

The AIC Code's provisions on re-election of Directors state that all Directors of FTSE 350 companies should be subject to annual re-election by shareholders. Whilst the Company is a constituent of the FTSE 350, the Board does not consider it to be in the interests of shareholders that all Directors should be re-elected annually. A number of shareholders in the Company have supported this view on the basis that annual re-election could engender a short term culture.

Therefore the Company did not introduce annual re-election of Directors at the Annual General Meeting held in 2011 and at future Annual General Meetings it will continue to comply with the requirements of the Company's Articles and the Board's policy on Directors' Terms of Appointment in relation to the re-election of Directors.

Re-election of Directors

In accordance with the Company's Articles and the Board's policy on Directors' Terms of Appointment, Mr Perkin and Mr Walton will retire at the Annual General Meeting to be held in 2012 and each offers himself for re-election. Mr Cullinan will offer himself for election at the Annual General Meeting to be held in 2012. Biographical details of the Directors seeking election or re-election are set out on pages 84 and 85.

Independent Professional Advice

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.

Company Secretary

Frostrow Capital LLP acted as the independent Company Secretary in addition to its role as Board Advisor during the year under review.

The Audit Committee

The Board is supported by the Audit Committee which comprised all the Directors during the year, other than the Chairman of the Board, Dr Bowe. Mr Perkin is Chairman of the Committee. The Board has taken note of the suggestion that at least one member of the Committee should have recent and relevant financial experience and is satisfied that the Committee is properly constituted in this respect. Its authority and duties are clearly defined in its written terms of reference which are available on the Company's website.

The Committee's responsibilities include:

- monitoring and reviewing the integrity of the financial statements, the internal financial controls and the independence, objectivity and effectiveness of the external auditors;
- making recommendations to the Board in relation to the appointment of the external auditors and approving their remuneration and terms of their engagement;
- developing and implementing the Company's policy on the provision of non-audit services by the external auditors;
- reviewing the arrangements in place within Electra Partners whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company; and
- considering annually whether there is a need for the Company to have its own internal audit function.

The Committee met four times during the year under review. The main matters discussed at those meetings were:

- review and approval of the annual plan of the external auditors;
- discussion and approval of the fee for the external audit;
- detailed review of the Annual and Half Year Report and Accounts and recommendation for approval by the Board;
- discussion of reports from the external auditors following their audit;
- assessment of the effectiveness of the external audit process as described below;
- review of the Company's key risks and internal controls;

- review of Electra Partners' Business Continuity Plan and IT Disaster Recovery Plan.
- review of the accounting for the 5% Subordinated Convertible Bonds;
- discussion of the impact on the Company of changes to Auditing Standards;
- consideration of the new AIC Code of Corporate Governance and the UK Stewardship Code and the impact of these on the Company; and
- consideration of ways of improving the format of the Report and Accounts.

The Committee annually reviews the performance of PricewaterhouseCoopers LLP, the Company's external auditors. In doing so the Committee considers a range of factors including the quality of service, the auditors' specialist expertise and the level of audit fee. The Committee remains satisfied with their effectiveness and therefore has not considered it necessary, to date, to require the auditors to tender for the audit work. The auditors are required to rotate the audit partner every five years: the current partner has been in place for five years and a new audit partner will be responsible for the audit with effect from the 2012 Report and Accounts. There are no contractual obligations restricting the choice of external auditor. Under Company Law the reappointment of the external auditor is subject to shareholder approval at the Annual General Meeting.

The Committee has reviewed the provision of non-audit services and believes them to be cost-effective and not an impediment to the external auditors' objectivity and independence. The non-audit services include the provision of taxation advice. It has been agreed that all non-audit work to be carried out by the external auditors must be approved by the Committee and that any special projects must be approved in advance.

Following the review carried out by the Committee as to whether there is a need for the Company to have its own internal audit function, the Board has considered and continues to believe that the internal control systems in place within Electra Partners and the internal control reports provided by it give sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. In addition, the work of the external auditors is extended to include supplementary testing of certain of Electra Partners' internal controls. An internal audit function, specific to the Company, is therefore considered unnecessary.

The Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises all the Directors of the Company, all of whom are considered to be independent. The Board considers it appropriate, given the number of Directors, that all Directors should comprise the Committee. Ms Webber was appointed as Chairman of the Committee in March 2011, in place of Mr Williams who retired at the Annual General Meeting in February 2011.

The Committee met three times in the year under review, to consider the appointments of Ms Barker and Mr Cullinan as Directors and the appointment of Ms Webber as Chairman of the Committee and Senior Independent Director. During the year the Committee engaged the services of an external search consultant in relation to the appointment of the additional Directors.

The Committee's duties in relation to remuneration, include determining and agreeing with the Board the policy for the remuneration of the Directors. The Committee's duties in relation to nomination include identifying and nominating, for the approval of the Board, candidates to fill Board vacancies on merit and against objective criteria and with due regard for the benefits of diversity on the Board including gender. The Committee has written terms of reference which are available on the Company's website.

The Valuations Committee

The Valuations Committee adds a further level of oversight to the valuation process carried out by Electra Partners under its contractual arrangements with the Company. The Valuations Committee is chaired by Mr Walton. Ms Webber and Mr Perkin were members of the Committee throughout the year. Ms Barker and Mr Cullinan were appointed as members of the Committee during the year.

Management Engagement Committee

A Management Engagement Committee was established in 2011. The Committee is chaired by Mr Cullinan and comprises Ms Barker and Ms Webber. The Committee has written terms of reference which are available on the Company's website.

The Committee's duties are to review the terms of the management contract to ensure that they are competitive and sensible for shareholders by satisfying itself that the investment management of the Company's portfolio is in accordance with the Investment Policy; satisfying itself that all other duties of the Manager are being performed; reviewing the overall performance of the Manager; and deciding, at the intervals prescribed by the Management Agreement, on the continuation or termination of the agreement and by agreeing the terms and fees of any ongoing agreement.

The Committee met in October 2011 to agree its terms of reference and to review the performance of the Manager.

Induction and Training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee and which includes being briefed fully about the Company by the Chairman, senior executives of Electra Partners and the Company Secretary. Following appointment, the Chairman regularly reviews and agrees with Directors their training and development needs as necessary to enable them to discharge their duties.

The Company's Relationship with its Shareholders

The Company places great importance on communication with its shareholders. The Company, in conjunction with Electra Partners, endeavours to provide the fullest information on the Company to its shareholders, maintaining a regular dialogue with institutional shareholders and City analysts, as well as making a number of presentations and visits throughout the year. Meetings are held with principal shareholders to discuss relevant issues as they arise.

At the Annual General Meeting all shareholders are welcome to attend and have the opportunity to put questions to the Board and hear a presentation from Electra Partners covering the investment performance during the last financial year.

The notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting. A separate resolution is proposed on each substantially separate issue including receipt of the annual report and accounts. All proxy votes are counted and, except where a poll is called, the level of proxies lodged for each resolution is announced at the Meeting and is published on the Company's website. The Chairmen of the Audit, Remuneration and Nomination, Valuations and Management Engagement Committees are normally available to answer questions at the Annual General Meeting each year.

The Chairman and the Senior Independent Director can be contacted either through the Company Secretary, Frostrow Capital LLP, at 25 Southampton Buildings, London WC2A 1AL or at the Company's registered office at Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB.

Internal Control

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.

The Board is responsible for the Company's system of internal control and has reviewed its effectiveness for the year ended 30 September 2011. This review encompasses all controls including financial, operational and compliance controls and risk management. 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.

The Company's consolidated annual financial statements, along with the half-yearly financial statements and interim management statements are prepared in accordance with applicable regulatory requirements.

Since investment management, custody of assets and many 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. As part of this process Electra Partners is responsible for submitting performance statistics, investment valuations and management accounts to the Board. 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 – regular review by the Board of the Company's Objective and Investment Policy, including commitments to new funds.
- Management Agreements and Investment Performance – the Board regularly monitors the performance of Electra Partners to ensure that the Company's assets and affairs are managed in accordance with the Company's Objective and Investment Policy.

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 verifying compliance with documented controls provided by Electra Partners on a six monthly basis.

Voting Policy

Under the investment management arrangements Electra Partners has complete discretion in relation to all voting issues in respect of the Company's investments.

Electra Partners has adopted the UK Stewardship Code and has made disclosures regarding its policies on stewardship on its website www.electrapartners.com. Electra Partners' policies on stewardship have been reviewed and endorsed by the Board.

Other Information in the Report of the Directors

Other information regarding voting rights of shares, restrictions on voting, deadlines for exercising voting rights, appointment and replacement of Directors, powers of Directors, authority to make market purchases of shares, substantial interests in the Company's shares and details concerning alteration of the Articles of Association of the Company is contained in the Report of the Directors.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for the period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The financial statements are published on www.electraequity.com, which is a website maintained by Electra Partners. The maintenance and integrity of the website is, so far as it relates to the Company, the responsibility of Electra Partners. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions are listed in the Board of Directors section of the Annual Report confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Report of the Directors' contained in the Reports section of the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces;
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information to establish that the Company's Auditors are aware of that information.

By order of the Board of Directors
Dr Colette Bowe, Chairman, Paternoster House
65 St Paul's Churchyard, London EC4M 8AB
5 December 2011

Board of Directors

Colette Bowe (Chairman)

An economist by profession, Dr Bowe has worked in Whitehall, City regulation and the fund management industry. She is currently Chairman of the Ofcom board, a board member of the UK Statistics Authority and a member of the supervisory board of AXA Investment Managers Deutschland GmbH.

Dr Bowe was appointed a Director in 2007 and as Chairman in May 2010.

Kate Barker

Ms Barker is a non executive director of Taylor Wimpey PLC and the Yorkshire Building Society, a non executive member of the Office for Budget Responsibility and a senior adviser to Credit Suisse. She was, until May 2010, a member of the Monetary Policy Committee of the Bank of England, on which she served for three terms, and has held a range of other senior positions, including chief economic adviser to the Confederation of British Industry from 1994 to 2001.

Ms Barker was appointed a Director in November 2010.

Geoffrey Cullinan

Mr Cullinan was a Director of Bain & Company from 1997 to 2005. He was the founder and leader of their private equity business in Europe and continues to be an Adviser to Bain. He was formerly Chief Executive of Hamleys plc (1996) and senior non executive director of Datamonitor plc (1994 to 2002). Prior to that he was the managing partner of OC&C Strategy Consultants, which he co-founded in 1986.

Mr Cullinan was appointed a Director in January 2011. He is Chairman of the Management Engagement Committee.

Roger Perkin

Mr Perkin is a former senior partner at Ernst & Young with extensive global accounting experience and financial services expertise. He spent 40 years at Ernst & Young and its predecessor firms, including over 30 years as a Partner, working with a wide range of clients before specialising in financial services. He is a director of Nationwide Building Society and The Evolution Group Plc.

Mr Perkin was appointed a Director in 2009. Mr Perkin is Chairman of the Audit Committee.

Michael Walton

Mr Walton has over 35 years of experience in the private equity industry, having joined the Electra House Group in 1972, with responsibility for unlisted investments. He was a Director of the Company from 1981 to 1986. Subsequently, Mr Walton was Managing Director of Gartmore Private Capital and a Director of NatWest Ventures and Bridgepoint Capital. He has served on the Council of the British Venture Capital Association.

Mr Walton was most recently appointed as a Director in 2000. He is Chairman of the Valuations Committee.

Lucinda Webber

Ms Webber has over 25 years of experience in the private equity industry, having joined Barclays Development Capital Limited from Barclays Merchant Bank in 1984. She became a director of Barclays Development Capital Limited (now Barclays Private Equity) and Barclays Capital Dévéloppement in 1990. In 1997 she moved to working part-time as a director for Barclays Private Equity and Barclays Capital Dévéloppement and from 1999, worked as a consultant in private equity.

Ms Webber was appointed a Director in 2007. She was appointed as Chairman of the Remuneration and Nomination Committee and the Senior Independent Director in March 2011.

Notes:
All Directors are members of the Remuneration and Nomination Committee.
All Directors apart from the Chairman are members of the Audit Committee and the Valuations Committee.
Mr Cullinan, Ms Barker and Ms Webber are members of the Management Engagement Committee.
Dr Bowe, Mr Perkin and Mr Walton are Directors of the Company's wholly owned subsidiary Electra Private Equity Investments PLC.

Information for Shareholders

Financial Calendar

Annual General Meeting	23 February 2012
Interim Management Statement to December 2011	January/February 2012
Half-year Results announced	May 2012
Interim Management Statement to June 2012	July/August 2012
Annual Results announced	November/December 2012

Electra News via Email

If you would like to receive notice of announcements or shareholder communications, please visit our website at www.electraequity.com and click on the "Register for Email Alerts" logo in the top right hand corner. Registering for email alerts will not stop you receiving annual reports or any other documents you are entitled to through the post.

Trading Information – Ordinary shares

Listing	London Stock Exchange
ISIN	GB0003085445
SEDOL	0308544
Ticker/EPIC code	ELTA
Bloomberg	ELTALN
Reuters	ELTAL

Trading Information – Convertible Bond

Listing	London Stock Exchange
ISIN	GB00B5B0NW64
SEDOL	B5B0NW6
Ticker/EPIC code	ELTC
Bloomberg	ELTALN5 12/29/2017 Corp

Analysis of Ordinary Shareholders as at 30 September 2011 taken from the Company's Share Register held by Equiniti Limited

Party type	No of shareholders	Holders within type %	No of shares	Issued capital %
Nominee	725	18.34%	32,477,441	91.90%
Individuals	3,134	79.28%	2,331,586	6.60%
Public Limited Company	1	0.02%	1	0.00%
Limited Company	45	1.14%	308,588	0.87%
Other Organisation	44	1.12%	208,196	0.59%
Bank	2	0.05%	12,753	0.04%
Pension Fund	2	0.05%	1,826	0.00%
Total	3,953	100.00%	35,340,391	100.00%

Convertible Bond

What is a Convertible Bond?

A convertible bond is a tradable debt that can be converted into a predetermined amount of the company's equity during its life.

In the case of Electra, £100 million of Convertible Bonds were raised in December 2010. Each bond was priced at £1,000 per bond and generates 5% interest per annum payable semi-annually in equal instalments in arrears on 29 June and 29 December in accordance with the terms of the Prospectus.

Bondholders can convert their bonds into Electra shares at any time within the life of the bond (expires 2017) in accordance with the terms of the Prospectus. The conversion price in effect immediately upon issue of the bonds is 2,050p. The Convertible Bond is listed on the London Stock Exchange and can be traded like other listed securities.

In the unlikely event of Electra winding up, the Bondholders would rank above the ordinary shareholders in terms of being entitled to the capital of Electra.

Why did you raise this money through Convertible Bonds?

The Convertible Bond was raised for two reasons. Firstly, to diversify the sources and maturity of our borrowing. Secondly, the Board of Electra believed that there would be a need for flexible capital to help mid-market businesses grow and profit from opportunities in their respective markets. The Bond expanded Electra's capital base and has provided Electra with the necessary firepower to take advantage of these investment opportunities.

For further information please visit our website www.electraequity.com/convertible.

Registrar

The Company's ordinary share register is maintained on behalf of the Company by Equiniti Limited.

Ordinary Shareholders who have enquiries concerning their registered holdings, including balance queries, assistance with lost certificates and change of address notifications should contact Equiniti Limited, whose full details are provided on page 92.

Warning to Shareholders – 'Boiler Room' Scams

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority (FSA) reported that the average amount lost by investors is around £20,000.

It is not just the novice investor that has been duped in this way. Many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/register
- Report the matter to the FSA by calling 0845 606 1234
- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

Other Useful Websites

LPEQ

Electra is a founder member of LPEQ (formerly iPEIT), a group of private equity investment trusts and similar vehicles listed on the London Stock Exchange and other major European stock markets, formed to raise awareness and increase understanding of listed private equity.

LPEQ provides information on private equity in general, and the listed sector in particular, undertaking and publishing research and working to improve levels of knowledge about private equity among investors and their advisers.

For further information visit www.lpeq.com.

Association of Investment Companies (AIC)

Electra is a member of the AIC, the trade organisation for the closed-ended investment companies. The AIC represents a broad range of closed-ended investment companies, including investment trusts, offshore investment companies and venture capital trusts which are traded on the London Stock Exchange, Alternative Investment Market, Special Financials Market, Euronext and the Channel Islands Stock Exchange.

For further information visit www.theaic.co.uk.

Ten Year Record

Ten Year Record of Net Assets, Share Price and Earnings

As at 30 Sept	Net Assets £'000	Diluted Net Asset Value per share p	Diluted earnings per share p	Basic earnings per share p	Dividends paid per share p	Share price[1] as at 5 April per share p	Share price[1] as at 30 Sept per share p
2002	498,330	763.94	–	(8.95)	–	637.00	462.50
2003	495,498	759.6	–	(2.55)	–	522.00	633.50
2004	[2] 426,723	912.86	–	5.70	–	747.50	793.50
2005	[3] 520,883	1,197.22	–	64.09	–	931.00	1,113.00
2006	[4] 598,292	1,545.07	–	20.58	[5] 20.00	1,326.00	1,371.00
2007	[6] 745,506	2,001.21	–	24.60	[7] 17.00	1,605.00	1,680.00
2008	[8] 640,949	1,800.64	–	(13.98)	[9] 25.00	1,570.00	1,235.00
2009	[10] 607,953	1,720.36	–	34.05	–	632.50	1,224.00
2010	724,531	2,050.25	–	4.41	–	1,361.00	1,368.00
2011	821,492	2,224.78	23.00	11.90	–	1,414.00	1,360.00

Notes

The net asset value per share for the years 2002 to 2004 above are as previously reported under UK GAAP. 2005 to 2011 have been prepared on an IFRS basis as explained in the Basis of Accounting.

1. Middle market price at close of business on 5 April or 30 September or, if appropriate, previous business day in each case.
2. During the year ended 30 September 2004 £100,000,000 was repaid to shareholders via a tender offer and 6,232,000 shares were repurchased for cancellation (cost: £48,082,000).
3. During the year ended 30 September 2005 3,238,000 shares were repurchased for cancellation (cost: £29,677,000).
4. During the year ended 30 September 2006 4,785,000 shares were repurchased for cancellation (cost: £64,257,000).
5. Includes special dividend of 20.00p per share paid in March 2006.
6. During the year ended 30 September 2007 1,470,000 shares were repurchased for cancellation (cost: £22,304,000).
7. Includes special dividend of 17.00p per share paid in March 2007.
8. During the year ended 30 September 2008 1,657,000 shares were repurchased for cancellation (cost: £26,492,000).
9. Includes special dividend of 25.00p per share paid in March 2008.
10. During the year ended 30 September 2009 257,000 shares were repurchased for cancellation (cost: £2,096,000).

Notice of Annual General Meeting

Notice is hereby given that the seventy-seventh Annual General Meeting of Electra Private Equity PLC will be held at 12.00 noon on Thursday 23 February 2012 in The Great Hall at The Saddlers' Hall, 40 Gutter Lane, London EC2V 6BR for the following purposes:

Ordinary Business

1. To receive the reports of the Directors and Auditors and the Group Accounts for the year ended 30 September 2011.
2. To approve the Directors' Remuneration Report for the year ended 30 September 2011 which is set out in the Annual Report and Accounts of the Company for the year ended 30 September 2011.
3. To elect Mr G Cullinan as a Director of the Company.
4. To re-elect Mr RK Perkin as a Director of the Company.
5. To re-elect Mr MED'A Walton as a Director of the Company.
6. To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company 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. Special resolution to renew share buyback authority:

That the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693(4) of the said Act) of ordinary shares of 25 pence each, provided that:

(i) the maximum number of ordinary shares hereby authorised to be purchased is 5,297,524 or such 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, exclusive of any expenses, which may be paid for an ordinary share shall be an amount equal to 105 per cent of 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 on the earlier of 23 May 2013 or the conclusion of the Company's Annual General Meeting in 2013 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
Frostrow Capital LLP, Company Secretary, 25 Southampton Buildings, London WC2A 1AL
5 December 2011

Notes

1 Members of the Company who are entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to exercise all or any of their rights to attend and to speak and vote at the Meeting. A member may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.

2 A member may vote at the Annual General Meeting subject to being on the Register of Members as at 6pm on 21 February 2012.

3 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, Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6GJ, 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. Replacement forms of proxy may be obtained from the Company's Registrar.

4 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 21 February 2012 ("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 the Specified Time shall be disregarded in determining the rights of any person to attend and vote at the Meeting. 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 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 23 February 2012 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. For a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with CREST specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (www.euroclear.com/CREST). The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

6 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

7 Shareholders are entitled to attend and vote at general meetings of the Company. On a vote by show of hands, every member and every duly appointed proxy who is present in person shall have one vote. On a poll vote, every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

8 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. A member that is a company may appoint either a proxy or a corporate representative. Members wishing to appoint a corporate representative should examine the Company's Articles of Association and the provisions of the Companies Act 2006.

9 Under Regulation 12, Section 319A of the Shareholder Rights Directive, the Company must answer any question relating to the business being dealt with at the Meeting put by a member at the Meeting. However, the Company need not answer if a) to do so would interfere unduly with the preparation for the Meeting or b) to answer would involve the disclosure of confidential information or c) the answer has already been given on a website in the form of an answer to a question or d) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

10 Information about the Annual General Meeting is published on www.electraequity.com.

11 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 current Articles of Association of the Company; and

(b) the terms and conditions of appointment of all Directors

No Director has a service contract with the Company.

12 Short biographical details regarding Mr Cullinan, Mr Perkin and Mr Walton are contained on pages 84 and 85.

13 The total number of issued ordinary shares/voting rights in the Company on 30 November 2011, which is the latest practicable date before the publication of this document, is 35,340,391.

14 Shareholders may require the Company to place on its website a statement, made available also to the Company's auditors, setting out any matter relating to the audit of the Company's accounts, including the Auditor's Report and the conduct of the audit, which shareholders intend to raise at the Annual General Meeting. The Company becomes required to place such a statement on the website once a) members with at least 5% of the total voting rights of the Company or b) at least 100 members who are entitled to vote and on whose shares an average sum per member of at least £100 has been paid have submitted such a request to the Company. Members seeking to do this should write to the Company providing their full name and address.

15 You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

If you have sold or otherwise transferred all your shares in Electra Private Equity PLC, you should pass this document and other relevant accompanying documents (other than any personalised form of proxy) to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale transfer was made for transmission to the purchaser or transferee.

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*Calls to these numbers are charged at 8p per minute from a BT landline. Other telephony providers' costs may vary.

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