Electra Private Equity PLC

Report and Accounts






30 September 2015

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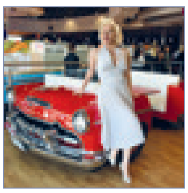
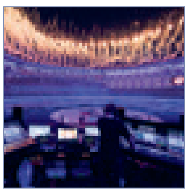
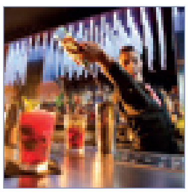
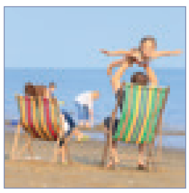




References in this Report and Accounts to Electra Private Equity PLC and its subsidiaries have been abbreviated to 'Electra' or the 'Company'. References to Electra Partners LLP have been abbreviated to 'Electra Partners' or 'the Manager'.

About Electra Private Equity PLC

Electra Private Equity PLC ("Electra" or the "Company") is a private equity investment trust which has been listed on the London Stock Exchange since 1976. As at 30 September 2015 its net assets were £1.5 billion or 3,914p per share fully-diluted.

Electra's business and affairs are managed on an exclusive and fully discretionary basis by Electra Partners LLP, an independent private equity fund manager with over 25 years' experience in the mid-market and a superior performance record. Electra is overseen by a board of independent non-executive Directors.

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

Performance is in line with this objective: for the 10 years to 30 September 2015 Electra's return on equity was 13% per year. Electra's performance has been consistently superior to that of the Morningstar Private Equity Index and the FTSE All-Share Index.

Private equity benefits from:

- an active approach based on a high level of engagement between the fund manager and the management teams of investee companies both before and after an investment is made;
- the alignment of interests between managers and investors through economic incentives; and
- an ownership framework which facilitates long-term decision-making.

Electra offers shareholders differentiated, direct access to private equity through a flexible listed vehicle.

Financial Highlights

As at 30 September 2015

Total portfolio return of 34% in the year	£429m
Investment portfolio equivalent to 108% of net assets	£1,630m
Net liquid resources	£78m
Diluted NAV per share total return of 25% in the year	3,914p
Diluted NAV per share, including dividends, total return over ten years	244%
Annualised return on equity over ten years	13%
Share price up 25% in the year	3,265p
Share price total return over ten years	210%
Total dividends for the year*	116p

* Based on the number of shares that will be in issue following the mandatory conversion of 5% Subordinated Convertible Bonds.

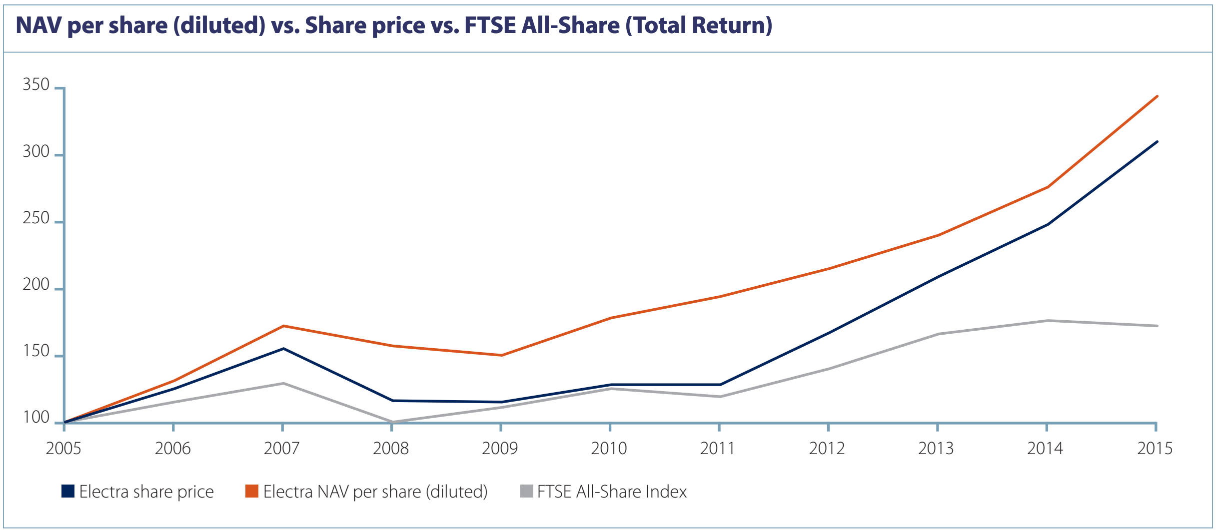
Performance (Total Return):

	One year	Three years	Five years	Ten years
Electra NAV per share (diluted)	25%	60%	93%	244%
Morningstar PE Index NAV per share return*	10%	40%	46%	35%
Electra share price	25%	87%	141%	210%
Morningstar PE Index share price return*	13%	69%	77%	10%
FTSE All-Share Index	(2)%	23%	38%	72%

Performance calculated on a total return basis with dividends reinvested.

* The above index, prepared by Morningstar UK Limited, reflects the performance of 20 private equity vehicles, excluding Electra, listed on the London Stock Exchange.

Long-term Performance



Note: 30 September 2005 equals 100.

Historic NAV, Share price and Return on Equity

Year ended 30 September	Total NAV £m	Diluted NAV per share p	Ordinary share price p	Dividends per share p	10-year annualised return on equity %
1996	886	522	413	8.40	12
1997	1,083	640	483	9.70	9
1998	1,145	676	512	11.18	11
1999	987	951	836	–	12
2000	874	1,085	1,034	–	16
2001	541	830	651	–	12
2002	498	764	463	–	12
2003	495	760	634	–	10
2004	427	913	794	–	10
2005	521	1,197	1,113	–	11
2006	598	1,545	1,371	20.00	12
2007	746	2,001	1,680	17.00	13
2008	641	1,801	1,235	25.00	11
2009	608	1,720	1,224	–	7
2010	725	2,050	1,368	–	7
2011	821	2,225	1,360	–	11
2012	916	2,473	1,770	–	13
2013	1,030	2,764	2,230	–	14
2014	1,195	3,174	2,650	–	14
2015	1,503	3,914	3,265	*38.00	13

* Interim dividend.

Please note:
In 1999 Electra was placed in a realisation phase and was not authorised to make new investments. Between 1999 and 2006 Electra returned a total of £1.2 billion to shareholders through share buybacks and tender offers. Electra returned to full investment in October 2006.

Chairman's Statement

"Electra's performance continues to be extremely strong, with net asset value increasing by over £470 million in the two years to 30 September 2015, driven by excellent performance in the investment portfolio and impressive uplifts from realisations.

"We are also pleased to be announcing a final dividend for the year, taking total dividends announced in the year to 116p per share.

"The Board believes that Electra's investment approach has served shareholders extremely well over the years, producing consistent returns in the targeted range of 10-15%. The current portfolio is already delivering further strong growth, driven by our unique model, and we are very excited by the opportunities that lie ahead."

Overview

I am pleased to report another set of excellent results for the year to 30 September 2015. The total return to shareholders of £311 million has been achieved against a backdrop of difficult market conditions and continued agitation from our largest shareholder. Much of this return arises out of portfolio realisations made either during the year or shortly after it. Within the retained portfolio we continue to see good profit growth and cash generation both of which augur well for the future.

During this year, the Board concluded its review of the Company's capital structure, distribution policy and management fees, the results of which were announced in February. The Board believes that these changes will deliver benefits for all shareholders and enhance future shareholder returns from the investment performance consistently delivered by Electra Partners.

Results

This has been a particularly successful year with a total NAV return to 30 September 2015 of 25%. Electra's total share price return over the same period was 25%, compared to a total return on the FTSE All-Share of -2%.

This year's excellent performance is a continuation of Electra's long-term track record. Over the 10 years to 30 September 2015, Electra's diluted net asset value per share total return was 244%. This compares to the Morningstar Private Equity Index's total NAV return of 35% over ten years. On this measure, Electra is the best performing London-listed private equity investment company.

Electra's share price also performed well over the same period, generating a total return of 210%, compared to the total return for the Morningstar Private Equity Share Price Index of 10% and for the FTSE All-Share of 72%, both over ten years.

For the 10 years to 30 September 2015, Electra's annualised net return on equity was 13%. Over the same period Electra's annualised share price return was 12%.

Investment Activity

Investment activity continues at a high level, with one new direct investment and many bolt-on acquisitions within the portfolio. The latter have in general offered more attractive pricing and better value than direct investment opportunities seen this year. The ten completed bolt-ons were financed partly by Electra and with a further £125 million from portfolio companies' own balance sheets.

During the period Electra announced the merger of Park Resorts, South Lakeland Parks and Southview and Manor Park with Parkdean Holidays to create a group with an enterprise value of £960 million and profits of more than £100 million. This is a transformational deal which will help to drive this business forward.

Competition for and pricing of private equity investments are at historically high levels. Against this backdrop, Electra Partners has been active in realising value from some of the more mature assets in the portfolio. Realisations during the year to 30 September 2015 were at a high level, with proceeds of £259 million received and a further £270 million expected to be received shortly after the year-end.

Long-term Strategy and Sherborne Investors

The long-term nature of private equity investment can be seen in terms of both the investment process and average periods for which investments are held. A new investment can take several years to originate and from a few weeks to a year to execute. During this time the Manager develops its relationship with the management team, builds its investment thesis and strategy, and performs extensive internal and third-party due diligence in order to fully understand both the target business and the market in which it operates. Once made, private equity investments are illiquid and take time to mature before they reach a point at which value can be realised.

This has been a particularly successful year with a total NAV return to 30 September 2015 of 25%. Electra's total share price return over the same period was 25%, compared to a total return on the FTSE All-Share of -2%.

The effectiveness of this approach is demonstrated by Electra's long-term performance. Continuing this proven approach requires stability so that both the Manager and the portfolio company management teams can focus on implementing their agreed business plans.

Sherborne Investors have now held their investment in Electra for nearly two years but have consistently refused, despite repeated requests, to explain how and why they wish to implement changes to the Company's proven model.

On many occasions they have promised that their strategic changes will deliver £1 billion of additional value, but without providing any detail. Accordingly, the Directors do not know how or over what period such additional value might be delivered. In the meantime, Electra's proven strategy continues to produce excellent returns – over the two years since September 2013, shortly before Sherborne Investors came onto Electra's share register, Electra has produced a net return of £473 million.

As an independent Board, we are open to constructive dialogue with all investors. We are always interested to hear good suggestions as to how Electra's performance could be improved. In the case of Sherborne Investors, we have engaged in much dialogue but been offered absolutely no insight into the plan they intend to pursue. We have seen no evidence that they have done any due diligence on the portfolio or are able to offer any insights into how the underlying portfolio might be improved. Their continued description of Electra as a "turnaround" and of their participation on the Board as being "active", implies that their plan will follow their normal short-term, cost-cutting strategy. This would be completely at odds with the proven, patient growth strategy currently employed by Electra. We can therefore only conclude that the presence on the Board of the nominees of Sherborne Investors would not only be incompatible with Electra's proven strategy but also be potentially destabilising, divisive and value destructive. Hence our opposition to the election of Sherborne's nominees to the Board.

Review of Capital Structure, Distribution Policy and Management Fees

Following the General Meeting in October 2014, and as a result of discussions with shareholders, the Board announced that it was to conduct a review of Electra's capital structure, distribution policy and fee arrangements with Electra Partners. The outcome of this review was announced in February this year. By way of summary the following key changes were agreed by the Board:

- The multi-currency revolving credit facility which was previously drawn to facilitate currency hedging has been repaid. The facility will be redrawn in the future as required to bridge liquidity requirements for new investment or to meet ongoing expenses. The Board is content under the present circumstances to accept the additional currency exposure that this debt repayment will bring. However, the Company's foreign currency exposure will be kept under review.

- The annual management fee, known as priority profit share, was previously set at 1.5% of gross assets, including cash. From 1 April 2015, no fee is being paid on cash and the management fee on Non-Core Listed and Primary Fund Investments has reduced to 1%. If the old arrangements had been in place, including the hedging policy, for the six months to 30 September 2015 the fee would have been £3 million higher than has been the case.

- Beyond the Convertible Bonds and the Zero Dividend Preference Shares already in issue, it is not currently intended to borrow on Electra's balance sheet other than through the use of the existing multi-currency facility on a revolving basis.

- For a number of years the Company had not paid dividends unless required to do so to maintain Investment Trust status and has not initiated any share buybacks since 2008. The Board has now implemented a distribution policy to return to shareholders a targeted 3% of NAV per annum by way of cash dividend or share buybacks. It is the intention of the Board that any shares bought back under this policy will be cancelled.

The Board believes the above changes are in the interests of all shareholders and will enhance future returns.

Balance Sheet

Net liquid resources at 30 September 2015, after allowing for the value of the ZDP Shares, which are repayable in August 2016, were £78 million. As mentioned above, it is anticipated that approximately £270 million will be received in respect of investments sold before or shortly after the end of the year to 30 September 2015. After taking into account the proposed final dividend and investments which are expected to complete in the near future, the resulting net liquid resources are anticipated to be approximately £170 million.

During the year the Company's multi-currency revolving credit facility was increased from £195 million to £275 million and the term was extended to December 2019. All terms were improved, in particular the margin and commitment fee.

5% Subordinated Convertible Bond

Subsequent to 30 September 2015, in accordance with the terms and conditions of the 5% Subordinated Convertible Bond, the Company became entitled to exercise its right to a Mandatory Conversion of all of the Bonds in issue into ordinary shares. Accordingly, the Board has resolved to exercise this right and proposes to issue the Mandatory Conversion Notice to Bond holders in November 2015.

Following the issue of the Mandatory Conversion Notice, the Bonds will convert into ordinary shares on 29 December 2015. Bond holders will receive further details about the Mandatory Conversion in the Mandatory Conversion Notice once posted.

Dividend

In line with the revised distribution policy described above, the Directors recommend the payment of a final dividend in respect of the year ended 30 September 2015 of 78p per ordinary share, equivalent to 2% of net asset value, which would make the total dividend paid for the year 116p per ordinary share (based on the number of shares that will be in issue following the mandatory conversion of 5% Subordinated Convertible Bonds) or 3% of net asset value. Subject to approval by shareholders at the Annual General Meeting to be held on 25 January 2016, the final dividend will be paid on 26 February 2016 to shareholders on the Register of Members at the close of business on 22 January 2016.

Outlook

This is another excellent set of results for Electra and a continuation of the Company's strong, long-term performance record. Electra's proven model continues to deliver excellent value for shareholders, with profit growth and cash generation within the portfolio suggesting that the prospects for the future are very promising.

Roger Yates
Chairman
23 October 2015

Audiotonix

Audio mixing console manufacturer

Photograph taken at the Baku 2015 European Games.

Strategic Report

The Strategic Report provides a review of the Company's business, strategy and performance during the year to 30 September 2015, and a description of the principal risks and uncertainties facing the Company. References to other sections of this Report and Accounts are provided where appropriate.

Business Model

Electra

Electra has been an approved Investment Trust since 1 October 2012 and will continue to be exempt from capital gains tax provided it continues to meet the eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and of the ongoing requirements for approved companies in the Investment Trust (Approved Company) (Tax) Regulations 2011.

Electra's business and affairs are managed by an exclusive and fully discretionary Manager. Electra Partners LLP was appointed as the Manager in 2006 and manages the Company's assets and investments in accordance with guidelines determined by the Directors and as specified in limited partnership and in management and investment guideline agreements.

The Manager

Electra Partners is an independent private equity fund manager with over 25 years' experience in the mid-market. Electra Partners' team has delivered investment performance in the top quartile when compared with similar fund sizes, strategies and vintages. Electra Partners has successfully delivered consistently strong returns. For the ten years to 30 September 2015 Electra's annualised return on equity was 13%. Further information about Electra Partners is to be found in "The Manager" section on pages 18 to 23.

Fee Arrangements

Electra Partners receives a priority profit share of 1.5% per annum on the gross value of Electra's core investment portfolio (which accounted for 94% of the total investment portfolio at 30 September 2015) and a fee of 1% per annum on non-core listed and primary fund investments. No fee is paid on cash. The partners of Electra Partners participate in co-investment and carried interest schemes which are explained in more detail in Notes 22 and 23 of the Notes to the Financial Statements.

Alignment of Interests

The alignment of interests between investors and managers through economic incentives is a critical feature of the private equity model. It contributes to the outperformance of private equity compared to other asset classes.

When Electra invests in a buyout or co-investment, it is normal for the management team of the underlying company to make a meaningful investment in the equity of that company alongside Electra. This serves to align each portfolio company management team's interests with Electra's in making decisions relating to that company.

Equally, the partners of Electra Partners are obliged to invest pari passu in each investment which Electra makes. These individuals also benefit from carried interest schemes whereby they share in realised investment profits relating to certain investment pools, subject to a minimum annual return for Electra and after deducting the relevant part of the priority profit share paid to Electra Partners. These arrangements, which reward only realised returns and take into account the time value of money, ensure that Electra Partners is incentivised to construct a portfolio of attractive investments, to manage it effectively and to realise each investment at the optimum time.

These arrangements are described in more detail in Notes 22 and 23 of the Notes to the Financial Statements.

Objective and Strategy

Objective

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

Strategy

Under the investment strategy approved by shareholders in October 2006, all of Electra's capital resources are available for investment in private equity, subject now to the Distribution Policy summarised on page 11. Electra actively manages its gearing and capital position in light of prevailing market conditions.

Electra's strategy, along with the performance of the Manager, is kept under active review by the Board.

Investment Strategy

Electra has one of the most flexible mandates in the private equity sector. This means that it invests across the full range of private equity opportunities, in any sector and across the capital structure.

This flexibility allows Electra Partners to tailor its investment strategy to suit changing market conditions, thereby deploying capital where it sees the best relative value for shareholders. Electra Partners focuses on the following types of investment: buyouts and co-investments, secondaries and debt.

Electra's structure means Electra can provide long-term capital to portfolio businesses. As it invests directly rather than through a fund structure, its investment horizons are not influenced by fund investment periods or fund-raising cycles. This means that it can support its investee companies with a long-term strategy and access to capital. Exits are sought only when returns can be maximised for shareholders.

Electra Partners manages Electra's business and affairs on an exclusive and fully discretionary basis. Further information on Electra Partners and its investment strategy can be found on pages 18 to 23.

Asset Management

Electra Partners employs a rigorous investment process which ensures disciplined investment selection and portfolio management. In constructing and managing Electra's investment portfolio, Electra Partners takes into consideration not only the specific circumstances of each individual investment but also the profile of the portfolio as a whole.

The portfolio is managed to avoid concentration in any one sector or asset. At the time of investment, not more than 15% of Electra's total assets will be invested in any single investment. If Electra acquires a portfolio of assets in a single transaction, this limitation shall be applied individually to each of the underlying assets and not to the portfolio as a whole. The largest investment made by Electra during the year was TGI Fridays which represented 8% of its total assets at the time of investment.

Gearing and Capital Management

Electra has a policy to maintain total gearing below 40% of its total assets. At 30 September 2015 gearing stood at 8% of total assets.

An appropriate level of liquidity is maintained to ensure that Electra can participate in all investments arranged by Electra Partners, support its portfolio with follow-on investment as required and meet ongoing costs and commitments including any distributions to shareholders in line with the Distribution Policy. At 30 September 2015 net liquid resources, after allowing for the value of the ZDP Shares, which are repayable in August 2016, were £78 million.

The Company makes use of borrowings to provide investment capacity or to meet ongoing expenses. The capital position and levels of gearing are managed in light of prevailing economic conditions. Beyond the Convertible Bonds and the Zero Dividend Preference Shares already in issue, it is not currently intended to borrow on Electra's balance sheet other than through the use of the multi-currency credit facility on a revolving basis to facilitate new investment or meet ongoing expenses.

Further information on Electra's borrowings is provided in Note 16 on page 77.

Costs

Electra's ongoing charges ratio for the year to 30 September 2015 was 2.0% (2014: 2.3%).

Commitments

Unlike many other listed private equity companies, Electra for the most part invests directly in transactions arranged by Electra Partners rather than through a limited partnership fund which may be managed in the interests of a number of investors.

This means that Electra's interests are clearly and independently taken into account by Electra Partners, which can moderate or accelerate the pace of investment to suit Electra's net liquid resources. As a result, there is a low risk of Electra becoming over-committed.

At 30 September 2015 Electra had commitments outstanding to private equity funds of £52 million, of which £21 million was to funds still in their investment period.

Distribution Policy

For a number of years the Company did not pay dividends unless required to do so to maintain Investment Trust status. However, following a review of the distribution policy in February 2015 the Company implemented a revised distribution policy whereby Electra will return to shareholders a targeted 3% of NAV per annum, by way of cash dividend or share buybacks. Any shares bought back under this policy will be cancelled.

Discount Management

The Board actively considers discount control mechanisms, including dividends, share buybacks, share splits and improved or ad hoc disclosure.

In evaluating dividends, share buybacks or other returns of capital to shareholders, the Board takes into account the discount at which Electra's shares trade relative to their net asset value, the prospective returns available from investment opportunities as well as other competing calls on the Company's capital.

The Directors intend to 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.

Shareholder Engagement

Electra places great importance on communication with its shareholders. Working together with Electra Partners, it endeavours to provide valuable information and insight on the Company and its performance to shareholders through Annual and Interim Reports, Quarterly Update Reports, web disclosure covering key shareholder documents and key portfolio information as well as recently holding an inaugural Capital Markets Event. Representatives of the Board hold meetings with principal shareholders to discuss relevant issues as they arise. Electra Partners maintains a regular and proactive dialogue with institutional shareholders and analysts; markets Electra's shares to potential shareholders; maintains relationships with journalists, trade bodies and other industry commentators; and is responsive to enquiries from any shareholder or potential shareholder. Electra Partners' investor relations team regularly reports to the Board on its activities.

Principal Risks and Risk Management

Risk Management

The appointment of Electra Partners as AIFM of the Company under the AIFMD means that it is responsible for risk management and the ongoing process of identifying, evaluating, monitoring and managing the risks facing the Company in accordance with the requirements of the AIFMD. The Board keeps Electra Partners' performance of these responsibilities under review as part of its overall responsibility for the Company's internal controls. The Board and Electra Partners consider that the risks detailed below are the Principal Risks facing the Company along with the risks detailed in Note 19 of the Notes to the Financial Statements.

The Board and the Manager can confirm that the Principal Risks of the Company, including those which would threaten its business model, future performance, solvency or liquidity, have been robustly assessed for the year ended 30 September 2015.

Macroeconomic Risks

The performance of the Company's investment portfolio is materially influenced by economic conditions. These may affect demand for products or services supplied by investee companies, foreign exchange rates, the price of commodities or other input costs, interest rates, debt and equity capital markets and the number of active trade and financial buyers. All of these factors have an impact on the Company's ability to realise its investment portfolio and the level of return realisable.

Gearing Risks

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 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 and Electra Partners regularly monitor the headroom available under banking covenants and review the impact of the various forms of gearing and their cost to the Company.

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

Gearing is also used across the Company's investment portfolio. Each investment in which gearing is employed presents the same risks as are faced by Electra. Electra Partners actively monitors gearing across the investment portfolio, including working closely with management teams to ensure that the terms of any borrowing facilities are being observed and maintaining relationships with the lenders who make facilities available.

Foreign Currency Risks

A proportion of the Company's investment portfolio, comprising investments in the USA, Continental Europe and Asia, is denominated in currencies other than Sterling. Movements in foreign exchange rates may therefore affect the Company's net assets, as detailed in Note 19 of the Notes to the Financial Statements.

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

During the year, the Company held loans denominated in US Dollars and Euros, which partially offset foreign currency risk on foreign investments. Following a review of the capital structure in February 2015 it was announced that drawings under the multi-currency facility would be repaid in full in March 2015; this has removed the partial foreign currency hedge which that drawn debt had achieved.

The Board regularly reviews the Company's foreign exchange exposure together with the most cost-effective approach to hedging such exposure. The use of derivatives to hedge specific foreign exchange transactions may be considered where the timing and quantum of cash flows is known. The Board may also consider drawings in foreign currencies under the multi-currency revolving credit facility in the event of a material change in the Company's foreign exchange exposure. At 30 September 2015 the Company had no foreign exchange hedges in place.

Foreign exchange exposures also exist across the Company's investment portfolio as a result of the denomination of revenues, costs, assets and liabilities in different currencies. The Manager works with the Company's investment portfolio to make use of natural, financing and derivative hedges to mitigate these exposures.

Long-term Strategic Risks

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 keeps the Company's strategy and the performance of the Manager under regular review.

The Board regularly reviews the Objective and Investment Policy, which can be found on page 112, in light of prevailing investor sentiment to ensure the Company remains attractive to its shareholders.

Investment Risks

The Company operates in a highly competitive market. The supply of investment opportunities relative to that of investment capital, as well as the ability of Electra Partners to access investment opportunities, 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.

The performance of the Company's portfolio is influenced by a number of factors. These include but are not limited to: (i) the quality of the initial investment decision; (ii) the quality of the management team of each underlying portfolio company as well as the ability of that team successfully to implement its business strategy; (iii) the success of Electra Partners in building an effective working relationship with each team in order to agree and implement value-creation strategies; and (iv) the macroeconomic risks described above. Any one of these factors could have an impact on the valuation of an investment and on the Company's ability to realise the investment in a profitable and timely manner.

Electra Partners has in place a rigorous investment process which ensures disciplined investment selection and portfolio management. This includes detailed due diligence, regular portfolio reviews and in many cases an active engagement with portfolio companies including by way of board representation.

The Board regularly reviews both the performance of Electra Partners and its incentive arrangements in order to ensure that both remain appropriate to the Company's objectives.

Portfolio Diversification Risk

The Company is subject to the risk that its portfolio may not be sufficiently diversified by being too heavily concentrated in any one sector or industry, particularly in relation to the UK economy where the majority of its investments are located.

Electra Partners attempts to mitigate this risk by portfolio diversification, including by making investments in accordance with the Objective and Investment Policy which requires that investments will be made across a broad range of sectors and industries and specifies that at the time of investment not more than 15% of the Company's investments will typically be invested in any single investment and if the Company acquires a portfolio of companies in a single transaction, this limitation shall be applied individually to each of the underlying companies purchased.

As part of its investment process, Electra Partners carries out detailed evaluation and due diligence of investment opportunities, including carefully considering whether the Company already has existing investments in that sector or industry and seeks to avoid making investments which inappropriately reduce the diversification of the portfolio of the Company.

Valuation Risk

The valuation of investments in accordance with IAS 39 and IPEV guidelines requires considerable judgement and is explained on pages 98 to 100.

Operational Risk

The Company's investment management, custody of assets and many administrative systems are provided or arranged by Electra Partners. The Company is thus exposed to a range of operational risks including those relating to human resources, legal and regulatory matters, information technology systems, business disruption or 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. Further information is included in the Corporate Governance Statement on pages 125 to 129.

Viability Statement

The Directors have carefully assessed the Company's current position and prospects as described in the Chairman's Statement, the Investment Highlights and Portfolio Review, the Market Review and the Financial Review as well as the Principal Risks stated above and have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three financial years.

The particular factors the Directors have considered in assessing the prospects of the Company and in selecting a suitable period in making this assessment are as follows:

- The Company invests primarily in long-term illiquid investments which are not publicly traded. When making a new investment the anticipated holding period can be five years or more.

- Gearing facilities are important for both the Company and its portfolio companies and are typically arranged with banks for periods of three to seven years.

- The Board reviews the liquidity of the Company and regularly considers commitments to private equity investments, long-term cash flow projections and the use of gearing.

- As detailed in the Corporate Governance Statement, the Valuations Committee oversees the valuation process carried out by Electra Partners. Typically, the medium-term prospects of each portfolio company form an important part of the valuation process.

- As also detailed in the Corporate Governance Statement, the Management Engagement Committee reviews the performance of the Manager.

Taking account of the above factors of anticipated investment holding periods, the term periods of gearing facilities of both the Company and its portfolio companies, the liquidity of the Company, the valuations and medium-term prospects of its portfolio companies and the activities and performance of the Manager, the Directors have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three financial years.

In making this assessment, the Directors have assumed that the threats to the Company's solvency or liquidity incorporated in the Principal Risks will be managed or mitigated as outlined there.

Community, Social, Employee, Human Rights 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, including in relation to social and human rights issues.

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 high standards of corporate social responsibility ("CSR") make good business sense and have the potential to protect and enhance investment returns. Consequently, Electra Partners' investment process ensures that social, environmental and ethical issues are taken into account when 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.

Board Diversity

There are currently three female and three male Directors on the Board and there have been at least 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 female Board representation.

Apart from the main Board Directors there are thirteen male and one female non-executive Directors of the Company's consolidated subsidiaries, all of which are investment holding or finance vehicles.

Employee Related Disclosures

Electra is an investment trust which has no employees other than the non-executive Directors of its main Board and therefore has no disclosures to make in this regard.

Performance and Prospects

Performance

A number of Key Performance Indicators ("KPIs") are considered by the Board and Electra Partners in assessing the Company's success in achieving its objectives. These KPIs are:

> Return on equity over the long term
>
> The Company's objective is to achieve a return on equity of between 10% and 15% per year over the long term. Over the 10 years to 30 September 2015 the Company's annualised diluted NAV per share return was 13%.
>
> The NAV per ordinary share total return
>
> The Company's diluted net asset value per share total return was 25% over the twelve months and 244% over the ten years to 30 September 2015. These compared with 10% and 35% respectively by the Morningstar Private Equity Index.
>
> The share price total return
>
> The Company's share price total return was 25% over the twelve months and 210% over the ten years to 30 September 2015. These compared with 13% and 10% respectively by the Morningstar Private Equity Index and -2% and 72% respectively by the FTSE All-Share Index.

Further details on the KPIs are shown on pages 2 to 3 of this Annual Report. Further information on the Company's performance is given in the Chairman's Statement, the Investment Highlights and Portfolio Review and the Financial Review on pages 4 to 7, 24 to 33, and 61 to 63 respectively.

Prospects

The Company's current position and prospects are described in the Chairman's Statement, the Investment Highlights and Portfolio Review, the Market Review and the Financial Review sections of this Annual Report, on pages 4 to 7, 24 to 35 and 61 to 63 respectively.

Roger Yates
Chairman
23 October 2015

The Manager

ELECTRA PARTNERS
FLEXIBLE PRIVATE EQUITY

About Electra Partners
Electra Partners is an independent private equity fund manager with over 25 years' experience in the mid-market.

During this time, the Electra Partners team has invested in excess of £4.5 billion in more than 200 deals, with a consistent focus on mid-market companies. This track record of investing through numerous economic cycles gives Electra Partners both broad and deep experience across sectors, geographies and business models.

At 30 September 2015 Electra Partners had funds under management of over £1.8 billion including capital available for investment of nearly £350 million. Electra accounts for more than 95% of Electra Partners' funds under management; the balance is managed on behalf of US and European pension funds, asset managers and family offices.

Superior Performance
Over the last ten years Electra, which is managed on an exclusive and fully discretionary basis by Electra Partners, has seen a diluted NAV per share return of 244%. This is seven times the NAV per share return of the Morningstar Private Equity Index and is equivalent to a ten-year annualised return of 13%, at the upper end of Electra's target range of 10-15% over the long-term.

The Electra Partners team has delivered investment performance in the top quartile when compared with similar fund sizes, strategies and vintages.

The Electra Difference – Flexible Capital
Electra's investment strategy and structure is different from that of almost every other private equity fund. This has two key implications:

First, Electra Partners is able to invest across the full range of private equity opportunities: control and minority, equity and debt, direct and indirect. This means that it can tailor its investment strategy to suit changing market conditions and invest where many others cannot.

Second, Electra Partners is able to provide stable long-term capital. It doesn't face expiring investment periods or exit pressure driven by fund-raising cycles. This means that it can fully support investee companies with a long-term strategy and access to capital, and exit when returns are maximised for shareholders.

Investment Strategy
Throughout its history, Electra Partners has focused on investing for profits growth by backing the right management teams, comprising talented and experienced people with a credible strategy. Electra's flexible capital allows Electra Partners to invest across all forms of private equity situations, which it categorises into three groups:

1. Buyouts and Co-investments: direct investment in high-quality, well-managed businesses that have the potential for profits growth – through organic growth, operational improvement or acquisition. As lead investor, Electra Partners typically targets investments of £40 million to £150 million in UK-centric companies with an enterprise value of up to £300 million. Electra Partners also co-invests £30 million to £100 million in minority positions in UK or international companies alongside founders, other private equity firms, corporates or the public markets.

2. **Secondaries:** secondary purchases of existing investors' positions in either individual or portfolios of private equity funds, as well as acquisitions of portfolios of businesses, known as "secondary directs".

3. **Debt:** secondary purchases from existing lenders of individual or portfolios of either performing or stretched loans, where "stretched" refers to debt in good businesses with bad balance sheets where Electra Partners can take a role in the restructuring of the capital structure.

Electra Partners applies the disciplines of buyout investing to its appraisal and management of investments in all three of these groups.

Active Ownership

Electra Partners takes an active ownership approach to managing Electra's portfolio.

This means that before making a new investment, Electra Partners independently develops its own investment thesis and strategy, identifying the key drivers of investment return as part of its due diligence on each opportunity. It then develops an effective working relationship with a portfolio company's management team in order to implement this strategy, and engages more broadly with the portfolio company itself as well as the industry within which it operates. In particular Electra Partners contributes to the development of each portfolio company, and therefore to Electra's investment, in a range of areas including:

- Management: building the right management team by hiring experienced and ambitious people with the appropriate skills and talents, and by aligning their interests with Electra's through economic incentives;

- Business performance: on the basis of its own analysis and specialist external support, identifying opportunities to improve the company's effectiveness or efficiency;

- Strategy: agreeing long-term strategic objectives with the management team, ensuring the company has access to the resources required to deliver its strategy, measuring progress and taking appropriate action to correct any deviations from the agreed course;

- M&A: identifying, originating and executing add-on acquisition and merger opportunities using Electra Partners' extensive internal expertise and external networks; and managing the exit of each investment; and

- Financing: ensuring that the company has a financing structure appropriate to its objectives, for example where there is a short-term change programme underway which requires flexibility. Well-structured financing can also contribute to other objectives such as hedging a company's operational FX exposures.

Growth Themes

Electra Partners' investment strategy targets businesses driven by one or more macro growth themes, including:

	Description	Example
	Austerity/Value Consumers and businesses are increasingly focused on saving money through scale, technology or value propositions.	A UK operator of holiday parks. Demand is supported by the value proposition of static caravan parks to consumers looking for second homes or holidays. Park Resorts
	Regulation Increasing regulation drives growth opportunities for compliance products/services and market consolidation.	A leading supplier of animal identification products. Growth is driven by increased regulation of the food chain to ensure food safety. Allflex
	Demographic change Changes in population structure and profile create demand for specialist products and services.	The UK's largest shoe manufacturer. Demand for Hotter's cushioned and supportive footwear is growing due to population ageing. hotter
	International The internationalisation of business offers domestic or regional companies opportunities to enter new geographic markets using a range of strategies.	A leading supplier of professional audio equipment. Growth is based on an increasing number of live events in developed and developing markets. Audiotonix
	Digital economy Processing and communication technology development creates opportunities for new products and services.	An international group of information services businesses. New software applications are creating further opportunities to sell or integrate information into customers' workflow. AXIO

Investment Model

Electra Partners' investment team is managed by Chief Investment Partner Alex Fortescue and reports to the Investment Advisory Committee and the Investment Commitments Committee. Electra Partners operates a rigorous and disciplined investment model, as described below:

Investment Process: pre-investment: weekly and monthly investment team deal flow meetings; weekly and ad hoc investment committee meetings to consider new investments.

Investment Process: post-investment: weekly investment committee review of trading data; for each investment, 100-day review, biannual valuation process and annual strategy review.

Origination – creating deal flow:

Managing networks of intermediaries, industry experts and other introducers; thematic and sector analysis to identify interesting areas and businesses; developing investment theses and strategies as well as relationships with target company management teams and vendors.

- 372 investment opportunities considered during the year to 30 September 2015
- 80% of completed UK buyout deals in Electra's space seen in the year

Execution – making investments:

Evaluation and pricing of investment opportunities; in-house and third-party due diligence; raising debt from specialist capital markets; developing 100-day and business plans with management teams; winning deals; structuring, negotiation and closing.

- 1 direct unlisted and 2 secondary transactions completed in the year to 30 September 2015
- Over £788 million of new debt raised in the year

Portfolio Management – creating returns:

Putting in place the right management team to drive profits growth and cash generation; working closely with the team to develop strategy, set targets, measure and manage performance; making use of M&A and financing; and dealing with problems and opportunities.

- 10 bolt-on transactions announced in the year to 30 September 2015
- 16% year on year profits growth in direct unlisted portfolio*

Exit – realising the investment:

Identifying strategic/financial acquirers; timing the exit; creating buyer appetite and competitive tension; supplementing M&A with refinancings.

- £259 million of capital realised in the year to 30 September 2015
- Including £78 million of cash returned from repayment of loans in the year

* Weighted average, excluding investments held for less than 12 months and property investments

Investment Team

Electra Partners' senior management team is one of the most experienced teams in the industry and has on average 25 years' experience in private equity. The investment team has an average of 20 years' experience in private equity and is supported by a team of specialists in compliance, finance, investor relations and marketing.

Hugh Mumford
Managing Partner
Years private equity experience: 35

Alex Fortescue
Chief Investment Partner
Years private equity experience: 23

David Symondson
Deputy Managing Partner
Years private equity experience: 32

Alex Cooper-Evans
Partner
Years private equity experience: 22

Charles Elkington
Partner
Years private equity experience: 22

Chris Hanna
Partner
Years private equity experience: 18

Steve Ozin
Partner
Years private equity experience: 27

Bill Priestley
Partner
Years private equity experience: 19

Zoe Clements
Investment Director
Years private equity experience: 15

Sarah Williams
Investment Dire tor
Years private equity experience: 14

Owen Wilson
Investment Director
Years private equity experience: 15

Ian Wood
Investment Director
Years private equity experience: 14

Nicola Gray
Investment Manager
Years private equity experience: 6

Tom Stenhouse
Investment Manager
Years private equity experience: 4

Nigel Elsley
Property Investment Manager
Years private equity experience: 28

Rhian Davies
Senior Adviser
Years private equity experience: 23

Oliver Huntsman
Portfolio Manager
Years private equity experience: 34

For more information about Electra Partners please visit www.electrapartners.com.

Investment Highlights

"This has been another year of strong performance with a total NAV return of 25%, and a 10-year annualised net return on equity of 13%.

"We have continued to be busy with new investment, investing £188 million of Electra's capital as well as a further £125 million of portfolio companies' capital in ten bolt-on acquisitions.

"Investment performance again reflects our approach of buying attractive assets well and then accelerating their development by applying our proven active ownership model.

"Electra's portfolio offers considerable potential as the growth strategies we have in place at each portfolio company continue to take effect."

Performance for the Year

During the year, Electra's share price total return was 25% compared to a total return of -2% for the FTSE All-Share Index and a 13% total return for the Morningstar Private Equity Index over the same period.

Electra's diluted net asset value ("NAV") per share was 3,914p at the end of the financial year having continued to grow strongly, delivering a total return of 25% compared to a 10% NAV per share total return for the Morningstar Private Equity Index.

The total return from the investment portfolio over the year amounted to £429 million or 34%. Further information regarding the effect of this strong investment performance on Electra's NAV is included in the Financial Review on pages 61 to 63.

Long-Term Performance

Over the last ten years, Electra's shares have delivered a total return of 210%. This compares favourably to the total return over the same period of both the FTSE All-Share (72%) and the Morningstar Private Equity Index (10%).

Over the last ten years, Electra's NAV per share total return has been 244%. This again compares favourably to the NAV per share total return over the same period for the Morningstar Private Equity Index of 35%.

Investment Activity

New investment for the year totalled £188 million, compared to £410 million in the previous year. The lower level of new investment reflects the high volume of portfolio company M&A which has offered more attractive value creation opportunities than many of the new standalone investments that have been considered. The direct unlisted portfolio accounted for £167 million of this investment, where activity included one new investment, in TGI Fridays, and follow-on investments in Park Resorts, PINE and Allflex Corporation.

Realisations from the portfolio during the year reached £259 million, compared to £352 million in the previous year. The largest individual realisations were £72 million from the sale of Nuaire and £53 million in respect of AXIO Data Group, following its sale of JOC Group and Breakbulk in December 2014. £54 million was realised from funds and secondaries and £15 million was realised by the sale of listed securities.

Outlook

The year to 30 September 2015 has been another period of strong investment performance. The foundations of this performance are to be found in our success in buying attractive assets well, often by taking advantage of complexity; in developing a clear strategy for each investment centred on organic growth, operational improvement and M&A; and, together with portfolio company management teams, in actively implementing these strategies with energy and focus. We expect further strong performance from the investment portfolio as a result of this approach.

New investment has been slower this year. Our customary discipline has led us to focus on the relative value offered by portfolio company add-ons compared to new standalone investments this year. The former often take just as much time to complete as the latter. Nonetheless we continue to see opportunities to deploy Electra's capital to add to its portfolio of attractive private equity assets.

Portfolio Overview

At 30 September 2015, Electra's investment portfolio was valued at £1,630 million. The investment portfolio consists of direct unlisted investments, secondaries, listed securities and funds. The top 10 and 20 investments account for 67% and 90% respectively of the investment portfolio.

Portfolio Breakdown

Investment Portfolio	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Direct unlisted	1,351	996	662	612	621
Secondaries	92	105	126	34	57
Listed	84	63	55	68	51
Core investment portfolio	1,527	1,164	843	714	729
Other listed	17	28	32	37	43
Funds	86	80	93	117	111
Investment portfolio	1,630	1,272	968	868	883

Direct Unlisted Investments (83% of portfolio)
Direct unlisted investments form the major part (83% compared to 78% at 30 September 2014 and 68% at 30 September 2013) of Electra's portfolio and consist of investments in 25 private companies with an aggregate value of £1,351 million. The 10 largest investments account for 79% of the direct unlisted investment portfolio at 30 September 2015.

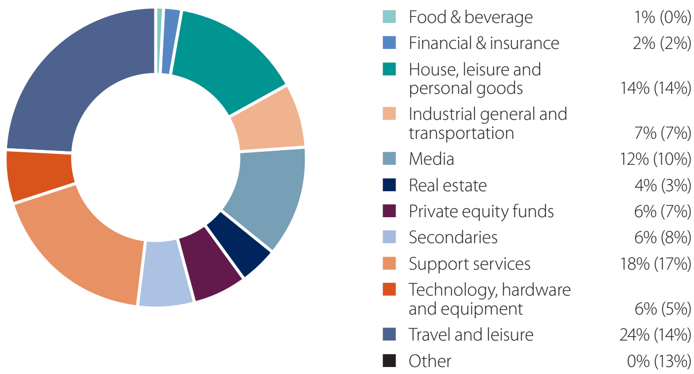
Secondary Investments (6% of the portfolio)
Secondary investments consist of limited partnership interests in third party private equity funds purchased from investors exiting their positions prior to the end of the fund's life. As a result of their relative maturity, secondary investments typically produce faster cash returns than direct unlisted investments. At 30 September 2015 Electra held investments in six secondary portfolios with an aggregate value of £92 million.

Listed Investments (6% of portfolio)
Electra held six listed investments with an aggregate value of £101 million at 30 September 2015. The largest listed investment was Zensar Technologies with a value of £84 million. Zensar is included within the core investment portfolio, the remaining five investments with a value of £17 million are outside the core investment portfolio.

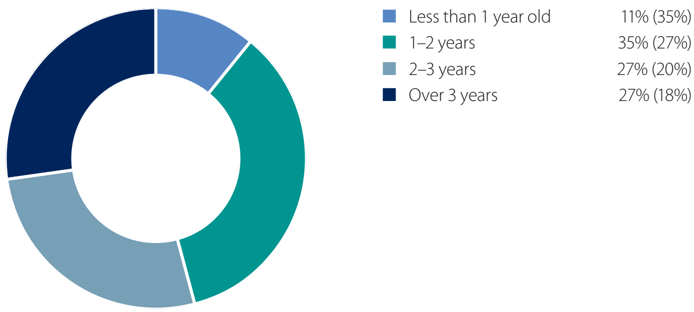
Core Investment Portfolio (94% of portfolio)
The core investment portfolio includes investments where Electra Partners have an active role in originating, evaluating, negotiating and/or managing the investment. The core investment portfolio accounts for 94% of the investment portfolio at 30 September 2015.

Fund Investments (5% of portfolio)
Fund investments consist of limited partnership interests in third party private equity funds where Electra made a primary commitment to that fund. New primary commitments to funds are no longer part of Electra's investment strategy. In total, Electra held investments in 13 funds comprising 59 underlying investments with an aggregate value of £86 million at 30 September 2015. This compares to 18 funds comprising 78 underlying investments with an aggregate value of £80 million at 30 September 2014.

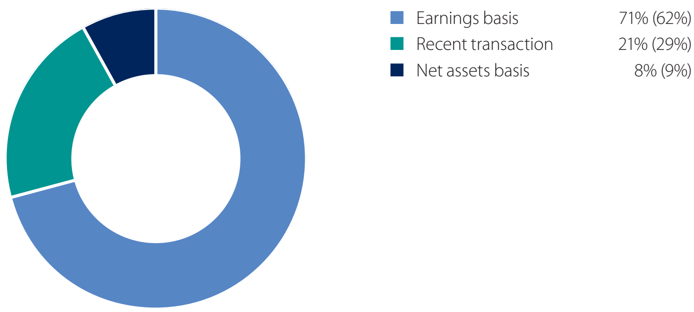
Investment Portfolio – Sector Breakdown
30 September 2015 (30 September 2014)



Direct Unlisted Investments – Age Analysis
30 September 2015 (30 September 2014)

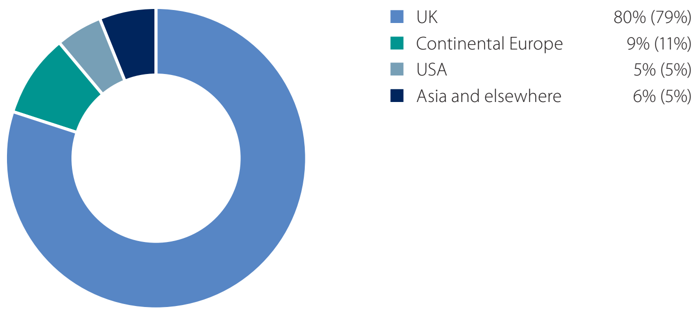


Direct Unlisted Investments – Valuation Basis
30 September 2015 (30 September 2014)



Investment Portfolio – Geographic Breakdown*
30 September 2015 (30 September 2014)

* Based on the location of the investee company's head office.



Portfolio Review

Portfolio Movement

Electra's investment portfolio increased from £1,272 million to £1,630 million during the twelve months to 30 September 2015. The increase of £358 million resulted from the acquisition of £188 million of new investments together with the portfolio return of £429 million, offset by realisations of £259 million.

Year ended 30 September	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Opening investment portfolio	1,272	968	868	883	766
Investments	188	410	337	150	136
Realisations	(259)	(352)	(459)	(301)	(137)
Total return	429	246	222	136	118
Closing investment portfolio	1,630	1,272	968	868	883
Total return on opening portfolio	34%	25%	26%	15%	15%

New Investments

Total new investment for the period reached £188 million compared to £410 million in the previous year.

New Investments

£188m

"Total new investment for the period reached £188 million compared to £410 million in the previous year."

Investment	Type	£m
TGI Fridays	Buyout	£99
Park Resorts	Debt	£27
PINE	Co-investment	£24
SCR (Allflex Corporation)	Co-investment	£11
Secondaries	–	£14
Other	–	£13

The most significant individual new investments were in respect of TGI Fridays, Park Resorts, PINE and Allflex Corporation.

In December 2014 Electra invested £99 million of equity in the buyout of TGI Fridays, the UK franchise of the eponymous American-styled restaurant chain. At the time of Electra's investment it operated from 66 (now 67) UK restaurants in a range of locations, including city centres, shopping centres and retail parks. The business offers a differentiated product, with a wide demographic appeal, in the growing casual dining market. The intention is to grow through new restaurant openings as well as improving yield management.

Electra originally invested in Park Resorts in 2012, buying the company's senior debt before taking an equity position in a refinancing led by Electra Partners in 2013 and subsequently making additional investments to acquire South Lakeland Parks and the Southview and Manor Park holiday parks. In April 2015 Electra invested a further £27 million, of which £2 million was then syndicated to a co-investor, in Park Resorts preference shares. This investment reflected the company's strong performance and prospects.

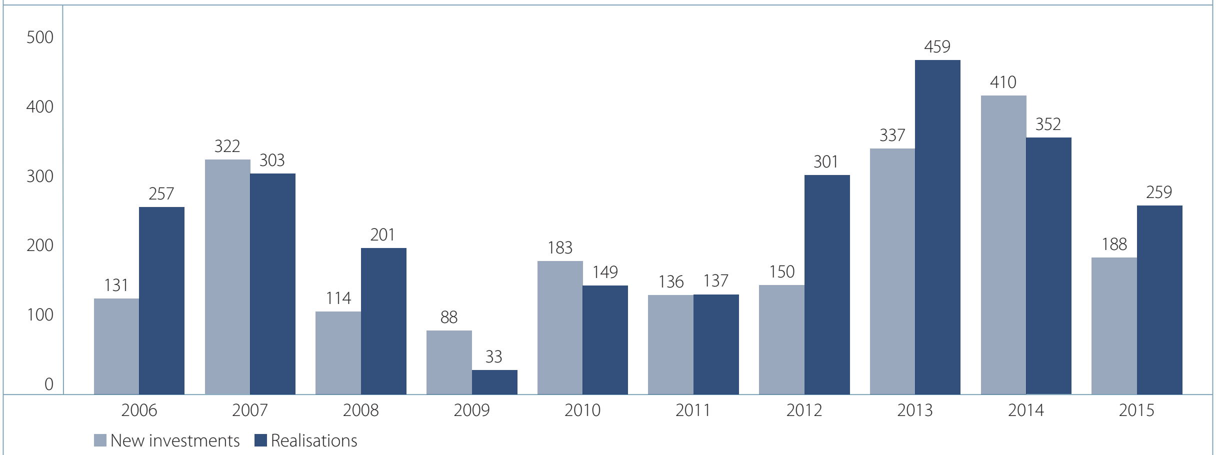
PINE is a Jersey Property Unit Trust created to build a freehold investment property portfolio focused on the UK educational sector. Electra invested a further £24 million in the year, including £20 million to support the acquisition of freehold investment properties relating to two special educational needs schools in Hampshire operated by the Priory Group. This was an important step in growing PINE's portfolio to broaden its exit options.

In January 2015 Allflex Corporation acquired SCR (Engineers) Ltd, the world's largest manufacturer of electronic milk meters and smart tags for monitoring cow fertility and health. SCR has a strong historical growth trend, driven by dairy farms' increasing need for productivity gains as well as growing concern over animal well-being. Its acquisition provides Allflex with an entry into a highly attractive adjacent sector and cements its position as the worldwide leader in farm livestock management products. Further growth is anticipated as the group makes use of its combined distribution, technology and product development resources. Electra made a further investment of $18 million (£11 million) in Allflex to support the acquisition.

Electra additionally invested a total of £14 million in two separate secondaries transactions. The larger of these was in respect of a portfolio of secondary funds, including several to which Electra already had an exposure through its investment in the EP1 Secondary Portfolio. The smaller transaction, amounting to some £5 million, was an interest in a Spanish infrastructure fund. Both of these investments were made at a significant discount to NAV.

A further £6 million was drawn down by private equity funds in which Electra is a limited partner. Commitments outstanding to private equity funds fell to £52 million compared to £77 million at September 2014.

New Investments and Realisations (£m) – Year to 30 September



Realisations

Total realisations for the year came to £259 million compared to £352 million in the previous year.

Realisations

£259m

"Total realisations for the year came to £259 million compared to £352 million in the previous year."

Nuaire	£72m
AXIO Data Group	£53m
Labco	£15m
Knight Square	£14m
Other direct unlisted	£36m
Secondaries	£42m
Funds	£12m
Listed	£15m

The most significant realisations during the year were in respect of Nuaire, AXIO Data Group, the EP1 Secondary Portfolio, Labco and Knight Square.

In August 2015 Electra sold its interest in ventilation systems manufacturer Nuaire in a transaction valued at £145 million. Electra received proceeds of £72 million, which represented a 90% uplift from the valuation at the beginning of the year. Electra originally invested in Nuaire in 2007 in order to participate in regulatory-driven growth in the ventilation market. Since then Nuaire has invested in new product development and successfully expanded its customer base, resulting in an 80% increase in revenues and a 120% increase in profits. Including the proceeds received from a refinancing in 2014, Electra realised a return of 3.8x original cost, an 18% IRR.

AXIO is a diverse and cash-generative group of individual information services companies. Electra Partners' strategy is first to transform each business by developing an appropriate long-term strategy and delivering through operational improvement and M&A, before selling each business individually. Two such sales, of JOC Group and Breakbulk, were completed in December 2014. Using the proceeds of these sales as well as operating cash flow, AXIO repaid £53 million to Electra.

€22 million (£15 million) of proceeds were received from the sale of Electra's investment in Labco, the clinical laboratory services group.

Electra Partners' strategy in respect of Knight Square, formerly known as Peverel, is to invest in service improvement and business development initiatives to stimulate growth. At the same time as implementing these initiatives, Knight Square has continued to be highly cash generative and has additionally made progress in realising surplus assets, resulting in its acquisition debt being substantially paid down. In October 2014 the group completed a refinancing that allowed it to make loan repayments of £14 million to Electra.

The secondaries portfolio produced realisations of £42 million in the year. The largest component was the EP1 Secondary Portfolio, in respect of which Electra received distributions totalling £35 million. This takes total distributions from the EP1 Secondary Portfolio to £69 million or 78% of cost and the total return on the investment to 1.5x cost. In addition Electra received distributions of £6 million in respect of Capitol Health, a US healthcare fund in which Electra purchased a secondary interest in 2005. Total distributions from this fund now stand at £15 million and the total return at 4.2x original cost.

Other realisation proceeds received by Electra included £12 million from private equity funds in which Electra held a limited partnership interest and £15 million from listed investments.

Performance

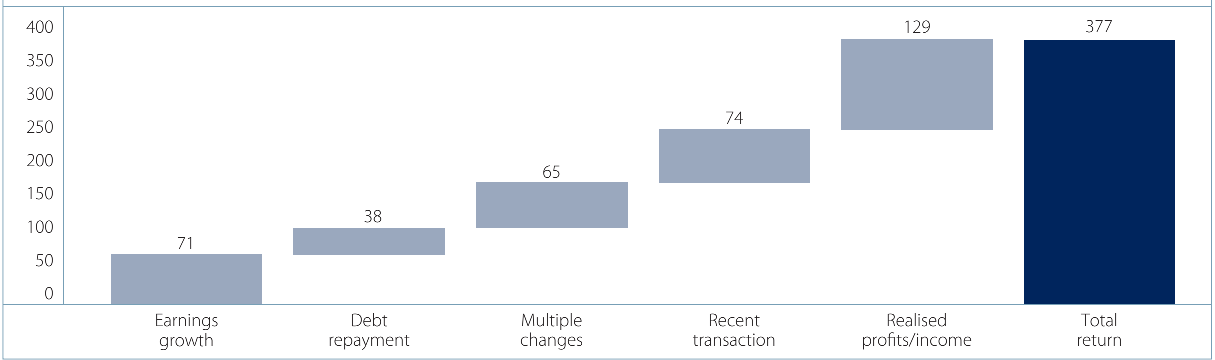
During the year to 30 September 2015 Electra's investment portfolio generated a total return of £429 million, an increase of 34% on the opening portfolio of £1,272 million.

The performance arose principally from the direct unlisted portfolio which generated a total return of £377 million, representing an increase of 38%. Excluding investments held for less than 12 months and property investments, earnings in portfolio companies grew by a weighted average of 16% year on year. Listed investments produced a return of £25 million, of which £21 million related to Zensar Technologies. The secondaries portfolio contributed £15 million to the total return, representing an increase of 14%. Private equity funds contributed £12 million, or 15% of the opening portfolio of £80 million.

Year ended 30 September	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Direct Unlisted	377	182	199	119	129
Listed	25	56	(7)	20	(22)
Secondaries	15	12	33	8	3
Funds	12	(4)	(3)	(11)	8
Total return	429	246	222	136	118

The total return of £377 million from the direct unlisted portfolio included £129 million of realised gains with the balance being unrealised. Unrealised appreciation included £71 million of valuation growth resulting from profit increases, £38 million in respect of debt repayment by portfolio companies, £65 million as a result of changes in multiples used for valuation and £74 million from a revaluation of Electra's investments in Park Resorts, South Lakeland Parks and Southview and Manor Park, based on the recent transaction value.

Analysis of Gains (Direct Unlisted Portfolio) £m



At 30 September 2015 direct unlisted investments valued on an earnings basis reflected a weighted average EV:EBITDA ratio of 8.6x compared to 8.2x at 30 September 2014.

Direct Unlisted Investments – Valuation Changes

The most significant increases in valuation arose in respect of AXIO Data Group, The Original Bowling Company, Elian, Park Resorts and Audiotonix.

Following receipt of proceeds from the sale of MIMS, AXIO will have returned 2x original cost to Electra having sold less than 50% of the profits it acquired in 2013.

AXIO has now successfully sold three of its seven divisions, in line with Electra Partners' strategy for the group. The sales of JOC Group and Breakbulk in December 2014 and of MIMS in October 2015 were achieved at valuations in excess of their carrying value, contributing £87 million to Electra's return of £112 million in the year. Following receipt of proceeds from the sale of MIMS, AXIO will have returned 2x original cost to Electra having sold less than 50% of the profits it acquired in 2013. The remainder of the return in the year is the result of profits growth driven by a continued focus on revenue growth and cost efficiency as well as the integration of the recently acquired FlightView business into OAG. The total return on this investment at the end of September was 3.1x original cost.

The valuation of The Original Bowling Company ("TOBC") increased by £53 million as a result of profits growth and strong cash generation. Profits growth since the date of Electra's investment has come from newly opened and refurbished sites as well as improved yield management, particularly in the peak holiday and weekend periods. The company's financial performance since completion of the investment in September 2014 has been significantly ahead of expectations and it is now anticipated that profits in the current year will exceed those planned for the year to September 2017 in the Electra Partners investment case. The total return on this investment at the end of September was 2.0x original cost. Further growth is expected from the ongoing programme of site openings and refurbishments as well as the acquisition of Bowlplex, a similar operator of ten-pin bowling centres. This acquisition was announced in April 2015 and is subject to the satisfaction of certain undertakings given by TOBC to the Competition and Markets Authority.

Elian has performed ahead of expectations since its acquisition in June 2014. This is the result of initiatives implemented by Electra Partners and the company's management team in respect of new business development, product expansion and cost rationalisation. The resulting profit performance is ahead of expectations and, together with cash flow and a re-rating of the sector following strong interest from financial sponsors, resulted in the valuation of Electra's investment increasing by £44 million. This took the total return on Electra's investment at the end of September to 1.6x cost. In September Elian announced that it had agreed to acquire SFM Europe, a leading provider of corporate services with more than €1 trillion of assets under administration. The deal is subject to regulatory approvals.

In August 2015 Electra announced the proposed merger of its portfolio companies Park Resorts, South Lakeland Parks and Southview and Manor Park with Parkdean Holidays. This transaction followed a strong performance by all three companies in 2014, with a number of investment and operational improvement programmes driving profits growth of 28%. During the financial year Electra's aggregate investment in the three companies has increased by £74 million, producing a total return of 2.2x original cost. Future growth is expected from further investment as well as the sharing of best practice across the group after completion of the merger, which is expected before the end of the year.

Audiotonix, formerly known as the Console Group, was formed in July 2014 by the merger of Electra's existing investment in Allen & Heath with DiGiCo. Performance of the group has been ahead of plan since completion of the merger, as a result of an increased focus on sales and marketing, new product development effectiveness and stronger cost controls. This performance, together with cash flow and an increase in the multiple used to value the business, resulted in the valuation of Electra's investment increasing by £30 million. The total return on this investment at the end of September was 1.5x original cost.

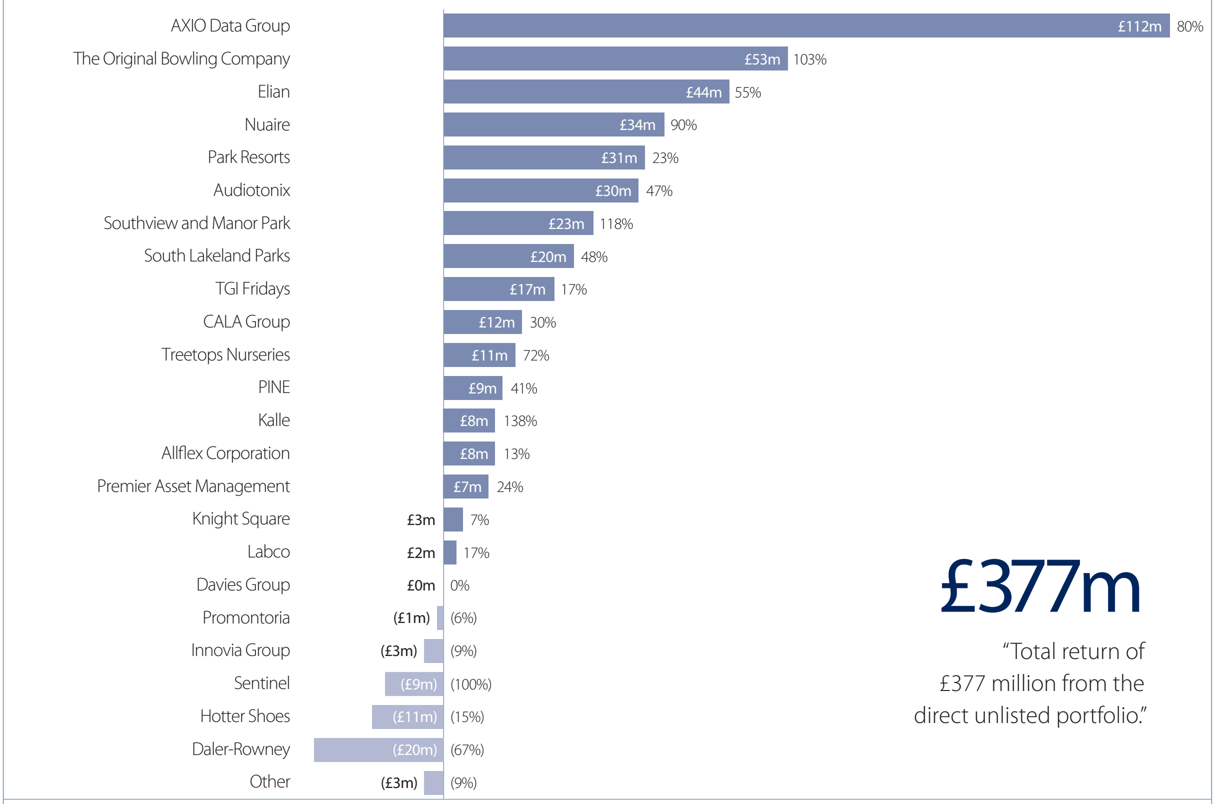
The largest valuation decreases were in respect of Daler-Rowney and Hotter Shoes.

The valuation of Electra's investment in Daler-Rowney was reduced by £20 million. This reflected a number of influences which have reduced profitability, including the weakening of the Euro against Sterling, operational reorganisation following the integration of an acquisition made in 2013 and movements in product mix. A number of new appointments have been made to strengthen the management team, which is implementing a plan to improve performance.

Hotter Shoes has continued to drive revenue growth through new store openings and international expansion. However, investment in promotional activity, customer acquisition and operational improvements has caused profits to decline. This, together with a decline in the earnings multiples of comparable companies, led to an £11 million reduction in the valuation of Electra's investment.

The table below shows the valuation changes in respect of Electra's direct unlisted investments.

Company Valuation Changes



£377m

"Total return of £377 million from the direct unlisted portfolio."

Hugh Mumford
Managing Partner
Electra Partners LLP
23 October 2015

Overview
Strategic and Business Review
Manager's Review
Financial Statements
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Further Information

Market Review

"We have seen deal volumes fall back again in 2015 and this in turn has pushed prices up further. Despite this we have been able to deploy £188 million in a new platform investment and in supporting a number of portfolio companies making value-additive acquisitions."

Summary

The UK market has experienced subdued deal volumes in the year, which in turn has resulted in average deal pricing increasing further.

Our focus remains on three areas: first, growth businesses playing to our key investment themes; second, situations where business or transaction complexity leads the market to undervalue stable, cash-generative businesses; and third, bolt-on acquisitions in which synergies and frequently limited competition allow us to deploy capital at favourable prices.

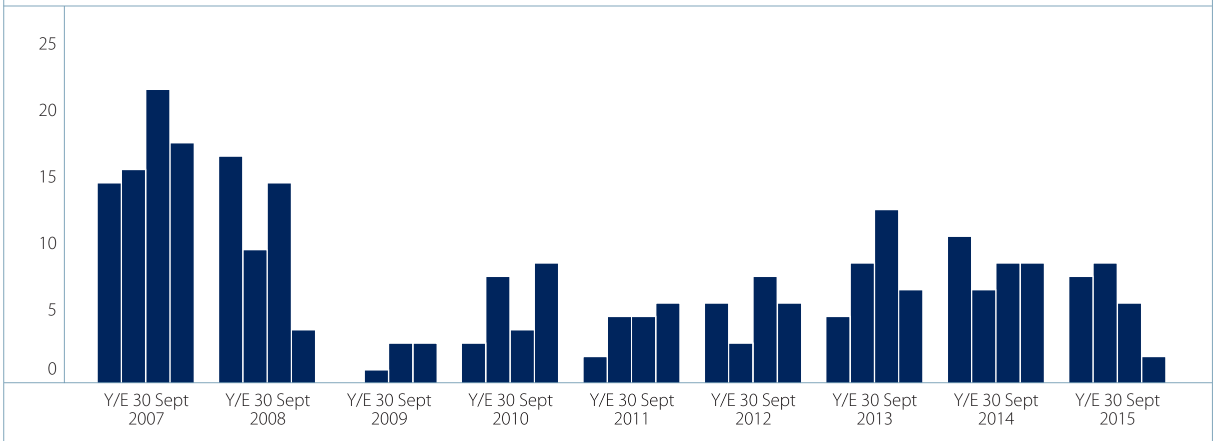
We have invested £99 million in one new control buyout, £14 million in two secondary transactions and partly financed ten portfolio company bolt-ons.

Conditions remain good for realisations and we have been able to realise £259 million during the year.

Market deal volumes

Deal volumes in the year to 30 September 2015 have been below the levels seen last year, with 25 private equity deals in the UK in the £75 million to £300 million range. This is behind both 2014 (36) and 2013 (34).

Quarterly UK deal volumes for the year ended 30 September (£75 million to £300 million)



Source: MergerMarket (completed deals when EV is provided)

Electra Partners continue to see the majority of deals in Electra's size range. Of the 25 private equity deals completed in the UK in the year to 30 September 2015, Electra Partners considered 20 of them (80%) and completed one (TGI Fridays).

Deal Pricing

Deal pricing has continued to increase throughout the year. The average entry multiple for UK buyouts valued at over £10 million was 10.9x EBITDA compared to 10.6x in the year to 30 September 2014 and 10.5x in the year to 30 September 2013 (source: CMBOR).

Our average entry multiple (for the two years to 30 September 2015), a weighted average of 7.9x EBITDA, remains significantly below that of the wider market reflecting the mix of deals in this period.

Our deal pipeline remains healthy. In October we committed to invest £89 million in the acquisition of PhotoBox, and we expect to be able to deploy a significant portion of Electra's firepower in the short to medium term. Patience and discipline as ever remain central to our investment philosophy.

Alex Fortescue
Chief Investment Partner
Electra Partners LLP
23 October 2015

New Investment

TGI FRIDAYS

Date of initial investment:	Dec 2014
Type of deal:	Buyout
Growth themes:	n/a
Equity ownership:	78%
Cost:	£99 million
Valuation:	£113 million
Valuation:	Based on multiple of earnings
Location:	UK
Website:	www.tgifridays.co.uk
Management:	Karen Forrester, CEO; Murray Hennessy, Non-Executive Chairman

In December 2014 Electra invested £99 million of equity in the management buyout of the UK franchise of TGI Fridays ("TGIF") from its American parent. Additional financing for the transaction was provided from bank facilities arranged by Electra Partners.

TGIF, which has the exclusive UK rights to operate under the TGI Fridays brand, has 67 American-styled restaurants in a range of locations, including city centres, shopping centres and leisure parks. This is an established brand which works well across the country. It offers bold, distinctive American food as well as an innovative cocktail list, and provides a high-energy, fun environment with a wide demographic appeal. Key to the success of the customer experience is the company's focus on hiring and retaining enthusiastic front-of-house staff to offer a high level of service and in March 2015, TGIF topped the Sunday Times "Best Big Companies to Work For" list.

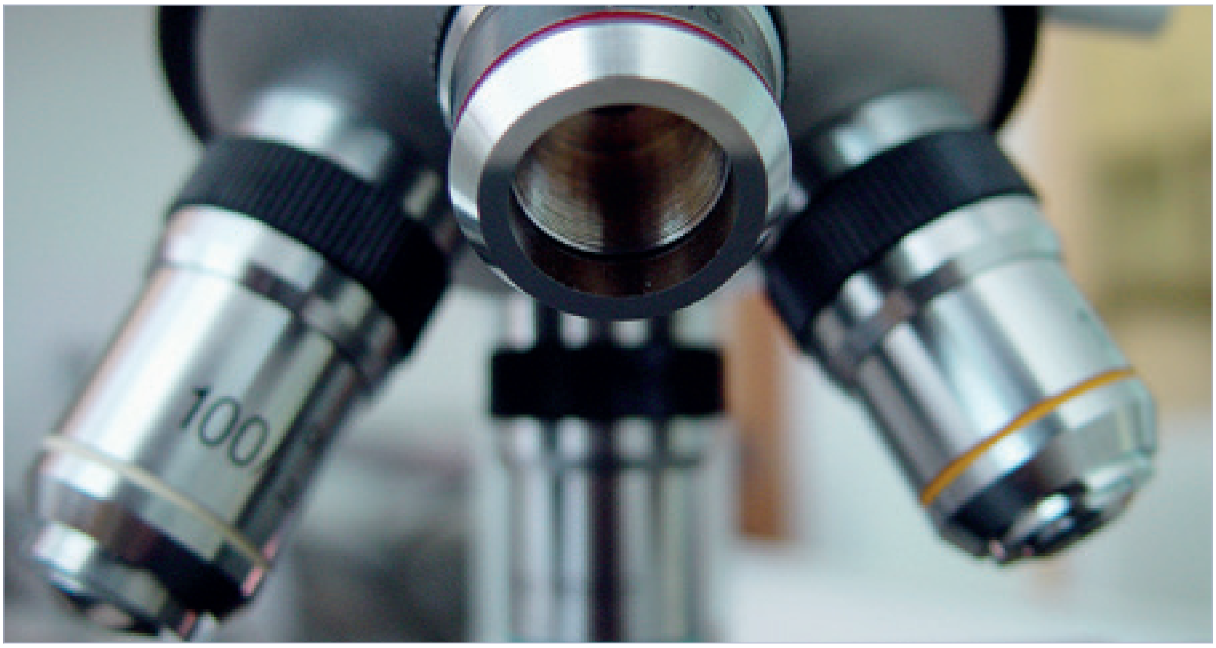
The company offers a differentiated product, with a wide demographic appeal, in the growing casual dining market. It demonstrates attractive financial characteristics, outperforming its peers across a range of key performance indicators and offering a high return on capital expenditure. The intention is to continue to grow through new restaurant openings, at an average rate of six new sites a year, as well as improving yield management through pricing and marketing initiatives.

Trading has been in line with expectations since completion of the investment in December. One new site, in Leicester, has been opened and a number of other site openings are imminent, including a flagship restaurant in London's Leicester Square.

TGI FRIDAYS

NUMBER 1
THE SUNDAY TIMES
25
BEST BIG COMPANIES TO WORK FOR
2015

Realisations



LABCO

Date of initial investment:	Jul 2008
Date of realisation:	August 2015
Type of deal:	Co-investment
Growth themes:	Demographic change
Cost:	£25 million
Proceeds:	£16 million
Multiple:	0.6x
IRR:	n/a
Location:	International
Website:	www.labco.eu
Management:	Philippe Charrier, CEO; Andreas Gaddum, Chairman

In 2008 Electra invested €30 million in a minority equity position in Labco.

Labco is a leading pan-European clinical laboratory services group. The company is the market leader in France, Spain and Portugal and also occupies leading positions in Italy and Belgium. It operates over 200 laboratories in which its 500 senior chemists and doctors perform 150 million tests for 20 million patients each year.

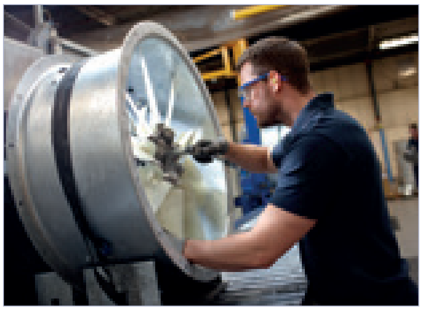
The company operates in fragmented markets in which overall demand is growing due to demographic change, medical advances and an increased propensity to test preventatively. At the same time, regulatory changes and public spending pressure are expected to lead to market consolidation favouring larger players.

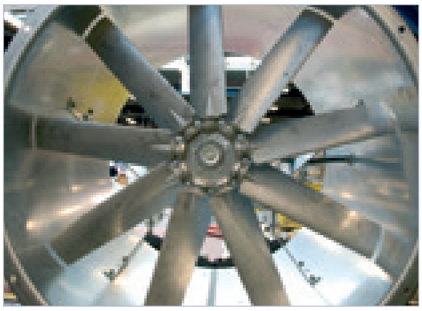
The strategy was to support Labco in its acquisition of smaller laboratory groups, with the company's scale and infrastructure subsequently being used to improve the acquired businesses. Numerous acquisitions were completed in Germany, Spain and Italy.

In August 2015, Electra sold its interest in Labco in a transaction with an enterprise value of €1.2 billion. Electra received proceeds of £15 million, equivalent to 0.6x cost. The conclusion of this investment reflected prolonged difficult conditions in European markets, none-the-less the exit was achieved at an attractive multiple of earnings.

Labco

NUAIRE





Electra's investment in Nuaire

The Deal
In 2007, Electra invested £23 million in the £73 million buyout of Nuaire.

The Business
Nuaire, headquartered in Caerphilly in south Wales, is one of the UK's leading manufacturers of energy-efficient domestic and commercial ventilation systems. Its innovative products help customers to reduce their energy consumption and carbon emissions and are used in all types of commercial and residential buildings in the UK and around the world.

Investment rationale and strategy
The business had grown strongly in the years prior to Electra's investment, with compound sales and profits growth of 9% and 10% respectively.

The plan was for a continuation of this performance as a result of the company's differentiated positioning within an industry which was experiencing regulatory-driven growth.

This differentiation had been achieved by a focus on market-leading delivery and product quality; on speed to market with new product development; and on developing a specification-led sales approach which ensured that Nuaire's products were designed into building projects from an early stage.

Market growth was being driven by the increasing focus on energy efficiency. This had resulted in a tightening of the UK's building regulations in order to reduce energy wasted by heating commercial and residential buildings through better insulation, which in turn required improved ventilation to ensure indoor moisture control and air quality. A series of UK and EU legislative steps have supported ventilation market growth of 8% p.a. since 2006.

Business growth
During the period of Electra's ownership, Nuaire's profits grew at a compound rate of 10% per annum. This has resulted from the company successfully capitalising on fundamental, long-term growth drivers.

The challenge of constructing more energy-efficient, and so increasingly tightly-sealed, buildings while maintaining indoor air quality has resulted in ventilation systems becoming more complex, incorporating heat recovery technology and sophisticated controls to reduce energy usage and system losses. It has also driven technology convergence, with an increasing number of HVAC functions being integrated into a single unit.

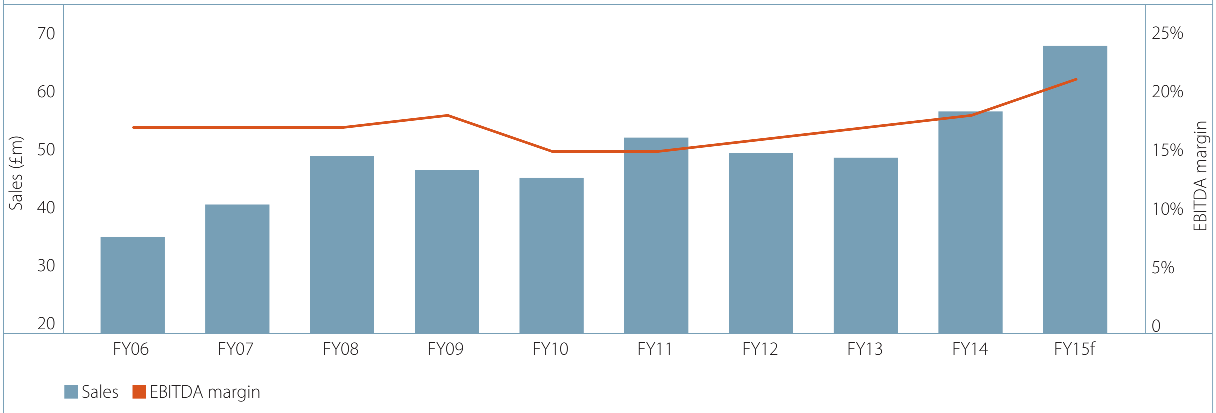
Nuaire has been at the forefront of these developments in the UK. Its technical expertise and track record of engineering innovation have enabled it to launch new products before its competitors. Its development skills have enabled it to innovate in areas such as heat recovery, acoustic performance and integrated controls.

Nuaire has also successfully grown internationally. Its core export markets are in the Middle East and Continental Europe, where building regulations have increasingly been standardised in line with the UK's.

nuaire

Moreover this growth has been achieved against the backdrop of a construction industry downturn between 2008 and 2012. Nuaire's positioning enabled it to outperform the broader ventilation market and meant that it was well-placed for an acceleration in financial performance as the construction industry recovered after 2012:

Sales and EBITDA progression



Electra Partners' role

Electra Partners had originally identified an opportunity to participate in regulatory-driven growth in the ventilation market in 2006. Electra Partners identified Nuaire as a platform in which Electra could take an equity interest to benefit from the same growth theme.

In structuring the transaction, Electra Partners took a prudent approach to leverage which meant that the business was able to trade through the recession without becoming financially stressed. Electra Partners' flexible capital enabled it to adjust its time horizons as the construction cycle softened. This allowed it to develop a strategy to invest in product development and manufacturing capacity during the downturn to create growth momentum in the recovery.

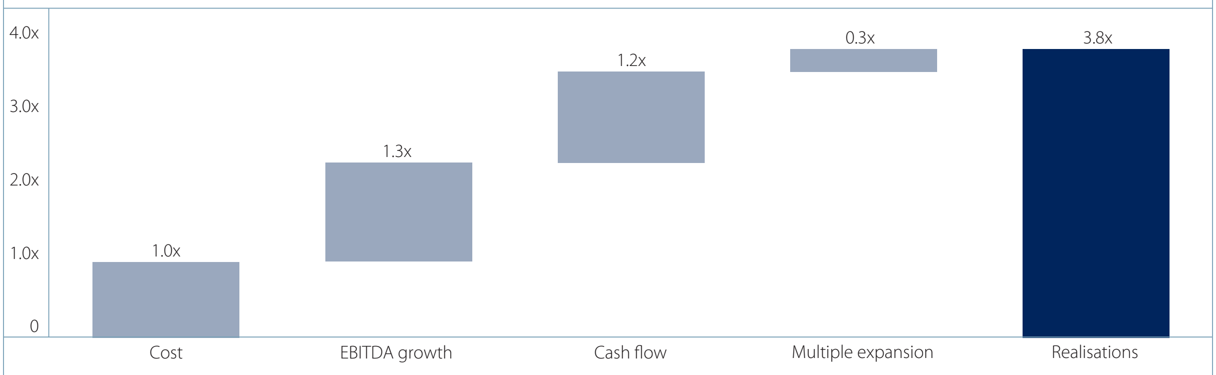
Having created an attractive growth in profits, Electra Partners initiated and managed a sales process involving both private equity and strategic buyers. This resulted in the business being sold well, at the right time, with the benefits of competitive tension.

Outcome

In August 2015 Electra sold its interest in Nuaire to Polypipe Group plc, a London Stock Exchange-listed manufacturer of plastic piping systems, in a transaction with an enterprise value of £145 million. Electra's total return on the investment was 3.8x original cost, an 18% IRR.

Earnings growth created favourable conditions for an exit process and drove 45% of Electra's realised profit; strong cash generation contributed 43% with the remainder resulting from the increase in the multiple of earnings at which the company was sold:

Returns attribution, multiple of money



Key Investments

Direct Unlisted and Secondary Investments

	Fair Value of holding at 30 Sept 2014 £m	Net payments/ (receipts) £m	Performance in period £m	Fair Value of holding at 30 Sept 2015 £m	Cost of holding at 30 Sept 2015 £m
AXIO DATA GROUP B2B information services	140	(52)	112	200	21
PARK RESORTS Holiday parks operator	135	19	31	185	93
ELIAN Fiduciary services	81	(5)	44	120	76
TGI FRIDAYS American-styled restaurant chain	–	96	17	113	99
THE ORIGINAL BOWLING COMPANY Ten-pin bowling operator	50	–	53	103	50
AUDIOTONIX Audio mixing console manufacturer	64	(3)	30	91	61
ALLFLEX CORPORATION Animal identification systems	54	11	8	73	68
EP1 SECONDARY PORTFOLIO Secondary private equity funds	86	(26)	8	68	19
HOTTER SHOES Shoe designer, manufacturer and retailer	72	–	(11)	61	84
SOUTH LAKELAND PARKS Holiday parks operator	41	–	20	61	19
PINE Property holding company	24	23	9	56	38
CALA GROUP National house builder	38	–	12	50	32
SOUTHVIEW & MANOR PARK Holiday parks operator	20	(2)	23	41	18
KNIGHT SQUARE Property management services	44	(13)	3	34	9
PREMIER ASSET MANAGEMENT Investment management	26	–	7	33	30
INNOVIA GROUP Speciality films manufacturer	33	–	(3)	30	33
TREETOPS NURSERIES Nursery schools operator	16	–	11	27	12
DAVIES GROUP Insurance claims management	23	–	–	23	39
KALLE Food casings	6	–	8	14	4
DALER-ROWNEY Fine art materials supplier	29	3	(20)	12	20
PROMONTORIA Property holding company	18	(6)	(1)	11	8
Sub total	1,000	45	361	1,406	833
Other Investments	101	(95)	31	37	
Total Direct Unlisted and Secondary Investments	1,101	(50)	392	1,443	

Listed Investments

	Fair Value of holding at 30 Sept 2014 £m	Net payments/ (receipts) £m	Performance in period £m	Fair Value of holding at 30 Sept 2015 £m	Cost of holding at 30 Sept 2015 £m
ZENSAR TECHNOLOGIES Software	63	(1)	22	84	4
NMAS1 DINAMIA Spanish private equity	10	(2)	1	9	14
	73	(3)	23	93	18
Other Investments	18	(12)	2	8	
Total Listed Investments	91	(15)	25	101	

Fund Investments

	Fair Value of holding at 30 Sept 2014 £m	Net payments/ (receipts) £m	Performance in period £m	Fair Value of holding at 30 Sept 2015 £m	Cost of holding at 30 Sept 2015 £m
Funds	80	(6)	12	86	105

The three largest funds were Gaja Capital, Motion Equity Partners and TCR Capital, which accounted for 45% of the total value.

Large Direct Unlisted Investments

AXIO DATA GROUP

Date of initial investment:	Apr 2013
Type of deal:	Buyout
Growth themes:	International, Digital economy
Equity ownership:	69%
Cost:	£21 million
Valuation:	£200 million
Valuation:	Based on multiple of earnings
Multiple:	3.1x
Location:	International
Website:	www.axiogroup.net
Management:	Henry Elkington, CEO; Hans Gieskes, Chairman

In 2013 Electra invested £91 million in debt and equity to finance the £148 million acquisition of UBM plc's Data Services division, since renamed AXIO Data Group.

AXIO originally comprised seven information businesses serving a range of sectors in over 25 countries: healthcare, intellectual property licensing, containerised trade and breakbulk services, aviation and forest products.

AXIO's businesses are defensive by virtue of their industry and geographic diversity. Its strong brands occupy leadership positions in niche markets and it is robust and cash-generative. The investment plan is to transform each business by developing the right long-term strategy and delivering through operational improvement and M&A, and then to realise multiple arbitrage by selling the portfolio's components to strategic acquirers.

During the year AXIO sold three of its seven businesses, namely JOC Group, Breakbulk and, most recently, MIMS. All three of these sales have been to strategic acquirers at valuation multiples more than twice Electra's entry multiple. Following these transactions, in which AXIO has sold businesses representing less than 50% of the profits it acquired in 2013, Electra's total cash proceeds from the investment will be £180 million, 2x original cost.

The group has continued to make progress developing growth and business improvement initiatives in its remaining businesses, which produced 9% profits growth on flat sales in 2014 and are showing a similar growth rate in 2015. In January 2015 AXIO announced that its aviation division, OAG, had acquired FlightView, Inc., the leading provider of real-time flight information for the aviation and travel industries. The acquisition has created a market leader in the growing global flight status and schedules data markets.

AXIO

PARK RESORTS

Date of initial investment:	Jan 2012
Type of deal:	Debt
Growth themes:	Austerity/Value, Demographic change
Equity ownership:	49%
Cost:	£93 million
Valuation:	£185 million
Valuation:	Based on price of recent transaction
Multiple:	2.0x
Location:	UK
Website:	www.park-resorts.com
Management:	David Boden, CEO; Alan Parker, CBE, Chairman

In 2012 Electra acquired senior debt in Park Resorts for £70 million at a significant discount to face value, making Electra the largest lender to the group.

Park Resorts is a UK operator of caravan holiday parks. The company has a strong management team and operates in a defensive, fragmented sector that has performed strongly throughout the recession as a result of its customer demographic and value proposition.

While the investment case produced attractive returns in the event of the debt position being held to maturity, the strategy was to take an equity position in Park Resorts through a restructuring of the company's debt and thereafter to grow the business both organically and through acquisition.

The restructuring of Park Resorts' debt was completed in August 2013, when funds managed or advised by Electra Partners became the majority shareholders, and a significant amount of capital was made available to improve park facilities. In 2015 Electra invested a further £25 million in preference shares issued by Park Resorts which were acquired from GI Partners at a discount to their face value.

In August 2015 Electra announced the proposed merger of its portfolio companies Park Resorts, South Lakeland Parks and Southview and Manor Park with Parkdean Holidays. This transaction followed a strong performance by all three companies in the year to December 2014, with a number of investment and operational improvement programmes driving aggregate revenue and profits growth of 8% and 28% respectively; strong performance has continued into the current financial year. Completion of the transaction is anticipated in November 2015.

Park Resorts

ELIAN

Date of initial investment:	Jun 2014
Type of deal:	Buyout
Growth themes:	International, Regulation
Equity ownership:	59%
Cost:	£76 million
Valuation:	£120 million
Valuation:	Based on multiple of earnings
Multiple:	1.6x
Location:	International
Website:	www.elian.com
Management:	Paul Willing, CEO; John Connolly, Chairman

In June 2014 Electra made an £81 million equity investment in the £180 million management buyout of Elian, formerly Ogier Fiduciary Services, from Ogier LLP.

Elian is a leading provider of offshore trust, fund and company administration services employing over 500 people. It is headquartered in Jersey and has operations in Cayman, Luxembourg, Guernsey, BVI, Bahrain, Hong Kong, Dublin, New York, Tokyo and London. The company serves 3,000 corporate, private and investment fund clients worldwide.

The business enjoys a high level of recurring revenue and strong cash generation. It has a blue chip client base and strong relationships with its regulators. Its fragmented, global market benefits from high barriers to entry as well as a number of growth drivers: demand is driven not only by legislation and regulation which favour larger players, but also by the increasing levels of international trade and investment which require corporate or fund structures to be established and administered.

Elian is continuing to grow by developing its international office network, expanding the team and through acquisition.

The company has seen particular success in a number of initiatives to strengthen new business development, expand the company's product range and improve cost efficiency. These have led to revenues and profits growing by 5% and 10% respectively in the year to January 2015, ahead of Electra Partners' investment case. Growth has continued into the current financial year.
In September, Elian agreed to acquire SFM Europe, a leading provider of administration services to securitisation and structured finance vehicles.
The acquisition remains subject to regulatory approvals.

ELIAN

THE ORIGINAL BOWLING COMPANY

Date of initial investment:	Sep 2014
Type of deal:	Buyout
Growth themes:	n/a
Equity ownership:	85%
Cost:	£50 million
Valuation:	£103 million
Valuation:	Based on multiple of earnings
Multiple:	2.0x
Location:	UK
Website:	www.amf-bowling.co.uk; www.hollywoodbowl.co.uk
Management:	Steve Burns, CEO; Peter Boddy, Chairman

In September 2014 Electra made a £50 million equity investment in the £91 million management buyout of The Original Bowling Company ("TOBC") from private shareholders and CBPE Capital.

TOBC operates 44 ten-pin bowling centres under the Hollywood Bowl and AMF brands. TOBC offers high-quality bowling centres, predominantly located in leisure or retail parks, which offer a complete family entertainment experience with restaurants, licenced bars and state-of-the-art family games arcades.

Ten-pin bowling is a robust and growing part of the UK leisure sector, offering opportunities for further expansion through new openings. TOBC is the UK market leader and has grown ahead of the market thanks to its management team and history of investment-backed growth, as a result of which its estate is well positioned to make further advances.

TOBC's historical growth trend is expected to continue with close management of the existing estate in order to optimise yield and return on capital. The business plan also anticipates a number of site refurbishments as well as openings of new bowling centres.

The company's financial performance since completion of the investment in September 2014 has been significantly ahead of expectations and it is now anticipated that profits in the current year will exceed those planned for the year to September 2017 in the Electra Partners investment case. This performance is the result of improved yield management, particularly in the peak holiday and weekend periods, as well as the success of a number of site refurbishment projects. In April 2015 TOBC announced that it had agreed to acquire Bowlplex, which operates 16 ten-pin bowling centres; completion of the transaction is subject to the satisfaction of certain undertakings given by TOBC to the Competition and Markets Authority.

THE ORIGINAL BOWLING CO. SINCE 2010

AUDIOTONIX (FORMERLY KNOWN AS CONSOLE GROUP)

Date of initial investment:	Aug 2014
Type of deal:	Buyout
Growth themes:	International
Equity ownership:	58%
Cost:	£61 million
Valuation:	£91 million
Valuation:	Based on multiple of earnings
Multiple:	1.5x
Location:	UK
Website:	www.audiotonix.com
Management:	James Gordon, CEO; Malcolm Miller, Chairman

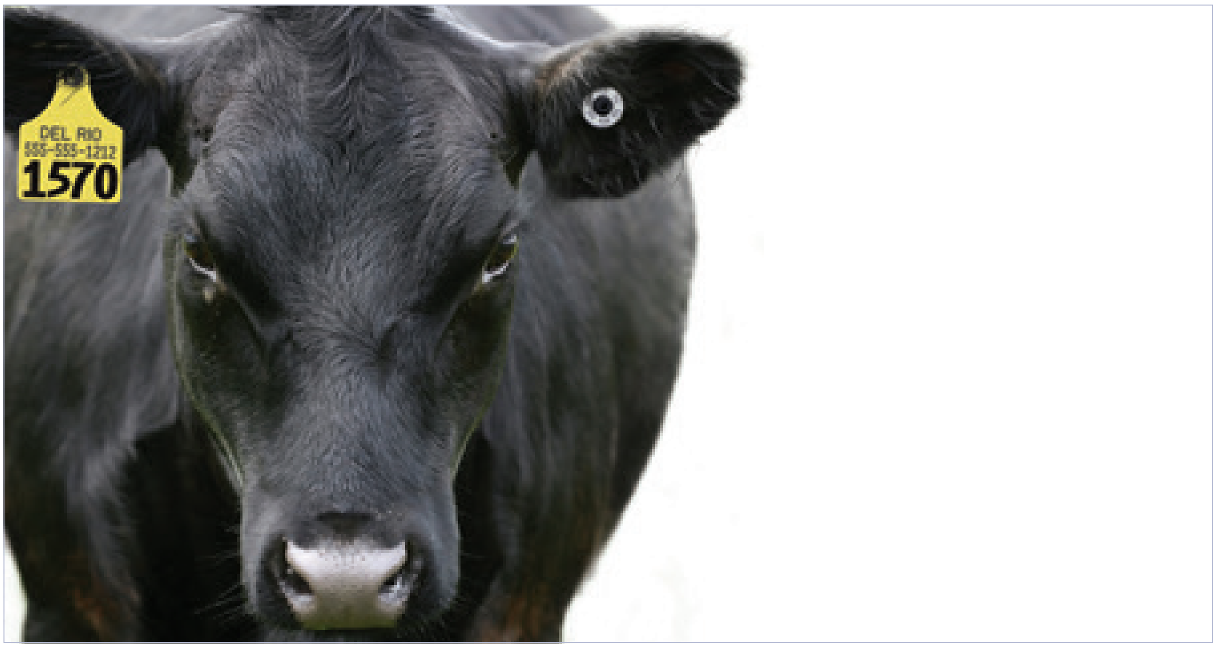
Audiotonix

In 2013 Electra invested £42 million in the acquisition of Allen & Heath. In March 2014 Electra invested a further £15 million in Allen & Heath for the acquisition of Calrec. In August 2014 Allen & Heath was merged with DiGiCo to create a new professional audio group valued at £143 million. Electra retained a 58% interest in the new group at a cost of £64 million.

Allen & Heath, Calrec and DiGiCo all design and manufacture audio mixing consoles used to manage live sound in settings ranging from concert venues or houses of worship to live television broadcasts. All three businesses have strong premium brands, well-regarded products and a history of product innovation. The group sells worldwide, with over 90% of revenues derived outside the UK. The global market for professional audio products is growing, fuelled by an increasing number of live events in both developed and developing markets.

The business is gaining market share by optimising new product development and sales and marketing activities across the brand portfolio. Further opportunities to consolidate the fragmented professional audio market through acquisition are also being considered.

In the year to March 2015, Audiotonix produced revenue growth of 8% reflecting the launch of new products and continued growth into new territories. Profits in the year were ahead of the Electra Partners investment case due to the realisation of cost synergies in excess of expectations since completion of the merger. Further growth is anticipated as a result of a number of important new product launches, such as the Allen & Heath dLive and the DiGiCo S21, as well as initiatives to share expertise and to develop cross-selling opportunities.



ALLFLEX CORPORATION

Date of initial investment:	Jul 2013
Type of deal:	Co-investment
Growth themes:	Regulation, International
Equity ownership:	15%
Cost:	£68 million
Valuation:	£73 million
Valuation:	Based on multiple of earnings
Multiple:	1.1x
Location:	International
Website:	www.allflex-group.com
Management:	Jacques Martin, CEO; Jean-Baptiste Wautier, Chairman

In 1998 Electra invested £23 million in the US$160 million buyout of Allflex. In 2013 Electra sold its investment in Allflex generating a return of 15x original cost and an IRR of 28%. Electra made a new equity investment of £57 million for a minority stake in Allflex alongside the private equity buyer. In January 2015 Electra made a further investment of £11 million to support the $250 million acquisition of SCR (Engineers) Ltd.

Allflex is the world's leading manufacturer and distributor of visual and electronic animal identification tags. Headquartered in the US and with operations in key global livestock markets, including Brazil, France and China, Allflex sells more than 200 million tags each year in over 60 countries worldwide. The acquisition of SCR, the world's largest manufacturer of electronic milk meters and smart tags for monitoring cow fertility and health, has brought a leadership position in an adjacent market which cements Allflex's position as the worldwide leader in animal traceability and farm livestock management products.

The company operates in attractive growth markets driven by greater regulation of the food chain to ensure food safety, as well as increasingly sophisticated farm management techniques. In addition to these demand growth dynamics, the opportunity to build on the group's combined distribution, technology and product development resources creates strong long-term growth prospects for Allflex.

The integration of SCR into Allflex is progressing well with significant focus on revenue and cost synergies. In June 2015 the group acquired SureFlap, a UK supplier of microchip-enabled pet doors and feeders, and continues to seek further add-on acquisition opportunities. In 2014 the group reported revenue and profits growth of 8% and 10% respectively; growth has been maintained in 2015 albeit at a lower rate as a result of the weakness in the China dairy market and strengthening of the US Dollar, Allflex's reporting currency.

HOTTER SHOES

Date of initial investment:	Jan 2014
Type of deal:	Buyout
Growth themes:	International, Demographic change
Equity ownership:	61%
Cost:	£84 million
Valuation:	£61 million
Valuation:	Based on multiple of earnings
Multiple:	0.7x
Location:	International
Website:	www.hotter.com
Management:	Peter Taylor, CEO; Alan White, Chairman

In January 2014 Electra invested £84 million in equity in the management buyout of Hotter Shoes ("Hotter") from Stewart Houlgrave, the company's founder, and Gresham LLP.

Established in 1959, Hotter is Britain's largest shoe manufacturer and sells over two million pairs of shoes each year in the UK and internationally in stores, in catalogues and online. The company, with a strong focus on comfort and service, serves customers whose age, health or lifestyle are such that they require more cushioned and supportive footwear.

Hotter is a growth business whose sales had more than doubled in the four years prior to the buyout, driven by demographic change, in particular population ageing, and international growth opportunities in the US and South Africa.

The company's growth strategy is built on a continued store opening programme in the UK, further growth in international markets, increasing online sales and on range development and extension to broaden the target market.

The company has continued to implement its growth plans, including opening UK stores, entering the German home shopping market and improving its online presence. Revenue growth, which was 8% for the year to January 2015, has continued into the current financial year, supported by particularly strong growth in the US. In April 2015 Hotter announced that it had won the Queen's Award for Enterprise in recognition of its success in international trade. Investment in promotional activity, customer acquisition and operational improvements have also continued. Some short term operational difficulties over the late summer and autumn in reconfiguring the warehouse facilities have hampered stock availability and driven excess warehouse costs, meaning that profits have declined slightly year-on-year.

hotter®

THE QUEEN'S AWARD FOR ENTERPRISE

SOUTH LAKELAND PARKS

Date of initial investment:	Sep 2013
Type of deal:	Buyout
Growth themes:	Austerity/Value, Demographic change
Equity ownership:	71%
Cost:	£19 million
Valuation:	£61 million
Valuation:	Based on price of recent transaction
Multiple:	3.0x
Location:	UK
Website:	www.southlakelandparks.co.uk
Management:	David Boden, CEO; Alan Parker, Chairman

In September 2013 Electra invested £21 million in equity in the £47 million management buyout of South Lakeland Parks from White Ocean Leisure and its lenders. Of this investment, £2 million was subsequently syndicated to a co-investor.

South Lakeland owns and operates nine freehold holiday parks with 2,500 pitches in the English Lake District and Morecambe Bay area. Since acquisition these parks have been managed by Park Resorts.

The holiday park sector is defensive and fragmented and has performed strongly throughout the recession as a result of its customer demographic and value proposition. South Lakeland's estate of high-quality parks fits well with the existing Park Resorts portfolio.

At the time of acquisition, a number of opportunities were identified. First, to deliver operational improvements and profits growth in the South Lakeland portfolio through improved management of the estate. Second, to invest in the infrastructure and facilities of the holiday parks in order to further enhance their appeal to both caravan owners and holiday-makers. Third, to consider the further development of the existing South Lakeland estate.

In August 2015 Electra announced the proposed merger of its portfolio companies Park Resorts, South Lakeland Parks and Southview and Manor Park with Parkdean Holidays. This transaction followed a strong performance by all three companies in the year to December 2014, with a number of investment and operational improvement programmes driving aggregate revenue and profits growth of 8% and 28% respectively; strong performance has continued into the current financial year. Completion of the transaction is anticipated in November 2015.

PINE

Date of initial investment:	Jun 2005
Type of deal:	Co-investment
Growth themes:	n/a
Equity ownership:	99%
Cost:	£38 million
Valuation:	£56 million
Valuation:	Derived from property investment value
Multiple:	1.5x
Location:	UK
Website:	www.thepinefund.com
Management:	Harry Hyman, CEO (Nexus Group)

Electra first invested in PINE in 2005 as a start-up to exploit an identified opportunity to create a new institutionally acceptable property asset class in conjunction with an experienced property specialist and a nursery school operator.

PINE initially comprised a sale and leaseback property investment portfolio of nursery schools let on index-linked leases to nursery school operators, as well as a nursery school operating business. In 2012 Treetops Nurseries was spun out of PINE as part of a refinancing and is now a standalone investment in Electra's portfolio, valued at £27 million at 30 September 2015.

The objective is to expand PINE's investment focus to the education sector generally, in order to broaden its appeal and range of exit options. During the year PINE acquired additional freehold properties, the largest of which was a property relating to two special educational needs schools, operated by Priory Group. PINE now owns a portfolio of over 30 properties leased to education providers with a value of more than £78 million.

NEXUS PINE

CALA GROUP

Date of initial investment:	Mar 2013
Type of deal:	Co-investment
Growth themes:	n/a
Equity ownership:	11%
Cost:	£32 million
Valuation:	£50 million
Valuation:	Based on net assets
Multiple:	1.6x
Location:	UK
Website:	www.cala.co.uk/cala-group
Management:	Alan Brown, CEO; Anthony Fry, Chairman

In 2013 Electra made an equity investment of £13 million alongside Patron Capital Partners and Legal & General in the £210 million acquisition of CALA Group from Lloyds Banking Group. During 2014 Electra increased its investment to £32 million to support land purchases and the acquisition of Banner Homes.

CALA Group is a national house builder which provides high quality homes in Scotland, the Midlands and South East England. Banner Homes' focus on premium homes in the South East represents a strong strategic fit for CALA and accelerates its strategy to double in size by 2017. Following the acquisition CALA is one of the ten largest housebuilders in the UK.

The UK currently experiences a significant undersupply of new houses. Loosening planning regulations, measures to improve mortgage availability and an improving macro-economic environment have created favourable conditions for an investment in the housebuilding sector.

The integration of Banner Homes into CALA is now complete; the acquisition contributed to strong financial performance, with revenues for the year to June 2015 exceeding £500 million. The group's return on capital has risen by four percentage points to 18.4% and operational improvements are expected to improve this further to in excess of 20%. The group now operates from around ninety sites across the UK and has a controlled land bank of over 14,000 plots with a potential GDV of almost £5.2 billion.

CALA GROUP

SOUTHVIEW AND MANOR PARK

Date of initial investment:	Aug 2014
Type of deal:	Buyout
Growth themes:	Austerity/Value, Demographic change
Equity ownership:	72%
Cost:	£18 million
Valuation:	£41 million
Valuation:	Based on price of recent transaction
Multiple:	2.2x
Location:	UK
Website:	www.park-resorts.com
Management:	David Boden, CEO; Alan Parker, Chairman

In August 2014 Electra made a £20 million equity investment in the £49 million acquisition of Southview and Manor Park holiday parks from Bluebird Partners and a European bank of this investment, £2 million was subsequently syndicated to a co-investor.

Southview and Manor Park ("SVMP") are large and established holiday parks – Southview in Skegness, Lincolnshire and Manor Park in Hunstanton, Norfolk. Together the parks comprise more than 2,000 pitches, a 9-hole golf course as well as the four-star Southview Park Hotel. Electra's existing portfolio company, Park Resorts, has managed both parks since 2010 and continues to do so.

This was the second bolt-on transaction for Park Resorts, the first being South Lakeland Parks which was completed in September 2013. Each of these investments benefits from: a resilient market supported by customer demographics and strong value propositions; high barriers to entry; a cash-generative business model; and growth potential. SVMP's large and well-invested sites offer growth potential through the development of new pitches.

In August 2015 Electra announced the proposed merger of its portfolio companies Park Resorts, South Lakeland Parks and Southview and Manor Park with Parkdean Holidays. This transaction followed a strong performance by all three companies in the year to December 2014, with a number of investment and operational improvement programmes driving aggregate revenue and profits growth of 8% and 28% respectively; strong performance has continued into the current financial year. Completion of the transaction is anticipated in November 2015.

Park Resorts

KNIGHT SQUARE (FORMERLY KNOWN AS PEVEREL GROUP)

Date of initial investment:	Mar 2012
Type of deal:	Buyout
Growth themes:	Austerity/Value, Demographic Change
Equity ownership:	49%
Cost:	£9 million
Valuation:	£34 million
Valuation:	Based on multiple of earnings
Multiple:	2.1x
Location:	UK
Website:	www.knightsquare.com
Management:	Paul Lester CBE, Chairman

KNIGHT SQUARE

In 2012 Electra made a £22 million equity investment in the £62 million acquisition of Peverel, the UK's leading property management services group, from its administrators. In October 2014 the company completed a refinancing that allowed it to make loan repayments of £14 million to Electra.

Peverel, now known as Knight Square, is one of the UK's leading property services businesses. Through its FirstPort business, the group provides general management services to almost 4,000 retirement and other residential developments across the UK. Through Appello, it also provides telecare and telehealth monitoring services that allow people to live independently in their own homes.

Knight Square is the leader in a robust market. At the time of investment, the intention was to invest in process and service improvement initiatives in order to enable the business to solidify this leadership position. With much of this work now complete, the focus is now on targeting opportunities to grow not only as a result of demographic change but also by taking advantage of the company's nationwide coverage and economies of scale.

Profits growth in the year to December 2014 was 9% on revenues which were flat. Revenue growth in the current financial year has strengthened as the negative effects on revenues of reduced property transaction volumes have been offset by new business development as well as Appello's acquisition of Call24, a call monitoring centre in the South West.

PREMIER ASSET MANAGEMENT

Date of initial investment:	Sep 2007
Type of deal:	Buyout
Growth themes:	Regulation
Equity ownership:	25%
Cost:	£30 million
Valuation:	£33 million
Valuation:	Based on multiple of earnings
Multiple:	0.9x
Location:	UK
Website:	www.premierfunds.co.uk
Management:	Mike O'Shea, CEO; Mike Vogel, Chairman

In 2007 Electra made a £33 million minority equity and debt investment in the take-private of Premier. In 2009 Electra made a further £24 million equity investment to support the acquisition of two OEICs from Aberdeen Asset Management. In 2014 Electra sold a majority shareholding in Premier to funds under the management of Elcot Capital Management for a consideration comprising £20 million in cash and £26 million of preference shares while retaining an equity interest of 25%.

Premier is a retail asset manager, with the bulk of its assets under management ("AUM") in branded retail funds, of which the largest franchises are in multi-asset, UK equities, global equities and fixed income.

The retail investment market displays growth drivers including demographic and regulatory change from which Premier is well placed to benefit due to its strong product portfolio and investment performance. The intention remains to accelerate growth by investing in sales and marketing and by exploring other opportunities to extend the scope of the business.

Following a strong performance in the year to September 2014, with revenue and profits growth of 16% and 29% respectively, Premier has continued its success in growing assets. AUM now stand in excess of £4 billion, more than 30% ahead of the prior year, thanks to strong fund performance, investment in marketing and distribution and a favourable demand environment.

INNOVIA GROUP

Date of initial investment:	Apr 2014
Type of deal:	Co-investment
Growth themes:	International
Equity ownership:	24%
Cost:	£33 million
Valuation:	£30 million
Valuation:	Based on multiple of earnings
Multiple:	0.9x
Location:	International
Website:	www.innoviafilms.com, www.innoviasecurity.com
Management:	Mark Robertshaw, CEO; Malcolm Fallen, Chairman

In April 2014 Electra made a €40 million (£33 million) equity investment in the €498 million buyout of Innovia Group from the Candover 2001 Fund.

The group is headquartered in Cumbria and operates five manufacturing sites worldwide. Innovia's Security division is the leading manufacturer of polymer banknote substrate for central banks. Polymer banknotes have numerous advantages over paper notes including security, durability and cleanliness, yet today account for only a small share of all banknotes in circulation. Innovia Security benefits from a strong intellectual property portfolio and a 20-year track record producing substrate for 36 central banks.

Innovia's Films division is a leading global producer of speciality high performance films primarily used in packaging applications for the food and tobacco industries. Innovia Films benefits from high barriers to entry and steadily growing demand. It occupies leading positions in mature niche markets and enjoys long-term customer relationships.

The group's strategy is to develop its banknote substrate business as central banks around the world increasingly choose to benefit from the advantages of polymer over paper banknotes, while at the same time continuing to grow its packaging films business through product innovation and capacity expansion.

In the year to December 2014 Innovia generated profits growth of 3% on revenues which were flat. Performance in the current year is at a similar level. In early 2014 Innovia Security announced a new contract with the Bank of England for the supply of polymer substrate for the next generation £5 and £10 notes. The investment in new manufacturing capacity in Cumbria to support this contract continues, with production scheduled to commence in 2016.

innovia

TREETOPS NURSERIES

Date of initial investment:	Feb 2012
Type of deal:	Buyout
Growth themes:	Demographic change
Equity ownership:	79%
Cost:	£12 million
Valuation:	£27 million
Valuation:	Based on multiple of earnings
Multiple:	2.0x
Location:	UK
Website:	www.treetopsnurseries.co.uk
Management:	Charles Eggleston, CEO; Stephen Booty, Chairman

In 2012 Treetops Nurseries was spun out of PINE as part of a refinancing and is now a standalone investment in Electra's portfolio. Electra invested a further £2 million in 2013 to finance the acquisition of Toybox (four freehold sites in Bedfordshire) and a further £5 million in 2014 to fund the acquisition of Happy Child (15 nurseries).

Headquartered in Derby, Treetops is the sixth-largest nursery school operator in the UK, operating 50 nurseries (30 freehold, 20 leasehold) predominantly in the Midlands and South East and with over 3,300 registered places. More than 90% of the company's nurseries are rated Good or Outstanding by OFSTED.

Treetops was separated from PINE in order to allow it to benefit from dedicated management focus and access to growth capital to effect a buy and build strategy. Treetops expects to grow organically, in particular through improved marketing and investment in the sites, designed to improve occupancy. Opportunities to grow through acquisition of other operators in the highly fragmented nursery market are also being actively pursued. The cash generative nature of the business model creates capacity to finance smaller acquisitions internally with additional funding available from Electra for more substantial targets.

Since 2012, the company has made a number of acquisitions which have more than doubled profitability and brought it greater scale in the attractive markets of London and the South East. Further M&A opportunities are under active consideration. Operational improvement and site enhancement programmes have been implemented in acquired sites. Financial performance in the year to September 2014 was strong, with sales and profits growth (including the impact of acquisitions) of 33% and 41% respectively; strong performance has continued into the current year.

DAVIES GROUP

Date of initial investment:	Sep 2011
Type of deal:	Buyout
Growth themes:	Austerity/Value
Equity ownership:	57%
Cost:	£39 million
Valuation:	£23 million
Valuation:	Based on multiple of earnings
Multiple:	0.6x
Location:	UK
Website:	www.davies-group.com
Management:	Dan Saulter, CEO; Adrian Hill, Chairman

In 2011 Electra invested £36 million in equity in the £60 million management buyout of Davies Group from LDC. A further £3 million was invested in December 2013 to fund the acquisition of Garwyn.

Davies is a leading insurance claims service provider. It employs 580 people across the UK and Republic of Ireland and offers a full spectrum of validation and fulfilment services including claims management, loss adjusting, restoration and repair. Davies's focus is on servicing claims relating to residential property, commercial and specialist liability policies. The business handles over 120,000 claims each year and manages more than £600 million of indemnity spend.

The current focus of Davies is on the broker and MGA market and the development of selective additional business areas both organically and through M&A. The company's strategy is to invest in technology and other service improvement and extension initiatives in order to become a partner of choice for insurers increasingly outsourcing claims management.

Davies has continued to make good progress following the business transformation initiated in 2013. Revenue growth of 9% in the year to July 2015 reflected new business wins as well as the acquisitions of ALA, an Irish specialist loss adjuster, and MFS, a leading provider of claims handling services for insurers and fleet operators. The acquisition of MFS was financed by bank facilities. Completion of these acquisitions means that Davies is able to offer claims-related services across property, casualty and motor, providing the group with cross-selling opportunities. Profits were flat in the year to July 2015 as a result of ongoing investment in technology to enhance customer service and to streamline business processes in order to position the group to provide best-in-class services.

Davies
reimagining claims

DALER-ROWNEY

Date of initial investment:	Mar 2011
Type of deal:	Buyout
Growth themes:	International
Equity ownership:	41%
Cost:	£20 million
Valuation:	£12 million
Valuation:	Based on multiple of earnings
Multiple:	0.6x
Location:	International
Website:	www.daler-rowney.co.uk
Management:	Patrick Giraud, CEO; Chris Parratt, Chairman

In 2011 Electra made a £17 million equity investment in support of the buyout of Daler-Rowney from private shareholders. Electra invested a further £3 million in 2014 in order to provide additional liquidity.

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 artists ranging from beginners to professionals. The company manufactures its products in the UK and the Dominican Republic and sells in more than ninety countries worldwide.

The company occupies a leading position in a stable, niche market benefiting from high barriers to entry created by products, brands and supply chain complexity. The intention is to continue to invest in product development and in sales and marketing in order to grow market share, and at the same time to undertake further geographic expansion.

Daler-Rowney experienced a decline in profits in 2014 as a result of a number of factors, including the weakening of the Euro against Sterling, operational reorganisation following the integration of an acquisition made in 2013, and movements in product mix. Following a number of new appointments to strengthen the management team, a plan to improve performance is now being implemented. A variety of growth initiatives underway, including investment in manufacturing capacity as well as in developing new products and customer relationships, continue to offer opportunities for further value creation.

DALER ROWNEY

PROMONTORIA

Date of initial investment:	Oct 2007
Type of deal:	Buyout
Growth themes:	n/a
Equity ownership:	11%
Cost:	£8 million
Valuation:	£11 million
Valuation:	Based on net assets
Multiple:	2.2x
Location:	Germany
Website:	n/a
Management:	n/a as holding company

In 2002 Electra provided acquisition funding to a new company to allow it to undertake the sale and leaseback of certain German retail property assets. The company was itself acquired in 2007 by Promontoria, an unleveraged investment company, for which Electra received consideration in the form of ordinary shares and loan stock.

Today Promontoria owns 55 retail properties situated throughout Germany. Of these, 41 are leased to the German discount chain Woolworth, which underwent a financial restructuring in 2010. The business strategy is to continue to develop the portfolio and improve the tenant mix. Properties are being sold when attractive and deliverable offers are received.

The realisation of the portfolio has also continued and in the twelve months to September 2015 thirty-three stores were sold for a consideration of €89 million. This takes total proceeds from the fifty-four stores divested over the past six years to €273 million. These proceeds have been distributed to shareholders, with Electra's share being €29 million. Contracts have been exchanged in respect of the sale of nine further properties.

Large Listed Investment

ZENSAR TECHNOLOGIES

Date of initial investment:	Sep 1997
Type of deal:	Co-investment
Equity ownership:	23%
Cost:	£4 million
Valuation:	£84 million
Multiple:	19.3x
Location:	International
Website:	www.zensar.com
Management:	Ganesh Natarajan, CEO; Harsh Goenka, Chairman

In 1997 Electra invested US$9 million in the equity of an unquoted subsidiary of Mumbai-listed parent, Zensar Technologies. In 2001 the listed parent closed down its operations and the unlisted subsidiary performed a reverse merger. This resulted in Electra owning shares in the listed entity.

Zensar is a provider of software development services to large corporates, offering both an onsite and offsite service. Onsite services consist of contracts, whereby Zensar provides software engineers to work on customers' premises (mainly in the US and UK) whereas for the offsite business the work is undertaken by Zensar's software professionals located in its software development centres in India.

As an early entrant to the software services market and having established strong customer relationships and a good reputation, Zensar was well positioned to be able to grow in the sector. The company has an acquisition strategy to add niche capabilities and to bulk up.

Today the company employs over 8,000 people at 20 locations around the globe. The company has a global reach operating in the US, Europe, Africa, Middle East, Singapore and Australia regions and has delivery centres in India (Pune, Hyderabad, Delhi and Bangalore), South Africa, the UK, Amsterdam and the USA (Westborough).

In October 2015 Electra sold its interest in Zensar for a consideration of £82 million. Together with £7 million of proceeds from dividends and sales of shares, this generated a total return of 19x original cost, an IRR of 18%.

ZenSar TECHNOLOGIES

Financial Review

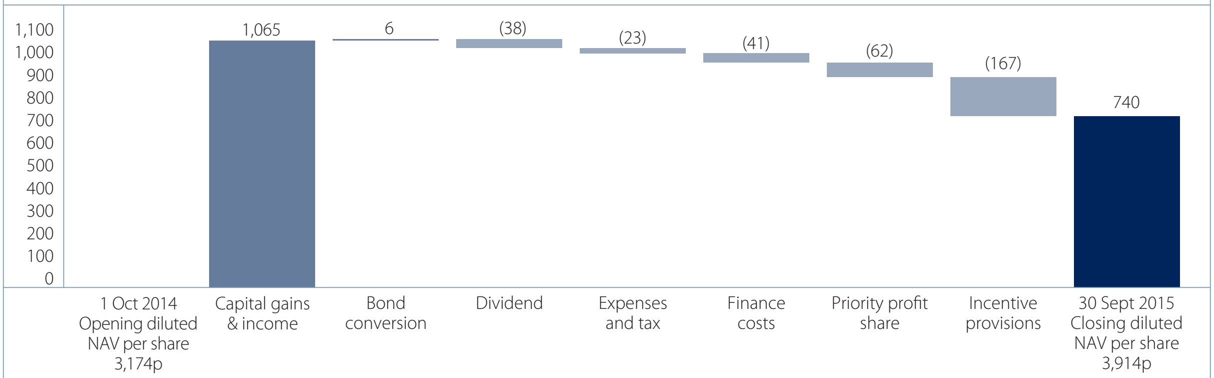
"The Company's diluted NAV per share total return was 25% during the year as a result of a strong performance from the total portfolio which delivered gains of £429 million."

Analysis of Movement in Net Asset Value per share

The Consolidated Income Statement on page 65 of the Report shows the total return for the period and, together with the impact of Bond conversions and the interim dividend of 38p per ordinary share paid during the period, explains the movement in NAV for the year to 30 September 2015.

Performance from the investment portfolio contributed £10.65 per share, 34% of the opening NAV. Deducted from this, as shown below, were finance, operating costs and tax, which together totalled 64p per share; the priority profit share paid to Electra Partners for managing the portfolio amounted to 62p per share; and the charge for incentive schemes amounted to 167p per share. Bond conversions during the period increased NAV per share by 6p and the interim dividend paid reduced NAV per share by 38p. These net costs, together with the investment performance, resulted in an increase to net assets of £7.40 per share, a total return (adding back the dividend paid) of 25% for the year.

Analysis of Movement in Net Asset Value per share (p)



Incentive Schemes

The current incentive schemes operated by Electra (alternatively referred to as "carried interest") are based on three-year pools. Currently, there are three pools in relation to the three-year periods commencing 2006, 2009 and 2012. The carried interest schemes are described in more detail in Note 22 on pages 92 to 95.

The carried interest provision has increased from £83 million to £132 million in the year to September 2015. The movement in the provision comprises a £67 million provision for future carried interest in relation to the increase in value of the portfolio in the year and payments of £18 million in relation to the 2006 pool and pre-2006 incentive arrangements. Additionally, £17 million was paid in the year in relation to amounts payable in the previous year and shown in creditors which arose from realisations in the 2006 pool during the year to September 2014, as shown in the table below:

	Creditor £m	Provision £m	Total £m
At 1 October 2014	17	83	100
Paid in period:			
Pre 2006 pools	–	(4)	(4)
2006 pool	(17)	(14)	(31)
Provisions made in year:			
Pre 2006 pools	1	4	5
2006 pool	–	7	7
2009 pool	–	9	9
2012 pool	–	47	47
At 30 September 2015	**1**	**132**	**133**

The increase of £67 million (equivalent to £1.67 per share) to the provision for incentives made during this period reflects the strong performance of the investment portfolio, which produced a total return of £429 million for the year. The provision represents approximately 16% of the increase in the portfolio value, which is less than the accrual rate on the post 2006-pools of 18% due to the lower percentage applied to investments such as Zensar Technologies. The majority (70%) of this increase relates to the 2012-pool and reflects the increase in valuation and realisations achieved in respect of AXIO Data Group, Elian, Audiotonix, The Original Bowling Company and EP1.

The majority of cash paid in the year related to the 2006 pool, most of which had been provided for in previous years. This pool commenced on 1 October 2006 and contains £436 million of direct investments made between six and nine years ago. This pool has a realised return of 1.7x cost and a total return of 1.8x cost. A brief summary of the pool from inception to date is shown below:

	£m
Amount invested 2006 to 2009	(436)
Amount realised	756
Valuation of remaining investments	34
Pool profit	354
Multiple of cost	1.8x
PPS	(31)
Net profit	323
Carried interest at 18%	58
Paid in prior year	21
Paid in current year	31
Provision pending future realisation	6

Over 80% of the provision carried forward relates to the 2009 and 2012 pools which represent investments made since 2009. Both of these pools require substantial realisations to occur before any carried interest payments are made to the participants. In aggregate, at 30 September 2015 more than £800 million would need to be realised across the two pools before the hurdle requirements are met.

Net Liquid Resources

The Consolidated Cash Flow Statement on page 70 analyses the movement in the Group's cash for the year. Cash has reduced by £51 million during the year. The larger components of cash inflows were sales of investments and investment income including liquidity funds which yielded nearly £390 million. The major constituents of the cash outflows were investments of £187 million, and the repayment of drawings of £153 million under the multi-currency bank facility. The repayment of the multi-currency bank facility in March followed the conclusion of the Board's strategic review and consequent change in currency hedging policy.

It is expected that approximately £270 million of cash proceeds relating to transactions previously announced will be received in the near term. Against this, Electra has the following commitments:

- payment of the final capital entitlement of 155.41p per ZDP share to the ZDP shareholders in August 2016 amounting to £73 million in aggregate;
- subject to shareholder approval at the Annual General Meeting in January 2016, payment of a final dividend of 78p* per ordinary share (£31 million), as recommended by the Directors; and
- financing of committed and other investments.

* Based on the number of shares that will be in issue following the mandatory conversion of 5% Subordinated Convertible Bonds.

Accordingly, it is expected that free cash, after taking the above into account, will be approximately £170 million.

Finance Costs, Gearing and FX

Finance costs of 41p per share, or £17 million, in the year were made up as follows:

	Cost £m
Bank facility	5
Convertible Bond	7
Zero Dividend Preference Share	5
	17

The coupon payable in respect of the bank facility is based on LIBOR plus a margin of 2.5%, which was equivalent to an average 3.7% during the period when the facility was drawn. As stated above, following the Board's strategic review, the bank facility was repaid in full at the end of March. Should the facility remain undrawn, commitment fees will continue to be paid at a cost of £2 million per annum.

The Convertible Bond pays a coupon of 5% per annum, amounting to £5 million in the year. A further amount was accrued in respect of the Convertible Bond to represent the cost of the embedded derivative of the conversion option. In total the accrual rate adopted is 9.9% adding an additional £2 million in the year.

Subsequent to 30 September 2015, in accordance with the terms and conditions of the 5% Subordinated Convertible Bond, the Company became entitled to exercise its right to a Mandatory Conversion of all of the outstanding Bonds into new ordinary shares. Accordingly, the Board has resolved to exercise this right and proposes to issue the Mandatory Conversion notice to Bond holders in November 2015, following which the outstanding Bonds will convert into ordinary shares on 29 December 2015.

The Zero Dividend Preference Share ("ZDP") is accounted for by accruing at 6.5%, which is the yield to maturity based on its redemption value. The amount charged in this period was £5 million, which was charged to the capital column in the Consolidated Income Statement, reflecting the way in which this instrument will be eventually repaid. The ZDP will be repaid in August 2016 and is therefore disclosed as a short-term creditor.

The weighted average cost of debt for the period was 7.5%. This is greater than last year due to the repayment of the multi-currency facility, which has a lower cost than the remaining debt instruments.

The repayment of the multi-currency facility in March 2015 removed the natural hedge on Electra's currency exposure. Over the year Sterling has strengthened against the Euro and weakened against the US Dollar leading to an overall foreign exchange gain on the investment portfolio of £0.6 million for the year ended 30 September 2015. At 30 September 2015 the estimated foreign currency exposure, taking into account hedging within portfolio companies, was €235 million and $320 million. Of the US$ exposure $127 million related to Zensar which was sold shortly after the year end.

Steve Ozin
Partner
Electra Partners LLP
23 October 2015

Park Resorts
Holiday parks operator

Photograph taken at Sandown Beach, Isle of Wight, close to Landguard and Lower Hyde holiday parks.

Consolidated Income Statement

Note	For the year ended 30 September	Revenue £m	Capital £m	2015 Total £m	Revenue £m	Capital £m	2014 Total £m
	Profit on investments:						
2	Investment income/net gain	82	354	436	71	176	247
	Profit on revaluation of foreign currencies	–	–	–	–	6	6
		82	354	436	71	182	253
	Other Income	1	–	1	1	–	1
23	Incentive schemes	–	(67)	(67)	–	(36)	(36)
22	Priority profit share	(25)	–	(25)	(25)	–	(25)
4	Income reversal	(8)	–	(8)	(1)	–	(1)
3	Other expenses	(5)	–	(5)	(6)	–	(6)
	Net Profit before Finance Costs and Taxation	45	287	332	40	146	186
7	Finance costs	(12)	(5)	(17)	(16)	(4)	(20)
	Profit on Ordinary Activities before Taxation	33	282	315	24	142	166
8	Taxation expenses	(4)	–	(4)	(4)	–	(4)
	Profit on Ordinary Activities after Taxation attributable to owners of the parent	29	282	311	20	142	162
11	Basic Earnings per Ordinary Share (pence)	79.96	789.80	869.76	56.55	401.11	457.66
11	Diluted Earnings per Ordinary Share (pence)	84.43	700.83	785.26	66.42	352.71	419.13

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 25.

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	2015 £m	2014 £m
Profit for the year	311	162
Total Comprehensive Income for the year	311	162
Total Comprehensive Income attributable to owners of the parent	311	162

Consolidated Statement of Changes in Equity

For the year ended 30 September 2015 for the Group

Note		Called-up share capital £m	Share premium £m	Capital redemp-tion reserve £m	Other reserves £m	Translation reserve £m	Realised capital profits/ (losses) £m	Unrealised capital profits/ (losses) £m	Revenue reserves £m	Total Equity share-holders' funds £m
	Opening balance at 1 October 2014	9	28	34	22	(4)	1,005	68	33	1,195
	Net revenue profit added to the reserves	–	–	–	–	–	–	–	29	29
	Net profits on realisation of investments during the year	–	–	–	–	–	37	–	–	37
7	Finance costs	–	–	–	–	–	(5)	–	–	(5)
	Increase in value of non-current investments	–	–	–	–	–	–	317	–	317
23	Increase in incentive provisions	–	–	–	–	–	–	(67)	–	(67)
	Profit on foreign currencies	–	–	–	–	–	–	–	–	–
	Investments sold during the year	–	–	–	–	–	6	(6)	–	–
18	Conversion of Convertible Bond	–	11	–	(2)	–	–	–	2	11
9	Dividends	–	–	–	–	–	(14)	–	–	(14)
	At 30 September 2015	9	39	34	20	(4)	1,029	312	64	1,503

For the year ended 30 September 2014 for the Group

Note		Called-up share capital £m	Share premium £m	Capital redemp-tion reserve £m	Other reserves £m	Translation reserve £m	Realised capital profits/ (losses) £m	Unrealised capital profits/ (losses) £m	Revenue reserves £m	Total Equity share-holders' funds £m
	Opening balance at 1 October 2013	9	24	34	23	(4)	1,059	(127)	12	1,030
	Net revenue profit added to the reserves	–	–	–	–	–	–	–	20	20
	Net profits on realisation of investments during the year	–	–	–	–	–	18	–	–	18
7	Finance costs	–	–	–	–	–	(4)	–	–	(4)
	Increase in value of non-current investments	–	–	–	–	–	–	157	–	157
23	Increase in incentive provisions	–	–	–	–	–	–	(36)	–	(36)
	Profit on foreign currencies	–	–	–	–	–	6	–	–	6
	Investments sold during the year	–	–	–	–	–	(74)	74	–	–
18	Conversion of Convertible Bond	–	4	–	(1)	–	–	–	1	4
9	Dividends	–	–	–	–	–	–	–	–	–
	At 30 September 2014	9	28	34	22	(4)	1,005	68	33	1,195

Company Statement of Changes in Equity

For the year ended 30 September 2015 for the Company

Note		Called-up share capital £m	Share premium £m	Capital redemp-tion reserve £m	Other reserves £m	Realised capital profits/ (losses) £m	Unrealised capital profits/ (losses) £m	Revenue reserves £m	Total Equity share-holders' funds £m
	Opening balance at 1 October 2014	9	28	34	22	1,069	88	(55)	1,195
	Net revenue profit added to the reserves	–	–	–	–	–	–	(7)	(7)
	Net profits on realisation of investments during the year	–	–	–	–	44	–	–	44
	Increase in value of non-current investments	–	–	–	–	–	329	–	329
23	Increase in incentive provisions	–	–	–	–	–	(67)	–	(67)
	Profit on foreign currencies	–	–	–	–	–	–	–	–
	Investments sold during the year	–	–	–	–	4	(4)	–	–
	Revaluation of subsidiaries	–	–	–	–	–	12	–	12
18	Conversion of Convertible Bond	–	11	–	(2)	–	–	2	11
9	Dividends	–	–	–	–	(14)	–	–	(14)
	At 30 September 2015	9	39	34	20	1,103	358	(60)	1,503

For the year ended 30 September 2014 for the Company

Note		Called-up share capital £m	Share premium £m	Capital redemp-tion reserve £m	Other reserves £m	Realised capital profits/ (losses) £m	Unrealised capital profits/ (losses) £m	Revenue reserves £m	Total Equity share-holders' funds £m
	Opening balance at 1 October 2013	9	24	34	23	1,113	(115)	(58)	1,030
	Net revenue profit added to the reserves	–	–	–	–	–	–	2	2
	Net profits on realisation of investments during the year	–	–	–	–	13	–	–	13
	Increase in value of non-current investments	–	–	–	–	–	166	–	166
23	Increase in incentive provisions	–	–	–	–	–	(36)	–	(36)
	Profit on foreign currencies	–	–	–	–	6	–	–	6
	Investments sold during the year	–	–	–	–	(63)	63	–	–
	Revaluation of subsidiaries	–	–	–	–	–	10	–	10
18	Conversion of Convertible Bond	–	4	–	(1)	–	–	1	4
9	Dividends	–	–	–	–	–	–	–	–
	At 30 September 2014	9	28	34	22	1,069	88	(55)	1,195

Consolidated Balance Sheet

Note	As at 30 September	£m	2015 £m	£m	2014 £m
	Non-Current Assets				
13	Investments held at fair value:				
	Unlisted and listed		1,630		1,272
	Liquidity funds		–		120
			1,630		1,392
	Current Assets				
14	Trade and other receivables	4		13	
	Current tax asset	2		–	
	Cash and cash equivalents	147		198	
		153		211	
	Current Liabilities				
15	Trade and other payables	6		25	
17	Zero Dividend Preference Shares	69		–	
	Derivative financial instrument	–		1	
	Net Current Assets		78		185
	Total Assets less Current Liabilities		1,708		1,577
16	Bank loans	–		152	
17	Zero Dividend Preference Shares	–		65	
18	Convertible Bond	73		82	
23	Provisions for liabilities and charges	132		83	
	Non-Current Liabilities		205		382
	Net Assets		1,503		1,195
	Capital and Reserves				
20	Called up share capital		9		9
	Share premium	39		28	
	Capital redemption reserve	34		34	
18	Other reserves	20		22	
	Translation reserve	(4)		(4)	
	Realised capital profits	1,029		1,005	
	Unrealised capital profits	312		68	
	Revenue reserve	64		33	
			1,494		1,186
	Total Equity Shareholders' Funds		1,503		1,195
12	**Basic Net Asset Value per Ordinary Share**		4,168.47p		3,365.75p
12	**Diluted Net Asset Value per Ordinary Share**		3,913.84p		3,174.34p
20	**Ordinary Shares in issue at 30 September**		36,054,938		35,507,751

The Notes on pages 72 to 103 are an integral part of the Financial Statements.

The Financial Statements on pages 65 to 103 were approved by the Directors on 23 October 2015 and were signed on their behalf by:

Roger Yates, Chairman
Electra Private Equity PLC
Company Number: 303062

Company Balance Sheet

Note	As at 30 September	£m	2015 £m	£m	2014 £m
	Non-Current Assets				
13	Investments held at fair value:				
	Unlisted and listed		120		151
	Liquidity funds		–		120
	Subsidiary undertakings		1,012		787
			1,132		1,058
	Current Assets				
14	Trade and other receivables	432		129	
	Current tax asset	1		–	
	Cash and cash equivalents	146		198	
		579		327	
	Current Liabilities				
	Derivative financial instruments	–		1	
15	Trade and other payables	3		24	
	Net Current Assets		576		302
	Total Assets less Current Liabilities		1,708		1,360
18	Convertible Bond	73		82	
23	Provisions for liabilities and charges	132		83	
	Non-Current Liabilities		205		165
	Net Assets		1,503		1,195
	Capital and Reserves				
20	Called up share capital		9		9
	Share premium	39		28	
	Capital redemption reserve	34		34	
18	Other reserves	20		22	
	Realised capital profits	1,103		1,069	
	Unrealised capital profits	358		88	
	Revenue reserve	(60)		(55)	
			1,494		1,186
	Total Equity Shareholders' Funds		1,503		1,195

The Notes on pages 72 to 103 are an integral part of the Financial Statements.

The Financial Statements on pages 65 to 103 were approved by the Directors on 23 October 2015 and were signed on their behalf by:

Roger Yates, Chairman
Electra Private Equity PLC
Company Number: 303062

Consolidated Cash Flow Statement

For the year ended 30 September	£m	2015 £m	£m	2014 £m
Operating activities				
Purchase of investments	(187)		(330)	
Purchase of liquidity funds	–		(115)	
Amounts paid under incentive schemes	(35)		(25)	
Sales of investments	224		219	
Sales of liquidity funds	120		240	
Dividends and distributions received	4		4	
Other investment income received	35		37	
Other income received	4		1	
Expenses paid	(32)		(29)	
Taxation paid	(6)		–	
Net Cash Inflow from Operating Activities		127		2
Financing Activities				
Bank loans repaid	(153)		–	
Finance costs	(6)		(6)	
Dividends paid	(14)		–	
Convertible Bond Interest paid	(5)		(5)	
Net Cash Outflow from Financing Activities		(178)		(11)
Changes in cash and cash equivalents		(51)		(9)
Cash and cash equivalents at 1 October		198		207
Cash and Cash Equivalents at 30 September		147		198

Company Cash Flow Statement

For the year ended 30 September	£m	2015 £m	£m	2014 £m
Operating activities				
Purchase of investments	(82)		(79)	
Purchase of liquidity funds	–		(115)	
Amounts paid under incentive schemes	(35)		(25)	
Sales of investments	244		195	
Sales of liquidity funds	120		240	
Dividends and distributions received	3		4	
Other investment income received	8		19	
Interest income received	–		1	
Expenses paid	(32)		(26)	
Taxation paid	(1)		–	
Net Cash Inflow from Operating Activities		225		214
Financing Activities				
Intercompany loans	(100)		(217)	
Finance costs	(5)		–	
Dividends paid	(14)		–	
Bank loans repaid	(153)		–	
Convertible Bond Interest paid	(5)		(5)	
Net Cash Outflow from Financing Activities		(277)		(222)
Changes in cash and cash equivalents		(52)		(8)
Cash and cash equivalents at 1 October		198		206
Cash and Cash Equivalents at 30 September		146		198

Notes to the Financial Statements

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 Investment Income

For the year ended 30 September	£m	2015 £m	£m	2014 £m
Income				
Dividend Income	28		16	
Other Investment Income	54		55	
		82		71

3 Other Expenses

For the year ended 30 September	£'000	2015 £'000	£'000	2014 £'000
Other Expenses				
Administrative expenses	1,792		2,053	
Directors' remuneration (see Note 5)	299		315	
Exceptional expenses*	2,265		3,323	
Auditors' remuneration	682		471	
Total operating expenses		5,038		6,162

* The exceptional costs in 2014 included the costs of a General Meeting held in October 2014 which required the preparation of two circulars to shareholders. In 2015 the costs include ongoing shareholder related advisory costs and the costs of preparing a circular to shareholders for a General Meeting to be held in November 2015.

Auditors' Remuneration

For the year ended 30 September	2015 £'000	2014 £'000
Audit of group accounts pursuant to legislation	165	162
Audit of subsidiaries accounts pursuant to legislation	116	55
Sub total	281	217
Other assurance services*	114	19
Total audit fees and other assurance services	395	236
Other services relating to taxation	287	235
Total auditors' remuneration	682	471
PricewaterhouseCoopers LLP services contracted by Electra Partners LLP under its discretionary management contract**		
Tax advisory services	25	–
Corporate finance services and transaction services	75	43
Fees in relation to investment due diligence contracted by Electra Partners	100	43

* These are professional services in relation to agreed upon procedures performed in respect of Electra's Internal Controls Monitoring Report (ICMR) £20,000 (2014: £19,000 in respect of ICMR) and additional fees for valuation work in connection with the interim review £94,000 (2014: £nil).

**PricewaterhouseCoopers LLP have also been engaged by Electra Partners, the Manager, under its discretionary management contract to provide due diligence and advisory services in connection with investments and potential investments. This work was awarded on a competitive basis and, where the costs have been borne by the Group, the amounts have been disclosed in the table above.

3 Other Expenses continued

Non-audit services

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

4 Income Reversal

This represents the reversal of accrued income recognised in previous periods arising from changes in valuation of certain investments.

5 Directors' Remuneration

For the year ended 30 September	2015 £'000	2014 £'000
Chairman's remuneration (Dr Colette Bowe)	–	45
Chairman's remuneration (Mr Roger Yates)	100	71
Directors' fees	199	199
	299	315
Emoluments		
Chairman and highest paid Director	100	71

Dr Colette Bowe held the position of Chairman for the period from 1 October 2013 to retirement on 11 March 2014 at which date Mr Roger Yates was appointed Chairman.

The Board of Directors are considered to be the Key Management Personnel. For further details see the Directors' Remuneration Report on pages 120 to 124.

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 (2014: none) waived remuneration.

6 Employees (Excluding Directors)

The Company has no employees (2014: none).

7 Finance Costs

For the year ended 30 September	Revenue £m	Capital £m	2015 Total £m	Revenue £m	Capital £m	2014 Total £m
Loans Repayable In Less Than One Year						
Zero Dividend Preference Share costs	–	5	5	–	–	–
	–	5	5	–	–	–
Loans Repayable After More Than One Year						
Bank facility	5	–	5	7	–	7
Convertible Bond costs	7	–	7	9	–	9
Zero Dividend Preference Share costs	–	–	–	–	4	4
	12	–	12	16	4	20
	12	5	17	16	4	20

During the year ended 30 September 2015, the term of the Company's multi-currency revolving credit facility was extended to 28 December 2019 and the facility was increased from £195,000,000 to £275,000,000. The interest payable is LIBOR plus a margin of 2.5%.

8 Taxation Expenses

For the year ended 30 September	Revenue £m	Capital £m	2015 Total £m	Revenue £m	Capital £m	2014 Total £m
Current tax:						
Current tax on profit for the year	4	–	4	4	–	4
Income tax expense	4	–	4	4	–	4

The difference between the income tax expense shown above and the amount calculated by applying the effective rate of UK corporation tax, currently 20.5% pro-rata (2014: 22% pro-rata) to the profit before tax is as follows:

For the year ended 30 September	Revenue £m	Capital £m	2015 Total £m	Revenue £m	Capital £m	2014 Total £m
Profit on ordinary activities before taxation	33	282	315	24	142	166
Profit before tax multiplied by the effective rate of:						
UK corporation tax of 20.5% pro-rata (2014: 22% pro-rata)	7	58	65	5	31	36
Effects of:						
Dividend income	(6)	–	(6)	(3)	–	(3)
Disallowed expenses	–	–	–	1	–	1
Priority profit share of partnership income appropriated by General Partner	4	(4)	–	5	(5)	–
Capital profits not chargeable due to Investment Trust status	–	(54)	(54)	–	(26)	(26)
Non-taxable income	(1)	–	(1)	(4)	–	(4)
Tax Charge	4	–	4	4	–	4

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015.

9 Dividends

An interim dividend of £13,621,000 was paid during the year ended 30 September 2015 (30 September 2014: approved £nil, paid £nil).

10 Total Return Attributable to Equity Shareholders

The Total Return dealt with in the Financial Statements of the Company includes a profit of £311,000,000 (2014: £161,815,000).

11 Earnings per Share

For the year ended 30 September	2015	2014
Net revenue profit attributable to ordinary shareholders (£m)	29	20
Net capital return attributable to ordinary shareholders (£m)	282	142
Net revenue profit on which diluted return per share calculated with finance charge net of taxation of £5 million (2014: £7 million) added back	34	27
Net capital return on which diluted return per share calculated (£m)	282	142
Total Diluted Return (£m)	316	169
Weighted average number of ordinary shares in issue during the year on which the undiluted profit per ordinary share was calculated	35,734,284	35,363,655
Weighted average number of ordinary shares in issue during the year on which the diluted profit per ordinary share was calculated	40,270,691	40,216,732

Net revenue profit was £28,572,975 (2014: profit of £19,996,464) and net capital return was £282,229,080 (2014: £141,848,038).

	Basic earnings per share		Diluted earnings per share	
	2015	2014	2015	2014
	p	p	p	p
Revenue profit per ordinary share	79.96	56.55	84.43	66.42
Capital return per ordinary share	789.80	401.11	700.83	352.71
Earnings per ordinary share	869.76	457.66	785.26	419.13

12 Net Asset Value per Ordinary Share

On 29 December 2010 Electra issued £100 million of 5% Subordinated Convertible Bonds at an issue price of 100 per cent and an initial conversion price of 2,050p, now reduced to 2,025p (see note 18). 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 Bond has been treated as a compound financial instrument containing both a liability and an equity component.

The basic Net Asset Value ("NAV") per share is calculated by dividing NAV of £1,502,940,000 (2014: £1,195,101,000) by the number of ordinary shares in issue amounting to 36,054,938 (2014: 35,507,751).

The diluted NAV per share is calculated by adding the liability component of the Convertible Bonds amounting to £73,189,000 (2014: £81,516,000) to NAV of £1,502,940,000 (2014: £1,195,101,000) and then dividing by the weighted average number of ordinary shares amounting to 40,270,691 (2014: 40,216,732) after taking into account dilutive potential shares.

13 Non-Current Assets

Investments Held at Fair Value

As at 30 September	Group 2015 £m	Company 2015 £m	Group 2014 £m	Company 2014 £m
Unlisted at Fair Value	1,529	120	1,181	151
Listed at Fair Value	101	–	91	–
Subsidiary Undertakings at Fair Value	–	1,012	–	787
	1,630	1,132	1,272	938
Liquidity funds	–	–	120	120
	1,630	1,132	1,392	1,058

Investments Held at Fair Value

As at 30 September	Group Unlisted and Listed £m	Group Liquidity funds £m	Group Total £m	Company Unlisted and Listed £m	Company Liquidity funds £m	Company Total £m
Valuation						
Valuation at 1 October 2014	1,272	120	1,392	938	120	1,058
Purchases	188	–	188	83	–	83
Disposals	(259)	(120)	(379)	(207)	(120)	(327)
Increase in valuation	429	–	429	318	–	318
Valuation at 30 September 2015	1,630	–	1,630	1,132	–	1,132

As at 30 September	Group Unlisted and Listed £m	Group Liquidity funds £m	Group Total £m	Company Unlisted and Listed £m	Company Liquidity funds £m	Company Total £m
Valuation						
Valuation at 1 October 2013	968	245	1,213	883	245	1,128
Purchases	410	115	525	112	115	227
Disposals	(352)	(241)	(593)	(280)	(241)	(521)
Increase in valuation	246	1	247	223	1	224
Valuation at 30 September 2014	1,272	120	1,392	938	120	1,058

14 Trade and Other Receivables – Current

As at 30 September	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Prepayments	4	3	4	3
Amounts owed by subsidiary undertakings	–	–	428	116
Sales for future settlement	–	10	–	10
	4	13	432	129

15 Trade and Other Payables – Current

As at 30 September	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Carried Interest payable	1	17	1	17
Other payables	5	8	2	7
	6	25	3	24

16 Bank Loans

As at 30 September	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Bank Loans are repayable as follows:				
Due between one to two years	–	152	–	–

A variable rate of interest is charged on the bank loan. The bank loan relates to a £275,000,000 committed unsecured multi-currency revolving credit facility which expires on 28 December 2019. Under the Facility Agreement the Group is liable to pay interest at LIBOR rates plus a margin of 2.5%. The weighted average effective interest rate for the year was 6.6% (2014: 4.7%). The facility was repaid in March 2015 and has been undrawn since but continues to incur a commitment fee of £2 million per annum.

17 Zero Dividend Preference Shares

As at 30 September	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Zero Dividend Preference Shares	69	65	–	–

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 60,000,000 Zero Dividend Preference ("ZDP") shares stated in the articles of association of Electra Private Equity Investments PLC ("EPEI") is the maximum amount of ZDP shares that may be allotted by EPEI unless otherwise authorised by shareholders in general meeting.

On 5 August 2009, EPEI issued 43,000,000 ZDP shares at 100p each. On 2 December 2009, 4,295,000 ZDP shares were issued at a price of 104p each. Each share has a par value of 0.01p and a maturity price of 155.41p. The fair value of the ZDP shares at 30 September 2015 was £71,652,000 (2014: £68,578,000) based on the quoted offer price of 151.50p (2014: 145.00p) per ZDP share.

18 Convertible Bond

As at 30 September	At 2014 £m	Finance charge £m	Finance charge paid £m	Bond conversion £m	At 2015 £m
Fair value of debt (debt cash flows discounted at 9.9%)	82	2	–	(11)	73
Fair value of equity component*	22	–	–	(2)	20
5% coupon payable**	1	5	(5)	–	1
Issue of ordinary shares	4	–	–	11	15
Total Bond issue	109	7	(5)	(2)	109

* Included in other reserves.
**Included in trade and other payables.

18 Convertible Bond continued

As at 30 September	At 2013 £m	Finance charge £m	Finance charge paid £m	Bond conversion £m	At 2014 £m
Fair value of debt (debt cash flows discounted at 9.9%)	82	4	–	(4)	82
Fair value of equity component*	23	–	–	(1)	22
5% coupon payable**	1	5	(5)	–	1
Issue of ordinary shares	–	–	–	4	4
Total Bond issue	106	9	(5)	(1)	109

* Included in other reserves.

**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 is 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. As a consequence of the interim dividend paid in the year the conversion price has reduced to 2,025p.

The number of 5% Subordinated Convertible Bonds outstanding as at 30 September 2015 was 85,369 (2014: 96,534). The fair value of the 5% Subordinated Convertible Bonds at this date was £138,298,000 (2014: £125,012,000) based on the quoted offer price of £1,620 (2014: £1,295) per Convertible Bond.

More information can be found on page 143.

19 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 unlisted and listed companies, partnership interests, liquidity funds, trade receivables, trade payables and cash.

2. A loan facility, Zero Dividend Preference shares and Convertible Bonds, the purpose of which is the financing of new investment and refinancing of existing debt, and to finance on-market purchases of shares, other share buy-backs and tender offers.

3. Interest rate Swaps and Caps 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.

19 Financial Instruments continued

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 and fixed income securities. For listed investments and liquidity funds the market risk variable is deemed to be the price itself. 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 prices, is set out in part (ii) of this Note. For unlisted equity and non-equity shares the market risk is deemed to be the price/earnings ratio or other appropriate valuation methodology as set out in the accounting policy. 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 (vii) of this Note.

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 or impacted by currencies other than sterling. The foreign investments held are principally held in the USA, Continental Europe and Asia. During the year, the Company held loans denominated in US Dollars and Euro, which partially offset foreign currency risk on foreign currency investments.

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

Interest Rate Risk

The Group finances its operations through retained profits including realised capital profits. In addition, financing is obtained through the multi-currency facility, ZDP and Convertible Bonds. During the year, a long-term multi-currency loan facility was in existence. The multi-currency facility has a floating rate of interest. The Convertible Bonds have a fixed rate of interest. Interest rate swap and cap derivatives are utilised 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.

19 Financial Instruments continued

Credit Risk

The Group's exposure to credit risk principally arises from its investment in liquidity funds and its cash deposits. Only major banks (with market capitalisation above £20 billion) 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 £nil with associated accrued income of £nil (2014: £120,000,000 with associated accrued income of £31,000). The cost of this investment was £nil (2014: £120,000,000). Cash held on deposit was principally with three UK banks (see table below) and totalled £147,123,000 (2014: £198,271,000).

Bank Credit Ratings at 30 September 2015	Moody's
Royal Bank of Scotland	A3
Barclays	A2
Lloyds	A1

Capital Risk Management

The Group's capital at 30 September comprised:

	30 Sept 2015 £m	30 Sept 2014 £m	Repayable
Debt			
Borrowing under the Credit Facility	–	152	December 2019
Zero Dividend Preference Shares	69	65	August 2016
Convertible Bond	73	82	December 2017
	142	299	
Equity			
Equity share capital	9	9	
Retained earnings and other reserves	1,494	1,186	
	1,503	1,195	
Total capital	1,645	1,494	
Debt as a percentage of total capital	9%	20%	

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 the level of borrowing in the £275,000,000 committed multi-currency revolving credit facility or issue new shares or debt. During the year the Group paid an interim dividend of £13,621,000 (2014: £nil).

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 (2014: £nil) was utilised to repurchase shares for cancellation.

The level of outstanding borrowings is reviewed on an on-going basis taking into account future levels of investment, realisations, dividends and share buybacks.

19 Financial Instruments continued

(ii) Market Price Exposure

	2015 Increase in variable £m	2015 Decrease in variable £m	2014 Increase in variable £m	2014 Decrease in variable £m
10% movement in price of listed investments				
Impact on profit after tax	9	(9)	8	(8)
Impact as a percentage of profit after tax	3%	(3%)	5%	(5)%
Impact on shareholders' equity	9	(9)	8	(8)
Impact as a percentage of shareholders' equity	1%	(1%)	1%	(1)%

(iii) Foreign Currency Exposures

Currency

	2015 Sterling appreciation £m	2015 Sterling depreciation £m	2014 Sterling appreciation £m	2014 Sterling depreciation £m
10% Movement in Euro				
Impact on (loss)/profit after tax	(16)	16	(8)	8
Impact as a percentage of (loss)/profit after tax	(5)%	5%	(5)%	5%
Impact on shareholders' equity	(16)	16	(8)	8
Impact as a percentage of shareholders' equity	(1)%	1%	(1)%	1%
10% Movement in US Dollar				
Impact on (loss)/profit after tax	(12)	12	(7)	7
Impact as a percentage of (loss)/profit after tax	(4)%	4%	(5)%	5%
Impact on shareholders' equity	(12)	12	(7)	7
Impact as a percentage of shareholders' equity	(1)%	1%	(1)%	1%

(iv) Interest Rate Risk Profile of Financial Assets and Liabilities

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 2015.

As at 30 September 2015	Total £m	Fixed rate financial instruments £m	Floating rate financial instruments £m	Financial instruments on which no interest is earned/paid £m
Financial Assets	1,781	606	154	1,021
Financial Liabilities	(148)	(142)	–	(6)
Total	1,633	464	154	1,015

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

As at 30 September 2014	Total £m	Fixed rate financial instruments £m	Floating rate financial instruments £m	Financial instruments on which no interest is earned/paid £m
Financial Assets	1,603	629	319	655
Financial Liabilities	(325)	(148)	(152)	(25)
Total	1,278	481	167	630

19 Financial Instruments continued

Currency As at 30 September	Fixed rate financial assets weighted average interest rate 2015 %	 2014 %	Fixed rate financial assets weighted average period until maturity 2015 years	 2014 years
Sterling	7	7	5	5
US Dollars	8	8	4	4
Euro	8	10	3	3

The floating rate financial liabilities include the drawn element of a £275,000,000 committed multi-currency revolving credit facility (refer to Note 16). The weighted average effective interest rate for the year was 6.6% (2014: 4.7%). The fixed rate financial liabilities comprise £69,348,000 (2014: £64,880,000) Zero Dividend Preference shares and £73,189,000 (2014: £81,516,000) Subordinated Convertible Bonds.

	2015 Increase in variable £m	 Decrease in variable £m	2014 Increase in variable £m	 Decrease in variable £m
1% movement in interest rates				
Impact on interest income from cash	2	(2)	2	(2)
Impact on interest income on liquidity funds	–	–	1	(1)
Total impact on profit/(loss) after tax and shareholders' equity	2	(2)	3	(3)
Impact as a percentage of total profit/(loss) after tax	0%	0%	2%	(2)%
Impact as a percentage of shareholders' equity	0%	0%	0%	0%

(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	2015 £m	2014 £m
Less than one year (2014: Between one and two years)	73	73
Over two years (2014: Over two years)	85	249

The financial liability less than one year (2014: Between one and two 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. The financial liability over two years relates to £100 million 5% Subordinated Convertible Bonds issued on 29 December 2010, convertible on or before 29 December 2017 (see Note 18). It also includes the drawn element (refer to Note 16) of a £275,000,000 committed multi-currency revolving credit facility, which expires on 28 December 2019.

19 Financial Instruments continued

(vi) Fair Values of Financial Assets and Liabilities

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

As at 30 September	Fair Value 2015 £m	Fair Value 2014 £m
Primary Financial Assets Held		
Equity shares	952	625
Non-equity shares	65	18
Fixed interest securities	606	629
Floating rate securities	7	120
Cash at bank and in hand	147	198
Other assets	4	13
Primary Financial Liabilities held to Finance the Group's Operations		
Bank loans	–	152
Zero Dividend Preference Shares	72	69
Convertible Bond	138	125
Fair value of interest rate swaps and caps	–	1
Other creditors	6	25

The unlisted financial assets held at fair value, are valued in accordance with the Principles of Valuation of Unlisted Equity Investments as detailed within the Basis of Accounting (Note 25).

(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.

The Group has adopted IFRS 13 in respect of disclosures about the degree of reliability of fair value measurements. This requires the Group to classify, for disclosure purposes, fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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).

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 determination of what constitutes 'observable' requires significant judgement by the Group. The Group considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

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

All fair value measurements disclosed are recurring fair value measurements.

19 Financial Instruments continued

Financial assets and liabilities at fair value through profit or loss

As at 30 September 2015	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Unlisted and listed investments	1,630	101	–	1,529
	1,630	101	–	1,529

As at 30 September 2014	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Unlisted and listed investments	1,272	91	–	1,181
Liquidity funds	120	120	–	–
Interest rate swaps	(1)	–	(1)	–
	1,391	211	(1)	1,181

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. The Group does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include over-the-counter derivatives.

Investments classified within Level 3 make use of significant unobservable inputs in deriving fair value, as they trade infrequently. As observable prices are not available for these securities, the Group has used valuation techniques to derive the fair value. Investments classified within Level 3 consist of private equity direct investments and fund and secondary positions.

The main inputs into the Group's valuation models for private equity investments are EBITDA multiples (based on the budgeted EBITDA or most recent EBITDA achieved or a rolling 12 months basis of the issuer and equivalent corresponding EBITDA multiples of comparable listed companies), quality of earnings assessments, assessments of third party external debt, marketability discounts, cost of capital adjustments and probabilities of default. The Group also considers the original transaction prices, recent transactions in the same or similar instruments and completed third-party transactions in comparable companies' instruments and adjusts the model as deemed necessary.

In determining the valuation recommended to the Directors for the Group's equity instruments, the Manager uses comparable trading multiples in arriving at the valuation for private equity. In accordance with the Group's policy, the Manager determines appropriate comparable public companies based on industry, size, developmental stage, revenue generation and strategy. The Manager then calculates a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable group by its EBITDA. The trading multiple is then adjusted for discounts/premiums with regards to such considerations as illiquidity and other differences, advantages and disadvantages between the Group's portfolio company and the comparable public companies based on company specific facts and circumstances.

The value of private equity funds is primarily based on the latest available financial/capital account statement of the private equity fund. The Company may make adjustments to the value as set out in Note 25.

As at 30 September 2015 10% (2014: 15%) of financial assets at fair value comprise investments in private equity funds that have been valued in accordance with the policies set out in Note 25. The private equity funds are not publicly traded and prior to maturity an exit can only be made by the Company through a sale of its investment and commitment through a secondary market. The carrying values of the private equity funds may be significantly different from the values ultimately realised on an exit via a secondary market sale.

19 Financial Instruments continued

The following table presents assets measured at fair value based on Level 3.

	2015 £m	2014 £m
Opening balance	1,181	881
Purchases	188	410
Realisations	(244)	(294)
Transfer to Level 1	(4)	(6)
Increases in valuation	408	190
Closing balance as at 30 September	1,529	1,181

The tables below present those investments in portfolio companies whose fair values are recognised in whole or in part using valuation techniques based on assumptions that are not supported by prices or other inputs from observable current market transactions in the same instrument and the effect of changing one or more of those assumptions behind the valuation techniques adopted based on reasonable possible alternative assumptions.

Description	Fair value 2015 £m	Valuation Technique	Unobservable Inputs	Weighted Average Input	Reasonable possible shift +/- (absolute value/%)	Change in Valuation +/- £m
UK						
Consumer goods	628	Comparable trading multiples	EBITDA multiple	8.3x	1x	99/(97)
			Discount for lack of marketability	22.9%	5%	(54)/49
Property	60	Yield	Yield %	7.5%	1%	8/(8)
Private equity funds	94	NAV valuation	NAV	n/a	5%	5/(5)
Business services	529	Comparable trading multiples	EBITDA multiple	9.5x	1x	65/(63)
			Discount for lack of marketability	17.0%	5%	(41)/39
Continental Europe						
Consumer goods	14	Comparable trading multiples	EBITDA multiple	9.3x	1x	1/(1)
			Discount for lack of marketability	28.0%	5%	-/-
Private equity funds	59	NAV valuation	NAV	n/a	5%	3/(3)
Business services	33	Comparable trading multiples	EBITDA multiple	5.9x	1x	13(17)
			Discount for lack of marketability	31.1%	5%	(6)/9
Property	11	Yield	Yield %	7.5%	1%	1/(1)
USA						
Business services	76	Comparable trading multiples	EBITDA multiple	12.4x	1x	10/(13)
			Discount for lack of marketability	14.5%	5%	(7)/9
Private equity funds	13	NAV valuation	NAV	n/a	5%	1/(1)
Asia and elsewhere						
Private equity funds	12	NAV valuation	NAV	n/a	5%	1/(1)
	1,529					

19 Financial Instruments continued

Description	Fair value 2014 £m	Valuation Technique	Unobservable Inputs	Weighted Average Input	Reasonable possible shift +/- (absolute value/%)	Change in Valuation +/- £m
UK						
Consumer goods	388	Comparable trading multiples	EBITDA multiple	7.8x	1x	58/(66)
			Discount for lack of marketability	13.8%	5%	(5)/25
Property	28	Yield	Yield %	7.5%	1%	4/(4)
Private equity funds	93	NAV valuation	NAV	n/a	5%	5/(5)
Business services	450	Comparable trading multiples	EBITDA multiple	7.6x	1x	69/(72)
			Discount for lack of marketability	22.5%	5%	(23)/24
Continental Europe						
Consumer goods	6	Comparable trading multiples	EBITDA multiple	7.6x	1x	1/(1)
			Discount for lack of marketability	27.0%	5%	-/-
Private equity funds	63	NAV valuation	NAV	n/a	5%	3/(3)
Business services	50	Comparable trading multiples	EBITDA multiple	7.3x	1x	17/(19)
			Discount for lack of marketability	26.1%	5%	(10)/9
Property	18	Yield	Yield %	7.5%	1%	2/(2)
USA						
Business services	56	Comparable trading multiples	EBITDA multiple	11.8x	1x	12/(11)
			Discount for lack of marketability	4.9%	5%	(1)/1
Private equity funds	19	NAV valuation	NAV	n/a	5%	1/(1)
Asia and elsewhere						
Private equity funds	10	NAV valuation	NAV	n/a	5%	-/-
	1,181					

For the purposes of the above tables:

- Consumer goods includes travel & leisure, house, leisure & personal goods and food and beverage
- Business services includes media, industrial general and transportation, support services, technology, hardware and equipment and financials and insurance
- Private equity funds includes private equity funds and secondaries

The changes in valuations disclosed in the above table show the relative increase or decrease in the input variables deemed to be subject to the most judgement and the respective impact on the fair value presented in these Financial Statements. Increases in the EBITDA multiple would each lead to an increase in estimated value. However, an increase in the discount for lack of marketability would lead to a decrease in value.

No inter-relationships between unobservable inputs used in the Group's valuation of its Level 3 equity investments have been identified.

19 Financial Instruments continued

The following table presents the transfers between levels for the year ended 30 September 2015:

Transfers between Level 1 and 3:	Level 1 £m	Level 2 £m	Level 3 £m
UK			
Business services	4	–	(4)

The following table presents the transfers between levels for the year ended 30 September 2014:

Transfers between Level 1 and 3:	Level 1 £m	Level 2 £m	Level 3 £m
UK			
Business services	6	–	(6)

The equity securities transferred out of Level 3 relate to ordinary shares of Igas Energy Plc which had been acquired as part of a reorganisation of Greenpark Energy. The fair value is determined based on quoted market prices as described in Note 25.

The following table presents the movement in Level 3 instruments for the year ended 30 September 2015 by sector of financial instrument:

	Consumer goods £m	Property £m	Business services £m	Fund positions £m	Total £m
Opening balance at 1 October 2014	394	46	556	185	1,181
Purchases	131	24	13	20	188
Realisations	(14)	(8)	(168)	(54)	(244)
Transfers to Level 1	–	–	(4)	–	(4)
Increase in valuation	131	9	241	27	408
Closing balance at 30 September 2015	642	71	638	178	1,529

20 Share Capital

As at 30 September	2015 £m	2014 £m
Allotted, called-up and fully paid 36,054,938 (2014: 35,507,751) ordinary shares of 25p each	9	9

During the year ended 30 September 2015, 11,165 Subordinated Convertible Bonds were converted into 547,187 ordinary shares (2014: 3,392 Convertible Bonds were converted into 165,459 ordinary shares). No shares were purchased by the Company from shareholders during the year ended 30 September 2015 (2014: nil).

21 Particulars of Holdings

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 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 100% owned and held directly by the Company.

Electra Investments Limited (Investment Holding Company)
87,000 ordinary shares of £10 (par value). Paid-in capital £1,027,389.
Incorporated in England and Wales.
The subsidiary is 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 100% 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.

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) LP
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.

21 Particulars of Holdings continued

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.

Electra E.B.T. Limited
100 ordinary shares of £1 per share. Paid-in capital £100.
Incorporated in England and Wales.
The subsidiary is 100% owned and held directly by the Company.

Electra Investment Trust Limited
250,000 ordinary shares of £1 per share. Paid-in capital £250,000.
Incorporated in England and Wales.
The subsidiary is 100% owned and held directly by the Company.

Electra Aviation (Spares) Limited
1 'A' ordinary shares of £1 per share. Paid-in capital £1.
1 'B' ordinary shares of £1 per share. Paid-in capital £1.
Incorporated in England and Wales.
The subsidiary is 100% owned and held directly by the Company.

Electra Securities Limited
100,000 ordinary shares of £1 per share. Paid-in capital £100,000
Incorporated in England and Wales.
The subsidiary is 100% owned and held directly by the Company.

Electra Holdings Inc.
10,000 common stock of US$1.
Incorporated in Delaware (U.S.A.).
The subsidiary is 100% owned and held directly by the Company.

Electra Property Inc.
1,000 common stock of US$1.
Incorporated in Delaware (U.S.A.)
The subsidiary is 100% owned and held directly by the Company.

Electra Partners Advisers (Asia) Limited
1 ordinary share of £1 (par value). Paid-in capital £1.
Incorporated in England and Wales.
The subsidiary is 100% owned and held through Electra Far East LP.

Electra Partners Mauritius Limited
100,000 ordinary shares of $0.10. Paid-in capital $10,000.
Incorporated in Mauritius.
The subsidiary is 100% owned and held through Electra Far East LP.

Electra Partners Cayman Limited
50,000 'A' class shares of $1 per share. Paid-in capital $50,000.
50,000 'B' class shares of $1 per share. Paid-in capital $50,000.
Incorporated in the Cayman Islands.
The subsidiary is 100% held through Electra Investments Limited.

21 Particulars of Holdings continued

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:

As at 30 September	2015 Carrying value £m	2015 Cost £m	2014 Carrying value £m
AUDIOTONIX	91	61	64
A Shares 57.6%			
Loan Notes 100%			
ALLFLEX HOLDINGS IV	73	68	54
Class A1 Capital Stock 15.6%			
Class B2 Capital Stock 16.2%			
Class A2 Capital Stock 16.2%			
Class B4 Capital Stock 16.2%			
AXIO DATA GROUP	200	21	140
G Ordinary shares 62.4%			
Junior loan notes 42.4%			
Ordinary shares 69.8%			
Senior loan notes 78.0%			
CALA GROUP	50	32	38
Ordinary shares 10.5%			
Unsecured loan 10.5%			
DAVIES GROUP	23	39	23
G Ordinary shares 57.1%			
Warrants			
Preference Shares 58.5%			
C1 Ordinary Shares			
C2 Ordinary Shares			
Senior unsecured loan notes 70.7%			
Unsecured loan notes 72.2%			
ELIAN	120	76	81
B Ordinary shares 58.8%			
Preference shares 74%			
HOTTER SHOES	61	84	72
A Ordinary shares 61.3%			
10% Secured red PIK loan notes 2022 72.9%			
INNOVIA GROUP	30	33	33
PEL 29.4%			
PEC 28.3%			
Ordinary shares 23.8%			
KNIGHT SQUARE	34	9	44
Ordinary shares 50.8%			
Senior loan notes 66.7%			
Junior loan notes 55.5%			

21 Particulars of Holdings continued

As at 30 September	2015 Carrying value £m	2015 Cost £m	2014 Carrying value £m
PARK RESORTS	185	93	135
Ordinary shares 48.9%			
Deferred shares			
PIK Note 91.1%			
Preference shares 41.4%			
Senior debt 33.6%			
PINE	56	38	24
Income units 99.0%			
Capital units 99.0%			
Loan Notes 100%			
PREMIER ASSET MANAGEMENT	33	30	26
Ordinary shares 24.7%			
4.0% Preference shares 33.0%			
8.0% Preference shares 100.0%			
SOUTH LAKELAND PARKS	61	19	41
B Ordinary shares 70.5%			
PIK loan notes 86.3%			
SOUTHVIEW AND MANOR PARK	41	18	20
B Shares 72.3%			
Loan notes 88.6%			
TGI FRIDAYS	113	99	–
A Ordinary shares 78.7%			
Unsecured Loan Notes 100%			
THE ORIGINAL BOWLING COMPANY	103	50	50
A Ordinary shares 84.5%			
Unsecured loan notes 100%			
TREETOPS NURSERIES	27	12	16
Ordinary shares 79.2%			
12% Unsecured loan notes 2017			
ZENSAR TECHNOLOGIES	84	4	63
Ordinary shares 23%			

22 Related Party Transactions

Carried interest schemes

Certain members of Electra Partners (the "participants") are entitled to benefit from carried interest schemes under the terms of the limited partnerships through which Electra invests. Details of these schemes are as follows:

Long term incentive scheme ("LTI")

Under this scheme participants invested in every new investment made by Electra between 1995 and March 2006. In return, the participants are entitled to a percentage of the total capital and revenue profits made on each such investment. The participants do not receive any profit until Electra has received back its initial investment.

1995 LTI

Participants are entitled to a percentage of the incremental value of unlisted investments held at 31 March 1995, subject to Electra having received total proceeds equal to the valuation of those investments as at 31 March 1995 plus a preferred return.

The Initial Pool

This relates to a pool of investments valued at £160 million at 31 March 2006 (the "initial pool"). Under this arrangement participants are entitled to 10% (the "carried interest") of the aggregate realised profits of the initial pool. The realised profits are calculated as being the aggregate of income and sale proceeds received by Electra less the £160 million opening value, less any additional purchases and less priority profit share. Carried interest is payable only once realised profits exceed a preferred return of 15% compounded annually on the opening value of the initial pool plus the cost of further investments less realisations. A full catch-up is payable once the realised profits of the initial pool exceed the preferred return. This catch-up means that all proceeds above the cumulative preferred return accrue to participants until they have been paid an amount equating to 10% of the total realised profits of the initial pool. Thereafter proceeds are split 90%:10% between Electra and the participants.

2006, 2009 and 2012 Pools

In October 2006 new arrangements were entered into in respect of investments made over each consecutive three year period. At the reporting date such arrangements are in operation in relation to the three year periods from 2006 to 2009, 2009 to 2012 and 2012 to 2015 (investments being made in each such period being referred to as a "pool").

Under these arrangements participants are entitled to a carried interest of 18% of the aggregate realised profits in relation to direct investments in each pool. The realised profits are calculated as being the aggregate of income and sale proceeds received by Electra less the purchase costs of investments and less priority profit share. Carried interest is payable only once realised profits exceed a preferred return of 8% compounded annually on the cost of investments less realisations. A full catch-up is payable once the realised profits exceed the preferred return. This catch-up means that all proceeds above the cumulative preferred return accrue to participants until they have been paid an amount equating to 18% of the total realised profits. Thereafter proceeds are split 82%:18% between Electra and the participants.

Similar arrangements are in place for indirect investments, the difference from the above arrangements being that the carried interest is 9% over an 8% preferred return.

No Directors of Electra participate in the above schemes.

22 Related Party Transactions continued

Summary of carried interest pools

As at 30 September 2015	Initial Pool £m	2006 Pool £m	2009 Pool £m	2012 Pool £m
Amount invested	(236)	(436)	(357)	(756)
Amount realised	675	756	224	242
Valuation of remaining investments	24	34	384	916
Pool profit	463	354	251	402
Multiple of cost	3.0	1.8	1.7	1.5
Priority Profit Share	(7)	(31)	(18)	(22)
Net profit	456	323	233	380

As at 30 September 2015	LTI £'000	1995 LTI £'000	Initial Pool £'000	2006 Pool £'000	2009 Pool £'000	2012 Pool £'000	Total £'000
Provisional Entitlement	12,674	–	2,370	6,224	42,003	68,700	131,971
Outstanding Entitlement	–	–	618	8	–	–	626
Total Amount Outstanding	12,674	–	2,988	6,232	42,003	68,700	132,597
Amount Paid in Period	2,303	63	1,450	30,925	–	–	34,741

As at 30 September 2014	LTI £'000	1995 LTI £'000	Initial Pool £'000	2006 Pool £'000	2009 Pool £'000	2012 Pool £'000	Total £'000
Provisional Entitlement	10,509	–	3,775	14,205	32,524	21,797	82,810
Outstanding Entitlement	1,016	63	782	15,496	–	–	17,357
Total Amount Outstanding	11,525	63	4,557	29,701	32,524	21,797	100,167
Amount Paid in Period	1,992	–	2,700	21,000	–	–	25,692

Electra Partners Club 2007 LP co-investment agreement

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 required 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 invested on the same terms and conditions. The agreement allowed 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 expired in May 2013.

22 Related Party Transactions continued

Priority profit share

Priority profit share for the year ended 30 September 2015 was £24,930,000 (2014: £25,383,000).

Year to September	2015 £m	2014 £m
Fee at 1.5%	22,860	22,440
Fee at 1%	509	–
	23,369	22,440
Adjustment for deal fees net of abort costs	1,561	2,943
Total	24,930	25,383

For the period ended 31 March 2015 priority profit share was paid to the Manager and was calculated at 1.5% per annum 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). From 1 April 2015, the following changes were made:

- no fee was paid on cash; and
- the management fee on Non-Core listed and Primary Fund Investments was reduced to 1%.

In the year to 30 September 2015 £3,582,000 (2014: £7,135,000) deal fees were charged by Electra in relation to new investments. These fees are accounted for within the investment income line in the financial statements. Under the terms of the limited partnership agreements, Electra Partners is entitled to receive 50% of the aggregate deal fees in excess of abort costs. This is achieved by increasing the priority profit share for the period by the relevant amount. These amounts are shown in the table above.

In addition Electra Partners charged portfolio companies £1,659,000 in relation to directors and monitoring fees (2014: £2,269,000 in relation to directors, monitoring and corporate finance fees*).

* The corporate finance fee of £1 million was adjusted through the PPS in 2014 and is part of the adjustment in the table above.

Participants Investment

From October 2006 the participants in the 2006, 2009 and 2012 pools are required to invest 1% of the cost of each direct investment on a pari passu basis with Electra. In the year ended 30 September 2015 £1,855,000 was invested (2014: £3,914,000). At 30 September 2015 the fair value of all investments currently held by the participants was £13,498,000 (2014: £10,377,000).

Intragroup Transfers

Net Sales of Investments from Electra to Electra Investments Limited amounted to £94,919,000 for the year ended 30 September 2015 (2014 to Electra: £16,244,000). Net loans advanced by Electra to Electra Investments Limited were £312,669,000 (2014: £245,399,000). Interest of £7,137,000 (2014: £316,000) was paid on these loans.

Net loans for working capital and/or to clear intercompany balances were made from Albion (Electra Limited) for £264,000 (2014: £9,000), from Electra Holdings Inc., for £15,000 (2014: £1,649,000), from Electra Property Inc., for £170,000 (2014: £6,000), from Electra Private Equity Investments PLC for £1,760,000 (2014: £1,756,000), from Electra Securities Ltd for £440,000 (2014: £1,000).

22 Related Party Transactions continued

Remuneration Disclosure

The AIFMD requires certain disclosures to be made in relation to the remuneration of the Manager's staff during the financial year.

	Year ended 30 Sept 2015 £000	Period 11 July to 30 Sept 2014 £000
Remuneration paid by the Manager to its partners	3,513	429
Carried Interest paid to the partners of the Manager	20,745	nil
Total	24,258	429

Electra Partners LLP substantially reorganised its group structure as part of its AIFMD variation of permission application which took effect from 11 July 2014. As a consequence the partners and remuneration structures in place within Electra Partners LLP prior to 11 July 2014 do not accurately reflect the partners and remuneration structures in place following Electra Partners LLP's AIFMD reorganisation and we consider that any disclosure of the remuneration paid prior to that date will not accurately reflect the steps taken to ensure AIFMD compliance.

In line with the FCA's guidance on the AIFMD remuneration code, we consider that since there has not yet been a full performance period following the implementation of Electra Partners LLP's AIFMD reorganisation it would be unhelpful to provide complete comparative remuneration disclosure for the financial years ended 30 September 2015 or 2014 because it would not be materially relevant and would not be a proper basis for comparison.

However, Electra Partners LLP considers it appropriate to disclose that the total remuneration paid to its partners for the year ended 30 September 2015 and in the period 11 July 2014 to 30 September 2014 by Electra Partners LLP as an AIFM, substantially all of which relates to the management of Electra, was as disclosed above. The remuneration paid by the Manager in the period was fixed remuneration with no variable remuneration being paid and the number of beneficiaries was ten for the year ended 30 September 2015 and was eight in the period from 11 July 2014 to 30 September 2014. All those concerned are partners of the Manager who are also its senior management. Following successful disposals made in 2014 and 2015 the same individuals received during the year ended 30 September 2015 aggregate profit distributions as set out above in respect of their carried interest investments in partnerships through which Electra invests.

Remuneration Policy

Following the AIFMD reorganisation referred to above, Electra Partners LLP has reviewed its remuneration policies and procedures in order to ensure that incentives are aligned with the detailed requirements of the AIFMD. Electra Partners LLP's remuneration policy includes measures to avoid conflicts of interest such as:

- The remuneration of all the Manager's partners is in the form of fixed drawings of profit allocations determined by a formula fixed in advance of any annual period in which remuneration is paid.
- No variable or performance related remuneration is paid to any of the Manager's partners.
- The Manager will not pay remuneration for potential future revenues whose timing and likelihood remain uncertain.
- The only individuals who receive remuneration are all equity partners of Electra Partners LLP and all are members of its Management Committee.

23 Provision for Liabilities and Charges

Incentive Scheme	2015 £m	2014 £m
At 1 October	83	89
Amounts paid	(18)	(25)
Amounts payable	–	(17)
	65	47
Increase in provision	67	36
At 30 September	132	83

24 Post Balance Sheet Event

Subsequent to 30 September 2015, in accordance with the terms and conditions of the 5% Subordinated Convertible Bond, the Company became entitled to exercise its right to a Mandatory Conversion of all of the Bonds in issue into ordinary shares. Accordingly, the Board has resolved to exercise this right and proposes to issue the Mandatory Conversion Notice to Bond holders in November 2015.

Following the issue of the Mandatory Conversion Notice, the Bonds will convert into ordinary shares on 29 December 2015. Bond holders will receive further details about the Mandatory Conversion in the Mandatory Conversion Notice once posted.

25 Basis of Accounting and Significant Accounting Policies

The Financial Statements for the year ended 30 September 2015 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 2015.

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 2015.

25 Basis of Accounting and Significant Accounting Policies continued

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 Financial Statements 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

The accounting policies used are consistent with those applied in the last annual financial statements, as amended to reflect the adoption of new standards, amendments, and interpretations which became effective in the year. During 2015, the following relevant standards, amendments and interpretations endorsed by the EU became effective for the first time:

- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities;
- IAS 27 Separate Financial Statements (revised);
- IAS 28 Investments in Associates and Joint Ventures (revised);
- IAS 32 Financial Instruments: Presentation (amendment);
- IAS 36 Impairment of Assets (amendment); and
- Amendments to IFRS 10, IFRS 11 and IFRS 12 (transition guidance).

None of the other standards, amendments and interpretations above have had an impact on the consolidated Financial Statements of the Group.

Other pronouncements are not expected to have a material impact on the financial statements, but may result in changes to presentation or disclosure.

Additionally a number of standards have been issued but are not yet adopted by the EU and so are not available for early adoption. The most significant of these is IFRS 9 Financial Instruments along with related amendments to other IFRSs and the impact on the Group is being reviewed.

None of these standards, amendments and interpretations are presently expected to have a significant effect on the consolidated Financial Statements of the Group.

Basis of Consolidation

The consolidated Financial Statements include the Company and its subsidiary undertakings. Where subsidiaries are acquired or sold during the year their results are included in the consolidated Financial Statements 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 21. 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.

The amendments to IFRS 10 and 12 define an investment entity and introduce an exception from the consolidation requirements for investment entities.

25 Basis of Accounting and Significant Accounting Policies continued

The Company has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist

- The Company has multiple unrelated investors which are not related parties, and holds multiple investments.
- Ownership interests in the Company are exposed to variable returns from changes in the fair value of the Company's net assets.
- The Company has obtained funds for the purpose of providing investors with investment management services.
- The Company's business purpose is investing solely for returns from capital appreciation and investment income.
- The performance of investments are measured and evaluated on a fair value basis.

The Company has therefore continued to measure its investment in each subsidiary at fair value through profit or loss in accordance with the investment entity exception.

Investments

The Board has 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 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 Financial Statements 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.

Principles of Valuation of Investments

(i) General

In valuing investments, Electra Partners values investments at Fair Value at the reporting date, in accordance with IFRS 13 and IPEV guidelines.

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 at the measurement date include the following:

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

25 Basis of Accounting and Significant Accounting Policies continued

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, in particular surplus cash 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

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 Manager'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.

25 Basis of Accounting and Significant Accounting Policies continued

(iii) Listed Investments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

(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 purchases and sales between the date of the valuation and the measurement date.

(v) Other Investments

Liquidity funds are held at the current Fair Value of the note.

(vi) Subsidiary Undertakings

Investments in subsidiaries are stated in the Company Statement of Financial Position at the Fair Value of the subsidiary.

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 re-measured 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.

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.

25 Basis of Accounting and Significant Accounting Policies continued

Investment Income

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.

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 Statement of Financial Position 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.

25 Basis of Accounting and Significant Accounting Policies continued

Convertible Bonds

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 Statement of Financial Position 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 million. The fair value of the equity element is calculated by deducting the fair value of debt from the issue value of the Bond.

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. On conversion, the fair value of the equity element will be credited to the revenue reserve and debited to other reserves.

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 Capital Reserve in the Consolidated Statement of Changes in Equity. The net revenue return is taken to the Revenue Reserve.

Bank Loans

Bank loans are 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.

Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

25 Basis of Accounting and Significant Accounting Policies continued

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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.

Going Concern

The Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

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 and IFRS 13. 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.

See Note 25 for Principles of Valuation of Investments on pages 98 to 100.

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

Report on the financial statements

Our opinion

In our opinion, Electra Private Equity PLC's group financial statements and company financial statements (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 2015 and of the group's profit and the group's and the company's cash flows for the year then ended;
- The group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('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.

What we have audited

The financial statements, included within the Report and Accounts (the 'Annual Report'), comprise:

- The Consolidated and Company Balance Sheets as at 30 September 2015;
- The Consolidated Income Statement and the Consolidated Statement of Comprehensive Income for the year then ended;
- The Consolidated and Company Cash Flow Statements for the year then ended;
- The Consolidated and Company Statements of Changes in Equity for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and 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.

Our audit approach

Context

Each year we undertake a planning process which involves meeting with the independent investment manager (the 'Manager') to understand the changes in the investment portfolio and to discuss any potentially complex valuations or accounting issues. The group's return is driven by the performance of the underlying private equity investee companies in which it holds a stake and so the underlying performance and prevailing trading conditions of these companies is of particular relevance to our audit.

Overview

Materiality:

- Overall group materiality: £26.3 million which represents 1.75% of Net Assets.

Audit scope:

- The principal activities of the group comprise investing in a portfolio of unlisted investments.
- The financial statements are a consolidation of the parent company and a number of subsidiaries which hold the investments. The significant subsidiaries and the parent company are based solely in the UK.
- We audited the financial statements of the two significant subsidiaries, the parent company and the investments held at fair value within entities controlled by the group (which themselves do not require an audit).

Areas of focus

- Valuation of unlisted investments.
- Recognition of investment income and net gains.
- Calculation of incentive schemes provision.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Valuation of unlisted investments Refer to page 130 Report of the Audit Committee, page 96 Basis of Accounting and Significant Accounting Policies and page 72 Notes to the Financial Statements. The group holds investments in unlisted companies as well as various private equity funds and listed companies. The valuation of the unlisted investments is complex and requires the application of significant judgement by the directors. The unlisted investments are valued on a basis considered most appropriate by the directors, dependent on the nature of the underlying business which has been invested in. This includes: ■ Applying a multiple to earnings; ■ Using recent transaction prices; and ■ Using underlying asset valuations. Where a multiple is applied to earnings the multiple is normally calculated by taking a discount to the multiple of similar, listed companies. The discount reflects differences between these companies and the company being valued, for example, size and marketability differences between listed and unlisted companies. Both determining the valuation methodology and determining the inputs to the valuation are subjective. This, combined with the significance of the unlisted investments balance to the Balance Sheet, meant that this was an area of focus for our audit.	The unlisted investments are initially valued by the Manager and then subject to review by the group's Valuations Committee. We attended the Valuations Committee meeting to observe this process and discuss with the Valuations Committee our comments on certain investments. We also discussed with and challenged the Manager as to the appropriateness of the valuations, using our knowledge of the investments and the International Private Equity and Venture Capital Valuation guidelines. Applying a multiple to earnings has been used as the valuation methodology for 92% of the value of the unlisted investments. For a sample of investments we tested the techniques that the Manager used to value these unlisted investments as follows: ■ We obtained the Manager's valuation model containing earnings, trading multiples for listed comparable companies and the multiple used to value the investment. ■ We checked the mathematical accuracy of the model. ■ We obtained management information including budgets and forecasts from the portfolio companies being valued. We used this to corroborate the earnings being used in the model in relation to the unlisted company being valued. We assessed the appropriateness of the earnings being used based on our understanding of the financial performance of the portfolio companies. ■ We independently sourced trading multiples for comparable companies including, where applicable, considering whether other companies may be relevant and compared them to the multiples used in the valuation. ■ We challenged management on the discount taken to these comparable multiples to arrive at the multiple used in their valuation. This included considering changes in the discount since the latter of the deal date and the prior year-end and considering how this compared relative to the performance of the portfolio company against the relevant industry sector. Based on this work, we were satisfied that the assumptions used by the directors were within an acceptable range and that the calculations were mathematically accurate.

Area of focus (continued)	How our audit addressed the area of focus (continued)
	Where a recent transaction price had been used to fair value investments, we challenged the Manager on whether there had been any changes in facts and circumstances since the deal date which may indicate that a change in valuation would be appropriate. This included the use of financial information to assess the performance of the company. Where underlying asset valuations were used, we corroborated these by tracing them to supporting documentation such as third party valuation reports and did not identify any issues as a result of this testing. We assessed, using our knowledge of the investments and the International Private Equity and Venture Capital Valuation guidelines, whether the valuation methodologies applied to value the investments tested were appropriate and were satisfied that they were. We also read the disclosures made in the financial statements regarding the key sensitivities in the valuations and were satisfied that these sensitivities were described appropriately in the notes to the financial statements.
Recognition of investment income and net gains See page 96 to the financial statements for the directors' disclosures of the related accounting policies, judgements and policies and page 72 for further information. Investment income comprises mainly dividends and interest received from investments. Net gains represent movements in the fair value of investments over the financial year and gains made on the disposal of investments. Fair value movements are unrealised and are the change in investment valuations which, in themselves, are subjective as noted above. Investment income and net gains is the measure used to calculate the returns being achieved by the group and so there is an incentive for management to overstate this figure in order to enhance results. This, combined with the size of the balance, made this an area of focus. Investment income and net gains are presented as either income or capital in the primary statements depending on the nature of the underlying transaction.	We tested investment income receipts by tracing a sample to supporting documentation and performing procedures, including: ■ Agreeing amounts to bank statements; and ■ Recalculating accrued interest based on the terms of the underlying investment. We recalculated unrealised net gains using the valuation movement in investments over the year. These gains were supported by the work we performed over the investment valuations as outlined above. We recalculated realised gains using the difference between the value of the investment at the date of disposal and the proceeds received as per supporting documentation, such as sales agreements and bank statements. We did not identify any differences as a result of this work. We assessed the appropriateness of the allocation of investment income and net gains between income and capital and were satisfied that these had been allocated based on the requirements of the Association of Investment Companies Statement of Recommended Practice and on a basis consistent with prior years.

Area of focus (continued)	How our audit addressed the area of focus (continued)
Calculation of incentive schemes provision See pages 96 to 103 of the financial statements for the directors' disclosures of the related accounting policies, judgements and policies and note 22 for further information. Incentive scheme provisions comprise amounts payable to certain members of the Manager to compensate them for their services in a way which aligns their remuneration with investment performance. There are a number of different schemes in place and the calculations are relatively complex, which increases the risk of error. The incentive scheme provisions are calculated based on a percentage share of a combination of: ■ The gross value of investments held; ■ Total profits and returns of the investments; and ■ Profits realised on the sale of investments. In some instances the percentages are variable based on when certain returns are achieved. This, together with the dependency on investment valuations, means that some of the calculations are based on subjective judgements. In addition, the Manager is paid a priority profit share based on a percentage of the value of investments at each quarter end. Similarly to the incentive schemes, the investment valuations are a key input to the calculation and these are subjective in nature. The nature of both the incentive scheme provisions and priority profit share charges means that there may be an incentive for these to be overstated.	We recalculated the amounts due to the Manager using the methodology and fee rates outlined in underlying scheme documentation in the management agreements. Where applicable, we checked inputs to the calculation back to supporting documentation by: ■ Agreeing gains recognised on the sale of investments to the work we performed over net gains; ■ Agreeing the gross value of investments to the work we performed over the fair value of investments; and ■ Agreeing total profits and returns to the work we performed over investment income. This testing did not identify any differences. We also recalculated the returns achieved to check that the conditions of the incentive scheme agreements had been met before the incentives were paid and found the calculations to be mathematically accurate. For the priority profit share we recalculated the amounts paid each quarter and agreed the inputs to the calculation to the underlying accounting records. We also agreed a sample of payments to bank statements and checked that the calculation was consistent with the underlying priority profit share agreement and was mathematically accurate. No differences were identified as a result of this testing.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The group has one line of business which is to make investments, primarily in the private equity sector. The objective of the group is to increase the value of these investments over the long-term in order to deliver returns to shareholders. The group comprises a number of subsidiary companies, including limited partnerships which hold the investments. The Manager of the investments is not part of the group. All accounting is performed by a finance function in the UK.

Audit work was performed in respect of the two significant subsidiaries which require an audit of their own financial statements together with the parent company. The limited partnerships, which hold the investments, do not require an audit; however, we have audited the investments held by them. This, together with procedures performed over the consolidation, provided the evidence we needed for our opinion on the group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£26.3 million (2014: £21 million).
How we determined it	1.75% of Net Assets.
Rationale for benchmark applied	We believe that net assets is the primary measure used by the shareholders in assessing the performance of the group, and this is a generally accepted auditing benchmark used for companies in this industry.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.3 million (2014: £1 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 116, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are also required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to in respect of that statement.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinions

In our opinion:

- The information given in the Strategic Report and 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 125 to 129 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

■ Information in the Annual Report is: – Materially inconsistent with the information in the audited financial statements; or – Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group and company acquired in the course of performing our audit; or – Otherwise misleading.	We have no exceptions to report.
■ The statement given by the directors on page 132, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's and company's performance, business model and strategy is materially inconsistent with our knowledge of the group and company acquired in the course of performing our audit.	We have no exceptions to report.
■ The section of the Annual Report on page 130, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The directors' assessment of the principal risks that would threaten the solvency or liquidity of the group and the company Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

■ The directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
■ The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
■ The directors' explanation in the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 132, 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 ISAs (UK & 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.

What an audit of financial statements involves

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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Alison Morris (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
23 October 2015
London

a. The maintenance and integrity of the Electra Private Equity PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
b. Legislation in the United Kingdom governing the preparation and dissemination of financial statements.

AXIO Data Group
B2B information services

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:

- 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.

Electra Partners attempts to mitigate risk through portfolio diversification. Investments will therefore be made across a broad range of sectors and industries. At the time of investment, not more than 15% of Electra's total assets will typically 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.

Electra has a policy to return to shareholders a targeted 3% of NAV per annum, by way of cash dividend or share buybacks. Any shares bought back under this policy will be cancelled.

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 2015 and their Report on its affairs.

In accordance with the requirement for the Directors to prepare a Strategic Report and an enhanced Directors' Remuneration Report for the year ended 30 September 2015, the following information, some of which has been previously included within the Directors' Report, is set out in the Strategic Report on pages 9 to 17: a review of the business of the Company including details about its objective, strategy and business model, details of the principal risks and uncertainties associated with the Company's activities, information regarding community, social, employee, human rights and environmental issues and the Company's policy regarding Board diversity. Information about Directors' interests in the Company's ordinary shares and or Subordinated Convertible Bonds is included within the Annual Report in the Remuneration section of the Directors' Remuneration Report on pages 120 to 124.

Results and Dividends

A revenue profit attributable to shareholders of £28,573,000 (2014: profit of £19,996,000) was transferred to Revenue Reserves. Following a review of the Company's capital structure, distribution policy and fee arrangements with Electra Partners, in February 2015 the Board announced details of a revised distribution policy to return to shareholders a targeted 3% of NAV per annum by way of cash dividend or share buybacks.

In line with the revised distribution policy, an interim dividend of 38p per ordinary share was paid to shareholders on 24 July 2015 (2014: nil). The Directors recommend the payment of a final dividend of 78p* per ordinary share in respect of the year ended 30 September 2015 (2014: nil), making a total payment for the year ended 30 September 2015 of 116p* per ordinary share (2014: nil). Subject to approval by shareholders at the Annual General Meeting to be held on 25 January 2016, the final dividend will be paid on 26 February 2016 to shareholders on the Register of Members at the close of business on 22 January 2016.

* Based on the number of shares that will be in issue following the mandatory conversion of 5% Subordinated Convertible Bonds

Management Arrangements

Electra Partners is appointed as the Manager of the Company under an agreement dated 12 October 2006 and amended on 11 July 2014 to facilitate compliance with AIFMD regulations and as further amended to facilitate Electra's review of its capital structure, distribution policy and fee arrangements with Electra Partners on 10 February 2015 (the "Management Agreement").

Electra Partners is also 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 partnerships and the management and investment guideline agreements.

During the year, the Board agreed with Electra Partners certain revisions to the arrangements under the management agreement whereby Electra Partners receives a management fee equal to 1.5% per annum on the gross value of Electra's investment portfolio, including cash. It was agreed that, with effect from 1 April 2015, no management fee would be payable on cash and the management fee on Non-Core Listed and Primary Fund Investments would reduce to 1% per annum. The incentive arrangement under which members of Electra Partners receive a carried interest of 18% of net profits on Direct Investments and 9% on Primary Fund Investments, subject to Electra receiving a return of 8% per annum on the relevant investment pool, remained unchanged.

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 22 and 23 of the Notes to the Financial Statements.

The agreement with Electra Partners may be terminated by either party giving notice of not less than 12 months. If the Company terminates the Management Agreement, whatever notice period is worked, Electra Partners is 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.

As part of the review of the fee arrangements referred to above, it was agreed that by way of a transitional arrangement, on 12 months' notice being given up to and including 31 March 2017, compensation payable to Electra Partners under the existing termination provisions, which is based on a multiple of management fees, would be calculated on the basis of the fee structure existing prior to 1 April 2015. For notice from 1 April 2017, any termination compensation will be based upon the revised fee structure described above.

As part of Electra Partners' long-term succession plan, Bill Priestley has replaced David Symondson as a Keyman under the relevant limited partnership agreement.

As detailed in the Corporate Governance Statement, the Board reviews the activities of Electra Partners on an ongoing basis and believes the continuing appointment of Electra Partners on the terms agreed is in the interests of shareholders as a whole.

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 2,050 pence. As a consequence of the payment of the interim dividend referred to above to ordinary shareholders on 24 July 2015, with effect from 4 June 2015 the conversion price of the bonds was adjusted in accordance with the terms and conditions of the bonds to 2,025 pence – the conversion price being subject to adjustment 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.

During the year ended 30 September 2015, 11,165 Subordinated Convertible Bonds were converted into 547,187 ordinary shares (2014: 3,392 Subordinated Convertible Bonds were converted into 165,459 ordinary shares).

At 30 September 2015 there were 36,054,938 ordinary shares of 25p each in issue. The Company does not hold any shares in treasury.

Since the year end and prior to 20 October 2015 (being the latest practicable date prior to the signing of this Directors' Report) no Subordinated Convertible Bonds have been converted into ordinary shares.

Pursuant to the terms and conditions of the 5% Subordinated Convertible Bonds ("the Terms and Conditions"), whereby the Company is entitled, following the satisfaction of the relevant requirements under the Terms and Conditions, to exercise its option to convert all of the outstanding Bonds into new ordinary shares, the Board has elected to exercise this option and proposes to issue the Mandatory Conversion Notice to Bond Holders in November 2015, following which, on 29 December 2015, in accordance with the Terms and Conditions, the outstanding Bonds will convert into new ordinary shares when approximately 4,215,753 new ordinary shares in the Company will be issued, bringing the total number of ordinary shares in issue following the mandatory conversion to approximately 40,271,691. The Conversion Price in respect of each Bond will be 2,025 pence.

Notwithstanding the issue of the Mandatory Conversion Notice as described above, Bond Holders remain entitled to elect to convert their Bonds into ordinary shares of the Company up to and including 29 December 2015.

In order to be entitled to the interest payment on the Bonds for the period to 29 December 2015, Bond Holders will need to be on the register of Bond Holders at the record date of 14 December 2015.

Authority to Make Market Purchases of Shares

As at 30 September 2015, the Company had authority to purchase for cancellation up to 5,330,427 shares. This authority will lapse at the 2016 Annual General Meeting when it is intended that 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 2015 borrowings under the £275 million (2014: £195 million) multi-currency revolving credit facility amounted to £nil (2014: £151,912,000, under the £195 million multi-currency revolving credit facility).

During the year to 30 September 2015, the facility was increased from £195 million to £275 million and the term extended from December 2017 to December 2019. At the same time the margin, commitment fees and other terms were improved. Following the Directors' review of the Company's capital structure, distribution policy and fee arrangements with Electra Partners that was announced in February 2015, the multi-currency revolving credit facility was repaid in full in March 2015. Should the facility remain undrawn, commitment fees will continue to be paid at a cost of £2 million per annum.

Directors

The current Directors of the Company are listed on pages 134 to 135. Mr R Yates, Dame Kate Barker, Ms F Barnes, Mr G Cullinan, Mrs J Gold and Mr R Perkin served as Directors throughout the year ended 30 September 2015.

No other person was a Director of the Company during any part of the year.

All of the Directors currently intend to retire at the Annual General Meeting in 2016 and, being eligible, to offer themselves for re-election.

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. 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.

Directors' Indemnity

Directors' and Officers' Liability insurance has been put in place. In addition, the Company provides, 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 and also liabilities owed to third parties, in either case arising out of their positions as Directors.

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:

	Voting Rights Notified		*Percentage of Voting Rights	
	Direct No.	Indirect No.	Direct %	Indirect %
Prudential PLC Group of Companies **	3,920,506	1,825	10.87	–
Sherborne Investors Management (Guernsey) LLP and its associates***	–	11,148,042	–	30.91
Investec Wealth & Investment Limited	1,289,876	–	3.57	–
Aviva plc & its subsidiaries	1,088,628	–	3.01	–

* Percentage shown as a percentage of 36,054,938 ordinary shares, being the number of shares in issue at the latest practicable date before the publication of this Directors' Report.

** 499,555 voting rights (1.38%) via the Company's 5% Subordinated Convertible Bonds.

*** 423,061 voting rights (1.17%) via the Company's 5% Subordinated Convertible Bonds.

Global Greenhouse Gas Emissions for the Year ended 30 September 2015

Electra has no greenhouse gas emissions to report from the operations of the Company, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, including those within its underlying investment portfolio.

Statement of Disclosure of Information to Auditors

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.

Independent 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.

Going Concern

The Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements. The Viability Statement of the Company is in the Strategic Report on pages 9 to 17.

Risk Management and Internal Controls

Details of the Company's risk management and internal control arrangements, including the Board's annual review of the effectiveness of the system of the Company's risk management and internal control are contained in the Corporate Governance Statement on pages 125 to 129.

Annual General Meeting

The Annual General Meeting will be held on Monday 25 January 2016 in The Upper Sugar Room at The Brewery, 52 Chiswell Street, London, EC1Y 4SD. The formal notice of the Annual General Meeting is set out in a separate circular, which will be posted to shareholders with the Report and Accounts for the year ended 30 September 2015.

Authority to Purchase own Shares

It is intended that 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 5,404,635 of the Company's ordinary shares (or such other 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 this resolution.

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. 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 2006 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 relevant 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 relevant 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 resignation 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 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 (between the Company and Electra Partners), dated 12 October 2006, as amended on 11 July 2014 to facilitate compliance with AIFMD regulations, and as further amended on 10 February 2015 to facilitate the Board's review of the Company's capital structure, distribution policy and fee arrangements with 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
Paternoster House, 65 St Paul's Churchyard, London, EC4M 8AB
23 October 2015

Directors' Remuneration Report

Statement by Chairman of the Remuneration and Nomination Committee

The Board is supported by the Remuneration and Nomination Committee which comprises all the Directors. I am Chairman of the Committee, This is the Committee's report to shareholders for the year.

This Remuneration Report includes the Annual Report on Remuneration prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and also, for information only, the Remuneration Policy which was approved by the Company's members at the Annual General Meeting in March 2014.

The Annual Report on Remuneration sets out annually how the Remuneration Policy has been implemented, including a single figure for the total remuneration of each of the Directors in the financial year to 30 September 2015.

The Annual Report on Remuneration is subject to the approval of the members at the forthcoming Annual General Meeting. The vote will be advisory but if the Company fails to pass a resolution in a year where the Remuneration Policy was not put to a members' resolution this will trigger the need for the Company to put the Remuneration Policy to a vote of its members the following year.

The Remuneration Policy sets out how the Company pays the Directors, including each element of remuneration to which the Directors are entitled and how this supports the Company's long-term strategy and performance. This policy also includes details of the Company's approach to recruitment and loss of office payments.

The Remuneration Policy was subject to the approval of the members at the 2014 Annual General Meeting and following the approval by the members is binding on the Company. The Remuneration Policy must be put to a shareholder resolution at least every three years and if the Company wishes to make any changes to the Remuneration Policy it will have to put the new policy to a vote of its members at a general meeting.

There have been no substantial changes in the Company's approach to the remuneration of its Directors during the year and we did not consider it necessary to recommend any changes to the existing Directors' fee arrangements during the year.

Remuneration Policy

We have prepared this policy in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. An Ordinary Resolution for the approval of this policy was put to members at the 2014 Annual General Meeting and following the passing of this resolution the policy took effect from the date of the Annual General Meeting. All provisions of this policy are expected to remain in effect until the Annual General Meeting in 2017 when the Company is next required to submit its policy on the remuneration of its Directors to the members.

Future Policy Table

The fee levels paid to the Company's Directors are determined by the Remuneration and Nomination Committee.

Our policy is that the remuneration of non-executive Directors should be fair and sufficient 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. Our policy is to pay a basic fee to each Director and to pay additional fees to the Chairman of the Company, the Chairmen of the Board's Committees and the Senior Independent Director as set out in the future policy table below. Fees may be increased in line with inflation from time to time.

We may consider paying additional fees to a Director or Directors in the event that they carry out additional work for the Company, except that non-executive Directors are not eligible to receive bonuses, pension benefits, share options or other benefits and are subject to the requirement that the total remuneration of the Directors is determined by the provisions of the Company's Articles of Association and by shareholder resolution.

Components of Remuneration Package	Current Level of Fee
Basic Director's Fee	£35,000
Additional fee for Chairman of Company	£65,000
Additional fee for Chairman of Audit Committee	£6,000
Additional fee for Chairman of Valuations Committee	£6,000
Additional fee for Chairman of Management Engagement Committee	£6,000
Additional fee for Chairman of Remuneration and Nomination Committee	£3,000
Additional fee for Senior Independent Director	£6,000

The Company's remuneration policy for its non-executive Directors as described above is considered by the Board to be effective in supporting the short and long-term strategic objectives of the Company by ensuring that the Company continues to be able to recruit Directors who are suitably qualified and experienced to supervise the Company's affairs.

Statement of Principles of the Company's Approach to Recruitment Remuneration

1) 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.

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

3) The total remuneration of the Directors is limited by the provisions of the Company's Articles of Association and by shareholder resolution.

4) The basic Director's fee will be paid to each Director with an additional fee per annum for the Chairman of the Company. An additional fee per annum will be paid to the Chairman of each of the Audit, Valuations, Management Engagement, Remuneration and Nomination Committees and to the Chairman of any other Committees that the Company forms and to the Senior Independent Director.

5) Directors are not entitled to any variable remuneration.

Service Contracts

None of the Directors has a service contract with the Company. No arrangements have been entered into, nor is it proposed that arrangements be entered into, between the Company and the Directors to entitle any of the Directors to remuneration or compensation for loss of office which is not disclosed elsewhere in this policy.

Notice Period and Loss of Office Payment Policy

The Directors are subject to a notice period of one month. It is the Company's policy not to enter into any arrangement with any of the Directors to entitle any of the Directors to compensation for loss of office.

Statement of Consideration of Conditions elsewhere in the Company

The Company has no employees and therefore the Company cannot take into account the pay and employment conditions of its employees when setting the remuneration policy. For similar reasons the Company cannot consult with its employees when setting the policy for Directors' Remuneration or use comparison metrics or other specific information comparing its employees' remuneration when determining Directors' Remuneration.

Statement of Consideration of Shareholder Views

The Company places great consideration on communication with its shareholders. The Company has had regular dialogues with institutional shareholders and City analysts throughout the year to 30 September 2015 and at the Annual General Meeting held in 2015 and can confirm that it is not aware of negative views being expressed by shareholders in relation to its policy on Directors' Remuneration.

Annual Report on Remuneration

We are submitting this report in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. 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

As noted above, 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.

We did not meet during the year under review as there were no matters for us to consider. It was not thought necessary to recommend any changes to the existing fee arrangements during the year which are set out in the Future Policy Table of the Remuneration Policy.

The Company has no employees.

Single Total Figure Table for the Year (Audited)

Director	Fees/total 30 Sept 2015 £000	Fees/total 30 Sept 2014 £000
R Yates (appointed Chairman 11 March 2014)	100	71
Dame Kate Barker*	47	47
F Barnes	35	35
G Cullinan	41	41
J Gold	35	35
RK Perkin	41	41
C Bowe (retired 11 March 2014)	–	45
Total	299	315

* I have waived the £3,000 payable as Chairman of the Remuneration and Nomination Committee.

The Directors were not entitled to any taxable benefits in the year ended 30 September 2015 (2014: £nil).

The Directors were not entitled to any pension benefits in the year ended 30 September 2015 (2014: £nil).

The Directors were not entitled to any variable pay based on the achievement of performance conditions in future periods in the year ended 30 September 2015 (2014: £nil).

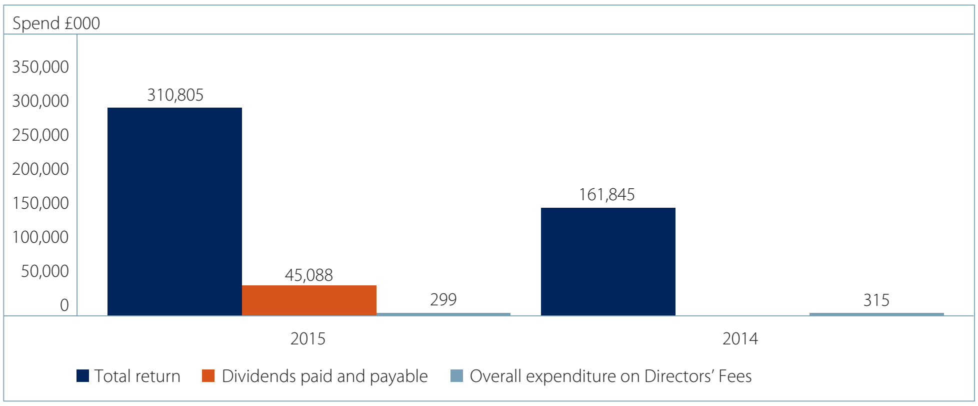
No payments were made to any person who was not a Director of the Company at the time the award was made but had previously been a Director of the Company (2014: £nil).

No loss of office payments were made to any person who served as a Director of the Company at any time during the year ended 30 September 2015 (2014: £nil).

As the Company does not have a Chief Executive Officer or any employees apart from its Directors it is not possible to compare the percentage increase in remuneration of the Chief Executive Officer with that of all the employees of the Company as a whole.

Relative Importance of Spend on Pay

Spend	2015 £000	2015 %	2014 £000	2014 %
Total return	310,805	100.0	161,845	100.0
Dividends paid and payable	45,088	14.5	nil	n/a
Overall expenditure on Directors' Fees	299	0.10	315	0.19

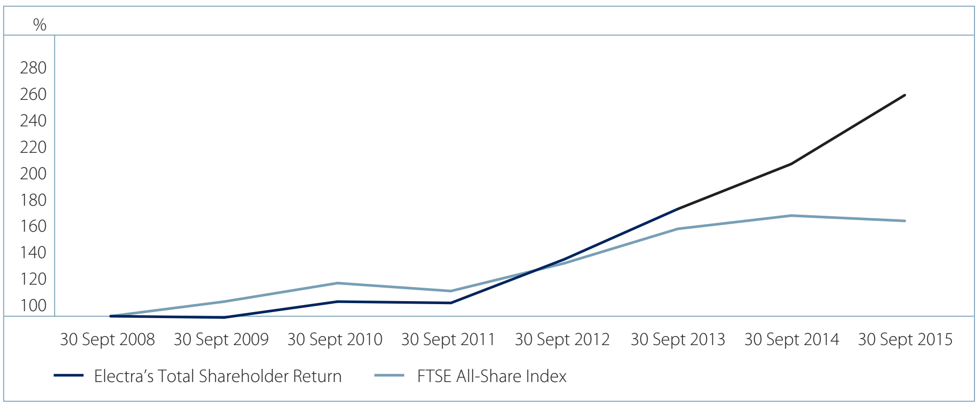


We consider it appropriate to compare the overall expenditure on Directors' fees and dividends paid and payable with the Total Return to demonstrate the relative scale of these figures to each other. It is not meaningful to compare the overall expenditure on Directors' fees with the amounts distributed by share buybacks or employee remuneration as these amounts were nil for the current and previous years.

Total Shareholder Return

We 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



Note: Rebased to 100 at 30 September 2008.

Statement of Directors' Shareholdings and Share Interests (Audited)

The interests of the Directors (including connected persons) in the ordinary shares and 5% Subordinated Convertible Bonds of the Company are shown below. There is no requirement for the Directors to own securities of the Company. No share options or other share scheme interests, with or without performance conditions, are awarded to the Directors. 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 2015 and 23 October 2015.

	30 Sept 2015 Shares	30 Sept 2015 Bonds	30 Sept 2014 Shares	30 Sept 2014 Bonds
R Yates	3,000	–	2,000	–
Dame Kate Barker	1,500	–	1,500	–
F Barnes	1,000	–	500	–
G Cullinan	1,500	–	1,500	–
J Gold	500	–	500	–
RK Perkin	–	42	–	42

Statement of Shareholder Voting

At the Annual General Meeting held on 16 March 2015 an Ordinary Resolution to approve the Annual Report on Remuneration was passed on a poll with the following votes cast:

- Votes for 28,158,164 (99.83%), Votes against 49,089 (0.17%), Votes withheld 11,451

The Directors did not consider that there were substantial shareholder votes against the resolution.

At the previous Annual General Meeting held on 11 March 2014, an Ordinary Resolution to approve the Remuneration Policy was passed on a poll with the following votes cast:

- Votes for 16,442,446 (99.65%), Votes against 57,998 (0.35%), Votes withheld 1,704,360

Dame Kate Barker, Chairman of the Remuneration and Nomination Committee
Paternoster House
65 St Paul's Churchyard, London EC4M 8AB
23 October 2015

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 February 2015. The AIC Code as explained by the AIC Guide, addresses all of the principles set out in the UK Corporate Governance Code, which was issued in September 2014, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

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 2015 except as set out below.

The UK Corporate Governance Code includes provisions relating to the role of 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 these provisions are not relevant to the position of the Company as it is an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive Directors, employees or internal operations. The Company has, therefore, not reported further in respect of these provisions.

The Board of Directors

The Board comprised six Directors as at 30 September 2015, all of whom were non-executive. Mr Roger Yates is Chairman of the Company. The Board has nominated Dame Kate Barker as the Senior Independent Director. The Directors' terms of appointment are available for inspection on request from the Company Secretary.

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 number 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 2015 Annual General Meeting.

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

	Board	Audit Committee	Valuations Committee	Management Engagement Committee
Number of meetings	*9	3	2	2
R Yates**	9	–	–	–
Dame Kate Barker***	9	3	2	–
G Cullinan	8	3	2	2
RK Perkin***	9	3	2	–
F Barnes	9	3	2	2
J Gold	9	3	2	2

* In addition to its scheduled board meetings, the Board met on a number of other occasions during the year to discuss a number of exceptional matters, including the two requisitions of general meetings received from Pershing Nominees on behalf of Sherborne Investment Management (Guernsey) LLC and its associates in August 2014 and September 2015; the resulting circulars to shareholders; and the review of the Company's capital structure, distribution policy and fee arrangements with Electra Partners LLP.

** Mr Yates is not a member of the Audit, Valuations and Management Engagement Committees, but he attended all the meetings of the Audit Committee and Valuations Committee and one of the meetings of the Management Engagement Committee.

*** Dame Kate Barker and Mr Perkin were not members of the Management Engagement Committee 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 134 to 135.

Independence of the Board

Mr Yates, Mr Perkin and Mr Cullinan were non-executive Directors of Electra Private Equity Investments PLC throughout the year. 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 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 cross-directorships.

The Board carries out a formal appraisal process of its own operations and performance and those of its Committees each year. The Board's policy is that this review should be externally facilitated every three years, as required by the Code. An externally facilitated review was last carried out in 2012, when the Board commissioned Boardroom Review to carry out an externally-facilitated evaluation of its operations and performance and those of its Committees. Issues covered included Board composition, meeting arrangements and communication. Boardroom Review presented a detailed report to the Board on the conclusions of its evaluation and these were discussed with the Board. The report did not identify any material weaknesses or concerns. Both the former and current Chairmen have led on implementing those changes recommended by Boardroom Review that the Board considered should be made.

Since 2012, the Board has carried out an annual evaluation of its operations and performance and those of its Committees through questionnaires which were completed by Directors, the results of which were discussed by the Board. The process is considered by the Board to be constructive in identifying areas for improving the functioning and performance of the Board and its Committees. The Board has concluded that its performance and that of its Committees is satisfactory.

The Board has recently commissioned BoardAlpha to carry out an externally-facilitated evaluation of its operations and performance and those of its Committees. BoardAlpha is expected to report the results of the evaluation to the Board at its next meeting, following which the Directors will consider any recommendations made regarding the functioning and performance of the Board and its Committees.

BoardAlpha does not have any other connection with the Company.

The Chairman has considered the performance of each of the Directors during the year and the Board, under the leadership of the Senior Independent Director, has similarly considered the Chairman's performance. Relevant matters considered included 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 all of the Directors, all of whom currently intend to retire and offer themselves for re-election at the Annual General Meeting to be held in 2016, continue to be effective and that all of them continue to show commitment to his or her role. The Senior Independent Director has also confirmed the continuing effectiveness and commitment of the Chairman.

Directors' Terms of Appointment

The Company's Articles of Association require 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.

In accordance with the AIC Code's provisions on the re-election of Directors, which state that all Directors of FTSE 350 companies should be subject to annual re-election by shareholders, the Board's policy is that Directors should be re-elected annually. In accordance with this policy all Directors were re-elected at the Annual General Meeting held in March 2015.

Re-election of Directors

In accordance with the Board's policy on Directors' Terms of Appointment, all the Directors currently intend to retire at the Annual General Meeting to be held in 2016 and to offer themselves for re-election. Biographical details of the Directors are set out on pages 134 to 135.

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, Mr Yates. Mr Perkin is Chairman of the Committee. The Committee met three times in the year under review and the report of its activities is contained in the Report of the Audit Committee on pages 130 to 131. The Committee has written terms of reference which are available on the Company's website.

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 the Committee should comprise all Directors. The Remuneration and Nomination Committee was chaired by Dame Kate Barker throughout the year.

The Committee did not meet in the year under review as there were no matters for its consideration. The report on its activities is contained in the Directors' Remuneration Report on pages 120 to 124. The Committee has written terms of reference which are available on the Company's website.

The Committee's duties in relation to remuneration include determining and agreeing with the Board the policy for remuneration of the Directors. Where appropriate, the Committee will consider both the need to judge the position of the Company relative to other companies regarding the remuneration of Directors and the need to appoint external remuneration consultants. The Committee's duties in relation to nomination include identifying and nominating, for the approval of the Board, candidates to fill Board vacancies based on merit and against objective criteria and with due regard for the benefits of diversity on the Board including gender. The Company's policy on diversity is further detailed in the Strategic Report.

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 Dame Kate Barker and comprised all the Directors during the year, other than the Chairman of the Board, Mr Yates. The Committee met twice during the year. The Committee has written terms of reference which are available on the Company's website.

Management Engagement Committee

The Management Engagement Committee is chaired by Mr Cullinan. He, Ms Barnes and Mrs Gold were members of the Committee throughout the year.

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 Objective and Investment Policy; satisfying itself that all other duties of the Manager are being performed; reviewing the overall performance of the Manager; and deciding, on the continuation or termination of the agreement and by agreeing the terms and fees of any ongoing agreement.

The Committee met twice during the year to discuss these matters. The Committee was also involved in the discussions regarding the revisions to the management agreement arrangements referred to in the Report of the Directors, which were approved by the full Board in February 2015.

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 Southampton Buildings, London WC2A 1AL or at the Company's registered office at Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB.

Risk Management and Internal Controls

The Manager, as AIFM of the Company under AIFMD, is responsible for risk management and the ongoing process of identifying, evaluating, monitoring and managing the risks facing the Company in accordance with AIFMD. This process has been in place for the year under review and up to the date of the approval of the Annual Report and Accounts and accords with the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published in September 2014. The Board keeps the Manager's performance of these responsibilities under review as part of its overall responsibility for the Company's risk management and internal control and includes the review of internal controls related to the financial reporting process which has been delegated to the Audit Committee.

The Board has carried out an annual review of the effectiveness of the Company's system of risk management and internal control for the year ended 30 September 2015 and concluded from the information reviewed that there were no significant failings or weaknesses.

Risk Appetite

The Business Model and Investment Strategy, as further detailed in the Strategic Report, provide the Company with one of the most flexible mandates in the private equity sector. This means that the Company invests across the full range of private equity opportunities, in any sector and across the capital structure. The Manager can therefore adapt its implementation of the Investment Strategy given changing investment conditions and opportunities.

The Carried Interest Schemes (as further detailed in Note 22 and 23 of the Notes to the Financial Statements) are structured to try to foster the desired balance between risk and return. The Manager is obliged to put a reasonable amount of its own capital against each investment on a pari passu basis with Electra. The Carried Interest Schemes in place since 2006 take account of the time value of money and the mix and diversity of investments as they are based on pools of investments made in consecutive three year periods and have a hurdle of 8%.

The Board carefully reviews the activities and performance of the Manager, in particular through the Management Engagement Committee and considers that the Manager has the culture and willingness to take on appropriate risk to implement the Company's Investment Strategy and that this culture is embedded.

Reporting by Manager to the Board in respect of Risk Management and Internal Control

The Board receives monthly Manager's Reports from the Manager. These Reports include detailed information relating to risk management and liquidity risk management of the Company and are the primary mechanism the Manager has in place to evidence that it is fulfilling its obligation as AIFM to manage the risks facing the Company. By reviewing these Reports the Board is also evidencing its monitoring of the risks facing Electra.

The Board receives and reviews the certificates verifying compliance with documented controls provided by Electra Partners on a six monthly basis. Additionally the external auditors perform certain agreed upon procedures regarding these controls.

Operation of Risk Management and Internal Controls

As detailed in the Strategic Report, the Principal Risks facing the Company are considered by both the Board and the Manager to be Macroeconomic Risks, Gearing Risks, Foreign Currency Risks, Long-Term Strategic Risks, Investment Risks, Portfolio Diversification Risk, Valuation Risk and Operational Risk along with the risks detailed in Note 19 of the Notes to the Financial Statements. The Board and the Manager regularly consider the changes in the nature, likelihood and impact of the Principal Risks along with the Company's ability to respond to changes in its business and the external environment.

As required under the AIFMD, the AIFM must assess the appropriateness of the risk of each investment at the time of making the investment. Responsibility for this is undertaken by the Partners of the Manager, but is sponsored by a Partner who is independent of the investment team responsible for that investment.

The valuations of investments are carried out by the Manager in accordance with the Company's Principles of Valuation of Investments as detailed on pages 98 to 100. Again, Partners independent of each particular investment are responsible for authorising the valuation. Additionally, as described above, the Valuations Committee of the Company also adds a further level of oversight to the valuation process of the Manager.

Since investment management, custody of assets and many administrative systems 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 are managed in accordance with the Company's Objective and Investment Policy.

The Board considers the Company's system of risk management and internal control to be integrated with the Company's Business Model and Investment Strategy.

Public Reporting

The Company's consolidated annual Financial Statements, along with the half-yearly Financial Statements, Quarterly Update Reports and other RNS releases are prepared in accordance with applicable regulatory requirements.

Voting Policy

Under the investment management agreements 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.

Report of 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, Roger Yates. I am Chairman of the Audit Committee. The Board has taken note of the requirement that at least one member of the Audit Committee should have recent and relevant financial experience and is satisfied that the Audit Committee is properly constituted in this respect, as I am a former partner at Ernst & Young LLP and a chartered accountant.

The Audit Committee's authority and duties are clearly defined in its written terms of reference which are available on the Company's website.

The Audit 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 external auditors and approving their remuneration and the 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;
- considering annually whether there is a need for the Company to have its own internal audit function;
- providing advice to the Board on whether the annual Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Audit Committee met three 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;
- consideration of the 2014 UK Corporate Governance Code, 2015 AIC Code of Corporate Governance, 2014 Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, 2012 Guidance on Audit Committees and 2012 UK Stewardship Code and the impact of these on the Company.

The most significant risk in the Company's accounts is whether its investments are fairly and consistently valued and this issue is considered carefully when the Audit Committee reviews the Company's Annual and Half Year Accounts. The Manager provides detailed explanations of the rationale for the valuation of each investment and these are discussed in detail with Electra Partners and the auditors at a meeting of the Valuations Committee which is normally attended by all members of the Audit Committee. The key areas of focus in the review and challenge by the Valuations Committee are the overall methodology and underlying business performance/EBITDA of investee companies, multiples and discounts used where valuations derive from an earnings basis. The Auditors separately report on their procedures and the conclusions from their work. This is more fully described in their report on pages 104 to 110. The Audit Committee concluded that the year-end valuation process had been properly carried out and that the investments have been fairly valued.

The Audit Committee is also keen to ensure that the Manager's priority profit share and incentive scheme provisions are correctly provided for in the Accounts due to the sensitive nature of these amounts. The Audit Committee ensures that the auditors have checked that the amounts are consistent with the management agreement, are correctly calculated and properly attributable to the underlying valuations. The auditors confirmed to the Audit Committee that they had not identified any issues related to their work in this area and the Audit Committee concluded that the figures are fairly stated.

I report to the Board after each Audit Committee meeting on the main matters discussed at the meeting.

The Audit Committee annually reviews the performance of PricewaterhouseCoopers LLP, the Company's external auditors. In doing so the Audit Committee considers a range of factors including the quality of service, the auditors' specialist expertise and the level of audit fee. The Audit 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 and the current partner has been in place for four years. There are no contractual obligations restricting the choice of external auditor. Under Company law the reappointment of the external auditors is subject to shareholder approval at the Annual General Meeting.

PricewaterhouseCoopers LLP and its predecessor firms have been the auditors of the Company since its listing in 1976 and the audit has not been put out to tender during that time. Currently the UK Corporate Governance Code states that FTSE 350 companies should put the audit services contract out to tender at least once every ten years, to enable the audit committee to compare the quality and effectiveness of the services provided by the incumbent auditors with those of other audit firms. Under the transitional arrangements, companies may defer the first tendering process to coincide with the five-yearly rotation of the audit partner. The FRC has now indicated its intention to withdraw the tendering provision from the Code and the Company will comply with the tendering and rotation rules of the EU and CMA going forward. The Company intends to put the audit out to tender, at the latest, following the completion of the audit for the accounts for the year ending 30 September 2016.

The Audit 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. It has been agreed that I must approve all non-audit work to be carried out by the external auditors for the Company and that any special projects must be approved in advance.

The non-audit services include the provision of taxation advice and agreed upon procedures performed in respect of Electra's Internal Controls Monitoring Report as reported below.

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

It is of note that, under their fully discretionary mandate over investment activities, Electra Partners may engage PricewaterhouseCoopers LLP, without reference to the Audit Committee, in relation to investment transactions. Given the separation of responsibilities and reporting lines as between the role of external auditors to the Company and advisors to Electra Partners and the use of entirely separate teams, the Audit Committee is satisfied that this work does not compromise their independence as external auditors.

Following the review carried out by the Audit 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 agreed upon procedures which test certain of Electra Partners' internal controls. The Audit Committee considers, therefore, that an internal audit function specific to the Company is unnecessary.

Roger Perkin, Chairman of the Audit Committee
Paternoster House
65 St Paul's Churchyard, London EC4M 8AB
23 October 2015

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 that 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, so far as it relates to the Company, is 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;
- The Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and position of the Group, together with a description of the principal risks and uncertainties that it faces;
- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware;
- 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 and to establish that the Company's Auditors are aware of that information; and
- The Group Financial Statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board of Directors

Roger Yates, Chairman, Paternoster House
65 St Paul's Churchyard, London EC4M 8AB
23 October 2015

TGI Fridays

American-styled restaurant chain

Photograph of a TGI Fridays barman, preparing a Blueberry Mojito at TGI Fridays restaurant in the Royal Exchange Manchester.

Board of Directors

Roger Yates (Chairman)

Mr Yates has 30 years' experience as an investment professional and a business manager in the fund management industry having begun his career with GT Management Limited in 1981. He was Chief Executive of Henderson Global Investors from 1999 to 2003 and then, following the company's listing, of Henderson Group Plc until 2008; prior to that he was Chief Investment Officer of Invesco Global and Morgan Grenfell Investment Management Limited. He is currently non-executive Chairman of Pioneer Global Asset Management, part of the UniCredit Group, and a non-executive director of JP Morgan Elect plc, IG Group Holdings plc and St. James' Place plc and was, from 2009 to 2010, non-executive director of F&C Asset Management plc.

Mr Yates was appointed a Director in 2012 and Chairman in 2014.

Dame Kate Barker

Dame Kate 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 is also Chairman of Trustees for the British Coal Staff Superannuation Scheme. 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.

Dame Kate was appointed a Director in 2010. She is Chairman of the Valuations Committee, the Remuneration and Nomination Committee and the Senior Independent Director.

Francesca Barnes

Ms Barnes retired from a 27 year career in finance in 2008, the last seven of which were spent as Global Head of Private Equity for UBS. She worked for Chase Manhattan for 11 years in the UK and US then Swiss Bank/UBS working in restructuring, loan portfolio management and ultimately running the global private equity business. Ms Barnes is now a non-executive director of Coutts and Co; non-executive director of Capvis private equity; Chair of Governors of the Bridge Academy Hackney and Chair of Trustees of Penny Brohn Cancer Care.

Ms Barnes was appointed a Director in 2013.

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 2011. He is Chairman of the Management Engagement Committee.

Josyane Gold

Mrs Gold has 32 years' experience as a lawyer in corporate practice in the City. For 25 years she was a partner of SJ Berwin where she was a founder of its private equity and investment funds practices. She continues to act as a consultant to the firm (now King & Wood Mallesons SJ Berwin).

Mrs Gold was appointed a Director in 2013.

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 Tullett Prebon plc.

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

Alternative Investment Fund Managers Directive

AIFMD Article 23 – Supplemental Disclosure

As Electra Private Equity Plc (the "Company" or "Electra") and its alternative investment fund manager, Electra Partners LLP (the "AIFM" or the "Manager") are each domiciled in the United Kingdom, the FCA Handbook rules require that, among other things, the AIFM makes available the following information to existing shareholders of Electra, in order to supplement the information provided to them before they invested, pursuant to Article 23 of Directive 2011/61/EU of the European Parliament and of the Council on Alternative Investment Fund Managers and its implementing measures (the "AIFMD") and to notify them of any material change to information previously provided.

In cases where the AIFM has determined that the requisite information is already set forth in the Annual Report or in any other source document which existing shareholders have access to or may request, this supplemental disclosure contains information with respect to the relevant source materials. In cases where the AIFM has determined that the requisite information has not been provided to existing shareholders, this supplement contains additional disclosure items.

Investment Policy, Leverage and Liquidity (AIFMD 23(1)(a)(b)(h))

The investment strategy and objective of Electra, the types of asset it may invest in and the investment techniques it may employ, associated risks and any investment restrictions are laid out in the Objective and Investment Policy, Strategic Report and The Manager sections of the Company's 30 September 2015 Annual Report.

For information about the circumstances in which the Company may use leverage, the types of sources permitted and the associated risks and any restrictions on the use of leverage and any collateral and asset re-use arrangements, shareholders are directed to the disclosures contained in the Objective and Investment Policy and the Strategic Report of the Company's 30 September 2015 Annual Report as well as specific AIFMD related disclosures further below.

Under the UK Listing Authority listing rules to which the Company is subject it needs the prior approval of its shareholders to make a material change to its Investment Policy.

Since the Company is closed-ended without redemption rights, liquidity risk management is limited to the liquidity required to meet the Company's obligations in relation to its financing arrangements and on its ability to meet calls on unfunded liabilities to third party funds and other investments. The Manager utilises various risk assessment methods to measure the risk of portfolio illiquidity to meet the Company's obligations. This measurement enables the provision of management information to the Manager and the Board of the Company to enable these risks to be monitored and managed.

Legal Relationship with Investors (AIFMD 23(1)(c))

The Company is a public limited company listed on the London Stock Exchange. The Company is incorporated under the laws of England and Wales. The constitutional document of the Company is its articles of association ("Articles") which may only be amended by way of a special resolution of its shareholders. Upon the purchase of shares, an investor becomes a shareholder of the Company. A shareholder's liability to the Company will be limited to the amount uncalled on their shares. The Company has one class of share, namely ordinary shares, with standard rights as to voting, dividends and payment on winding-up and no special rights and obligations attaching to them. Transfers to US persons are restricted but otherwise, there are no material restrictions on transfers of shares. No redemption rights attach to the ordinary shares in the Company.

As the Company is incorporated under the laws of England and Wales, it may not be possible for a shareholder located outside that jurisdiction to effect service of process within the local jurisdiction in which that shareholder resides upon the Company. All or a substantial portion of the assets of the Company may be located outside a local jurisdiction in which a shareholder resides and as a result, it may not be possible to satisfy a judgement against the Company in such local jurisdiction or to enforce a judgement obtained in the local jurisdiction's courts against the Company.

AIFM and its Delegates (AIFMD 23(1)(d),(e) and (f))

The Manager is a limited liability partnership with its registered office at Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB and is authorised and regulated by the Financial Conduct Authority (FRN 455358). It has been appointed by the Company to manage the Company under a management agreement dated 12 October 2006 as amended on 11 July 2014 to facilitate compliance with AIFMD regulations and as further amended to facilitate Electra's review of its capital structure, distribution policy and fee arrangements with the Manager on 10 February 2015 (the "Management Agreement"). The Manager is responsible for portfolio management and risk management and monitoring of the assets of the Company and has full discretionary authority over the acquisition and disposition of the Company's assets and with power to undertake other transactions on behalf of the Company subject to the provisions of the Management Agreement. The Manager is also responsible for ensuring compliance with the AIFMD. The Manager's duties under the Management Agreement are owed to the Company as a whole rather than directly to the shareholders, whether individually or in groups. The Board of Electra is responsible under the Management Agreement for representing the Company in its dealings with the Manager.

In accordance with the Management Agreement, the liability of the Manager and any officer, servant and agent of the Manager is limited and subject to certain limitations they are entitled to be indemnified out of the assets of the Company.

The Manager maintains appropriate additional own funds to meet its obligations under AIFMD, including in relation to professional indemnity risks. In addition the Manager holds professional indemnity insurance. The Manager has not delegated the performance of any of its functions.

Depositary and its Delegates (AIFMD 23(1)(d) and (f))

IPES Depositary (UK) Limited (the "Depositary") has been appointed as the Depositary of the Company under a Depositary Agreement agreed in accordance with AIFMD requirements. The Depositary is a company incorporated in England (registered number 08749704) whose registered office is at 9th Floor, No1 Minster Court, Mincing Lane, London EC3R 7AA. It is authorised to act as a Depositary by the FCA (FRN 610203). The Depositary is responsible for safekeeping of the Company's investments, including holding in custody those investments which are required to be held in custody and verifying ownership (on the basis of evidence provided by the AIFM) and keeping records of the Company's other investments, and for cash monitoring.

The Depositary's duties under the Depositary Agreement are owed to the Company as a whole and not directly to shareholders, whether individually or in groups.

Most of the investments of the Company are not of a kind required to be held in custody by the Depositary. The Depositary has appointed a custodian, RBC Investor Services Trust, in respect of the holding of custody assets belonging to the Company. The Depository has contractually discharged itself of liability in respect of the assets held by RBC Investor Services Trust.

Independent Auditors (AIFMD 23(1)(d))

The Independent Auditors of the Company are PricewaterhouseCoopers LLP.

The Auditors' duties are owed to the Company as a whole. They have a statutory responsibility to report to the members of the Company as a whole in relation to the truth and fairness of the Company's state of affairs and profit or loss.

Valuation (AIFMD 23(1)(g))

The Manager values the assets of the Company in accordance with the provisions set out in the Principles of Valuation of Investments as set out on pages 98 to 100 of the Notes to the Financial Statements in the 30 September 2015 Annual Report of the Company. The Valuations Committee of the Company adds a further level of oversight to the valuation process as set out on page 127 of the Corporate Governance section of the Annual Report.

Fees and Expenses (AIFMD 23(1)(i))

The Manager's management fee was previously set at 1.5% calculated on the gross value of Electra's investment portfolio assets including cash. Following a review of Electra's capital structure, distribution policy and management fee announced in February 2015, from 1 April 2015, no management fee is being paid on cash and the management fee on Non-Core Listed and Primary Fund Investments has reduced to 1%. In addition the Company operates carried interest and co-investment schemes for executives of the Manager and details of these schemes are contained in Notes 22 and 23 of the Notes to the Financial Statements in the 30 September 2015 Annual Report of the Company.

The finance costs in respect of the Company's bank facility, convertible bond and zero dividend preference shares are contained in Note 7 of the Notes to the Financial Statements in the 30 September 2015 Annual Report of the Company.

In addition, the Company incurs costs in the form of depositary fees, custodian fees, bank fees and charges, marketing fees, auditors' fees, lawyers' fees and other fees.

Given the nature of all these fees and expenses it is not possible to provide a maximum fee payable.

Fair Treatment of Investors and Preferential Treatment (AIFMD 23(1)(j))

No preferential rights have been granted to any existing shareholder.

The Manager and the Board of the Company are committed to ensuring that all shareholders are treated fairly and in accordance with UK Company Law. They have not and will not enter into any arrangement with one shareholder which could result in any overall material disadvantage to the other shareholders.

Issue and Redemption of Shareholder Interests in the Company ((AIFMD 23(1)(l))

The Fund is closed-ended and does not provide for redemption or repurchase of the interests of ordinary shareholders at their request.

Reporting and Performance (AIFMD 23(1)(k), 23(1)(m) and 23(1)(n))

The historic performance of the Company, to the extent available, has been disclosed to shareholders in the Company's Annual Reports, the latest of which covers the year to 30 September 2015 and which will be sent to shareholders.

The latest NAV of the Company is published in the latest Annual or Half Yearly report.

Prime Broker (AIFMD 23(1)(o))

The Company does not have a prime broker.

Method of Making Ongoing/Periodic Disclosures (AIFMD 23(1)(p),23(4),23(5))

Information about the Company's risk profile and risk management, total leverage and any material change to the arrangements for managing the Company's liquidity, the proportion of assets (if any) subject to special arrangements arising from their illiquid nature, the maximum permitted leverage or the grant of rights of re-use of collateral or guarantees in relation to leverage will be provided in the Company's Annual Reports.

Risk Profile and Risk Management (AIFMD 23(4)(c))

The appointment of the Manager as the AIFM of the Company under the AIFMD means that it is responsible for risk management and the ongoing process of identifying, evaluating, monitoring and managing the risks facing the Company in accordance with AIFMD. The Board of the Company keeps the Manager's performance of these responsibilities under review as part of its overall responsibility for the Company's internal controls.

The principal risks of the Company are set out in the Strategic Report and in Note 19 of the Notes to the Financial Statements. The Manager's risk management system incorporates regular review of these risks and the establishment of appropriate risk limits and internal control processes to mitigate the risks. The sensitivity of the Company to relevant risks is further detailed in Note 19 of the Notes to the Financial Statements.

The risk limits currently put in place for the Company by the Manager are in relation to the parameters for diversity of investment set out in the Objective and Investment Policy, for Credit Risk set out in Note 19 of the Notes to the Financial Statements and the limits on the Company's leverage set out below. These risk limits have not been exceeded in the year ended 30 September 2015 and the Manager does not currently consider it likely they will be exceeded.

Restrictions on the Use of Leverage and Maximum Leverage (AIFMD 23(5))

As specified in the Objective and Investment Policy in the Company's 30 September 2015 Annual Report, the Company has a policy to maintain total gearing below 40% of its total assets and the Manager oversees the use of leverage to ensure that the use of borrowing and derivatives is consistent with this requirement. The Company does not have any asset re-use arrangements in relation to collateral and has not granted any guarantees related to its leverage arrangements.

Following a review of Electra's capital structure, distribution policy and fee arrangements with the Manager announced in February 2015, the multi-currency facility which was previously drawn to facilitate currency hedging has been repaid. The facility will be redrawn in the future as required to facilitate new investment or meet ongoing expenses. Beyond the Convertible Bonds and Zero Dividend Preference Shares already in issue, it is not currently intended to borrow on Electra's balance sheet other than through the use of the existing multi-currency facility on a revolving basis.

Under AIFMD the Company is required to calculate leverage under the two methodologies specified by the Directive, the 'Gross Method' and the 'Commitment Method,' the difference being that the Commitment Method allows certain exposures to be offset or netted.

Leverage is calculated using gross assets, with various adjustments, divided by net assets.

The Manager has currently set a limit of 230% on the use of leverage based on the Gross Method and a limit of 230% on the use of leverage based on the Commitment Method which the Manager considers consistent with the gearing limit set out in the Objective and Investment Policy as at 30 September 2015. The Company's leverage calculated at 30 September 2015 under the methods stipulated by AIFMD was 118% under the Gross Method and 128% under the Commitment Method.

The Original Bowling Company
Ten-pin bowling centre operator

Photograph taken at the recently refurbished Hollywood Bowl centre in Basildon.

Information for Shareholders

Financial Calendar for 2016

Annual General Meeting	25 January 2016
Quarterly Update Report as at 31 December 2015	January/February 2016
Half-year Results announced	May 2016
Quarterly Update Report as at 30 June 2016	July/August 2016
Annual Results announced	November 2016

Website and Electra News via Email

For further information on share and Bond prices, regulatory news and other information, please visit www.electraequity.com.

If you would like to receive email notice of our announcements please visit the Electra website at www.electraequity.com and click on the "Subscribe to receive news alerts" logo on the Home page. Registering for email alerts will not stop you receiving Annual Reports or any other documents you have selected to receive by post or electronically.

Shareholder Enquiries

In the event of queries regarding your ordinary shareholding, please contact the Company's registrar, Equiniti Limited, who will be able to assist you with:

- registered holdings
- balance queries
- lost certificates
- change of address notifications

Equiniti Limited's full details are provided on page 149 or please visit www.equiniti.com.

If you are an existing shareholder and wish to buy more/sell your shares in Electra:

An internet and telephone dealing service has been arranged through Equiniti, which provides a simple way for UK shareholders of Electra to buy or sell Electra's shares. For full details and terms and conditions simply log onto www.shareview.co.uk/dealing or call 0371 384 2351. Please note that lines are open 8.30am to 5.30pm Monday to Friday (excluding UK bank holidays).

The service is only available to shareholders of Electra who hold shares in their own name, with a UK registered address, who are aged 18 and over.

Shareview Dealing is provided by Equiniti Financial Services Limited. Equiniti Financial Services Limited is authorised and regulated by the Financial Conduct Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS (FCA reference 468631). Equiniti Financial Services Limited is registered in England and Wales with number 6208699.

If you are not an existing shareholder:

We recommend you seek your own personal financial advice from an appropriately qualified independent adviser or alternatively contact your own broker. Electra Private Equity's shares are listed on the London Stock Exchange as ELTA.

Please note. The above information is not a recommendation to buy or sell shares. The value of shares and any income from them can fluctuate and you may get back less than the amount invested. If you have any doubt over what action you should take, please contact an authorised financial adviser.

Distribution policy

Following a review of the distribution policy in February 2015, the Board implemented a distribution policy to return to shareholders a targeted 3% of NAV per annum, by way of cash dividend or share buybacks. Any shares bought back under this policy will be cancelled.

In line with this revised distribution policy an interim dividend of 38p per ordinary share was paid to shareholders on 24 July 2015.

The Directors recommend the payment of a final dividend of 78p* per ordinary share in respect of the year ended 30 September 2015 (2014: nil), making a total payment for the year ended 30 September 2015 of 116p* per ordinary share (2014: nil). Subject to approval by shareholders at the Annual General Meeting to be held on 25 January 2016, the final dividend will be paid on 26 February 2016 to shareholders on the Register of Members at the close of business on 22 January 2016.

* Based on the number of shares that will be in issue following the mandatory conversion of 5% Subordinated Convertible Bonds, further details of which are provided below.

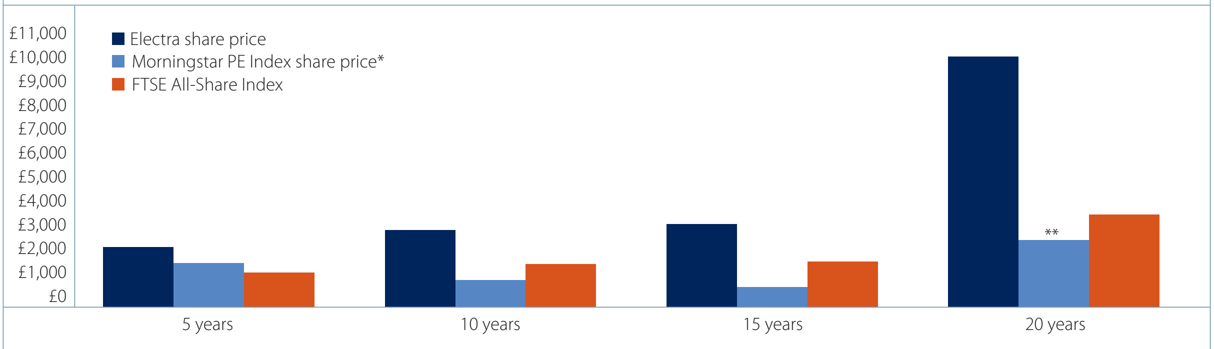
Dividend Reinvestment Plan

A Dividend Reinvestment Plan (the "Plan") has been arranged with Equiniti, the registrar, whereby existing shareholders have the option of reinvesting any dividend payments to buy more fully paid ordinary shares in the Company.

For further details on the Plan please call the Equiniti helpline on 0371 384 2351* (or +44 121 415 7047 if calling from outside the United Kingdom).

* Lines open 8.30am to 5.30pm (UK time), Monday to Friday, excluding public holidays in England and Wales.

Shareholder total return performance for £1,000 invested As at 30 September 2015



* The above index, prepared by Morningstar UK Limited, reflects the performance of 20 private equity vehicles, excluding Electra, listed on the London Stock Exchange.

** 19 year period only.

Trading Information – Ordinary Shares

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

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, 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 2,050 pence. As a consequence of the payment of the interim dividend to ordinary shareholders on 24 July 2015, with effect from 4 June 2015 the conversion price of the Bonds was adjusted in accordance with the terms and conditions of the Bonds to 2,025 pence – the conversion price being subject to adjustment 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.

Pursuant to the terms and conditions of the 5% Subordinated Convertible Bonds ("the Terms and Conditions"), whereby the Company is entitled, following the satisfaction of the relevant requirements under the Terms and Conditions, to exercise its option to convert all of the outstanding Bonds into new ordinary shares, the Board has elected to exercise this option and proposes to issue the Mandatory Conversion Notice to Bond Holders in November 2015, following which, on 29 December 2015, in accordance with the Terms and Conditions, the outstanding Bonds will convert into new ordinary shares when approximately 4,215,753 new ordinary shares in the Company will be issued, bringing the total number of ordinary shares in issue following the mandatory conversion to approximately 40,271,691. The Conversion Price in respect of each Bond will be 2,025 pence.

Notwithstanding the issue of the Mandatory Conversion Notice as described above, Bond Holders remain entitled to elect to convert their Bonds into ordinary shares of the Company up to and including 29 December 2015.

In order to be entitled to the interest payment on the Bonds for the period to 29 December 2015, Bond Holders will need to be on the register of Bond Holders at the record date of 14 December 2015.

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

Trading Information – Convertible Bond

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

Zero Dividend Preference Shares

What is a Zero Dividend Preference Share?

ZDPs are a class of share with a limited life. They provide no annual income or dividend but instead will pay out a fixed amount of capital (known as the "final capital entitlement") at a specific date in the future (known as the "redemption date"). In the case of Electra Private Equity Investments PLC ("EPEI"), £46 million of ZDPs were raised in 2009 and have a redemption date of 5 August 2016.

Subsequent to the payment of the final capital entitlement, EPEI will have satisfied all its liabilities and the Board of Directors of EPEI are currently expecting that the Company will be voluntarily wound up to effect the payment of the final capital entitlement.

In the unlikely event of Electra winding up, the holders of ZDPs would rank above both the holders of Convertible Bonds and the ordinary shareholders in terms of being entitled to the capital of Electra.

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

Share Fraud Warning

We are aware that in the past a number of 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. These operations are commonly known as Boiler Room scams.

Please be very wary of any such calls or correspondence. Ask for the name and organisation of the person calling you and check if they can be found on the FCA Register. If they are not listed, please report it directly to the FCA using their consumer helpline (0800 111 6768). You may also wish to advise us by telephoning 020 7214 4200 or emailing ir@electrapartners.com.

It is very unlikely that either the Company or the Company's Registrars, Equiniti, would make unsolicited telephone calls to shareholders. Such calls would only relate to official documentation already circulated to shareholders and never be in respect of investment advice.

Please remember that if you use an unauthorised firm to buy or sell shares, you will not be eligible to receive payment under the Financial Services Compensation Scheme if things go wrong.

Other Useful Websites

LPEQ

Electra is a founder member of LPEQ, 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 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

British Private Equity & Venture Capital Association (BVCA)

Electra is a member of the BVCA, the industry body and public policy advocate for the private equity and venture capital industry in the UK. The BVCA's aim is to aid understanding around the activities of its members, promote the private equity and venture capital industry to entrepreneurs and investors as well as to Government, the EU, trade unions, international media and the general public. They communicate the industry's impact and reinforce the crucial role its members play in the global economy as a catalyst for change and growth.

For further information visit www.bvca.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	[1]Share price as at 5 April per share p	[1]Share price as at 30 Sept per share p
2006	[2] 598,292	1,545.07	–	20.58	[3] 20.00	1,326.00	1,371.00
2007	[4] 745,506	2,001.21	–	24.60	[5] 17.00	1,605.00	1,680.00
2008	[6] 640,949	1,800.64	–	(13.98)	[7] 25.00	1,570.00	1,235.00
2009	[8] 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
2012	916,304	2,473.10	(6.46)	(24.29)	–	1,720.00	1,770.00
2013	1,029,902	2,763.61	(6.57)	(25.39)	–	2,305.00	2,230.00
2014	1,195,101	3,174.34	66.42	56.55	–	2,632.00	2,650.00
2015	1,502,940	3,913.84	84.18	79.96	38.00	3,103.00	3,265.00

Notes

The net asset value per share for 2006 to 2015 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 2006 4,785,000 shares were repurchased for cancellation (cost: £64,257,000).
3. Includes special dividend of 20.00p per share paid in March 2006.
4. During the year ended 30 September 2007 1,470,000 shares were repurchased for cancellation (cost: £22,304,000).
5. Includes special dividend of 17.00p per share paid in March 2007.
6. During the year ended 30 September 2008 1,657,000 shares were repurchased for cancellation (cost: £26,492,000).
7. Includes special dividend of 25.00p per share paid in March 2008.
8. During the year ended 30 September 2009 257,000 shares were repurchased for cancellation (cost: £2,096,000).

Glossary

Carried interest

The incentive arrangements, which are similar to arrangements found elsewhere in the private equity industry, are designed to align Electra Partners' interests with those of Electra's shareholders. These arrangements are typically referred to as "carried interest".

The carried interest payable to the members of Electra Partners is based on three year pools of investments. Under the terms of this arrangement all qualifying investments in a three year period are aggregated into a separate pool. Electra must first receive back the aggregate cost of all the investments in the pool, plus related priority profit share (see below) and an 8% compound return (this is often referred to as the "hurdle"). Once Electra has received sufficient cash to pay the amounts as described above the members of Electra Partners will be entitled to a carried interest of 18% of the profits. Consequently, they will receive the next 18/82 of the hurdle so that they will have an amount equal to 18% of the profits on the pool up to that point (this is referred to as a "catch up"). Thereafter, Electra and the members of Electra Partners will share future cash flows in the ratio of 82:18.

Below is an example to illustrate in principle how the above described arrangements work:

	£m	Assumptions
Amount invested	450	Amount invested
Priority profit share	50	Priority profit share paid back
Amount realised	1,000	Realised after year five
Pool profit	500	
Hurdle	(210)	8% per annum compound
Catch up	46	18/82 of the hurdle
Balance	44	The amount over the hurdle to get to an aggregate 18% of the pool profit
Total carried interest	90	18%
Electra	410	82%

Commitments

Legal obligation to provide capital for future investment in a private equity fund or in relation to a single investment.

Discount

Investment trust shares frequently trade at a discount to NAV. This occurs when the share price is less than the NAV. In this circumstance, the price that a shareholder would pay or receive for a share would be less than the value attributable to it by reference to the underlying assets. Traditionally expressed as a percentage.

Earnings multiple

This is normally referred to as a price earnings (P/E) ratio. It is the ratio of a company's valuation compared to its earnings.

EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation. Often used to compare the profitability of similar companies.

EBITDA margin

EBITDA expressed as a percentage derived by dividing EBITDA by net sales.

EV (enterprise value)

This is the aggregate value of a company's entire issued share capital and net debt.

Gearing

This is the level of a company's debt related to its equity capital and is usually expressed in percentage form. It shows the extent to which a company is funded by lenders as opposed to shareholders.

Hedging
Hedging is an investment technique designed to offset a potential loss on one investment by purchasing a second investment that is expected to perform in the opposite way.

IPO (initial public offering)
An offering by a company of its share capital to the public with a view to seeking an admission of its shares to a recognised stock exchange.

IRR (internal rate of return)
Is the annualised return on an investment calculated from the cash flows arising from that investment taking account of the timing of each cash flow. It is derived by computing the discount rate at which the present value of all subsequent cash flows arising from an investment are equal to the original amount invested.

Listed company
Any company where the shares are freely tradable and are listed or traded on a recognised stock exchange.

LTM
Last twelve months.

NAV
This is the value of all the Company's assets minus current and long-term liabilities. Can also be referred to as 'shareholders' funds'.

Diluted and Basic NAV
During the year to 30 September 2015, 11,165 Convertible Bonds ("Bonds") were converted into 547,187 ordinary shares in the Company. Prior to this a total of 3,466 Bonds had been converted into 169,064 ordinary shares and, accordingly, the diluted NAV per share assumes the issue at 30 September 2015 of a further 4,215,753 ordinary shares on the basis of the conversion terms of the Bonds.

Calculation of NAV

At 30 September 2015
The calculation of the audited diluted NAV per share at 30 September 2015 has been affected by the issue of the Bonds. Electra is required to prepare accounts and report in accordance with the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted by the European Union. Under IFRS, the Bonds are a compound financial instrument which contains both a liability and an equity component. Of the £100 million raised, £23 million of the Bonds was accounted for as an equity instrument with the balance accounted for as debt. Further details of the accounting treatment of the Bonds are set out in Note 18 of the Notes to the Financial Statements.

At 20 October 2015
The unaudited diluted NAV per share at 20 October 2015 was calculated on the basis of the NAV at 30 September 2015 adjusted to reflect purchases and sales of investments, currency movements and bid values on that day in respect of listed investments.

NAV per share
This is the value of the Company's assets attributable to one Ordinary share. It is calculated by dividing 'shareholders' funds' by the total number of Ordinary shares in issue.

Ongoing Charges Ratio
These are calculated by dividing Priority Profit Share and other expenses, by net assets at the year end. Electra's ongoing charges ratio for the year to 30 September 2015 was 2.0% (2014: 2.3%).

Permanent Capital
An investment entity that manages capital for an unlimited time horizon.

Priority Profit Share
This is a share of profits equivalent to a management fee. It is calculated at 1.5% of the gross value of the Company's core investment portfolio. From 1 April 2015 no fee is paid on cash and the management fee on Non-Core Listed and Primary Fund Investments has reduced to 1%.

Return on Equity (ROE)
This is the total return divided by opening shareholder funds. Electra's ROE has been calculated by taking the percentage change in diluted NAV per share and adding back dividends paid per share.

Total return
The total return to shareholders is the aggregate of income and capital profits of the investment portfolio for the year less all costs.

Unlisted company
Any company whose shares are not listed or traded on a recognised stock exchange.

Contact Details

Board of Directors
Roger Yates (Chairman)
Dame Kate Barker
Francesca Barnes
Geoffrey Cullinan
Josyane Gold
Roger Perkin
Telephone +44 (0)20 7214 4200
www.electraequity.com

Secretary
Frostrow Capital LLP
25 Southampton Buildings
London WC2A 1AL
Telephone +44 (0)20 3008 4910

Registered Office
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

Company Number
303062

Manager
Electra Partners LLP
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB
Telephone +44 (0)20 7214 4200
www.electrapartners.com

Investor Relations
Andrew Kenny and Nicholas Board
Telephone +44 (0)20 7214 4200
Email ir@electrapartners.com

Registered Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants &
Statutory Auditors
7 More London Riverside
London SE1 2RT

Stockbroker
J.P. Morgan Cazenove

Depositary
Ipes Depositary (UK) Limited
9th Floor,
No 1 Minster Court
Mincing House
London EC3R 7AA

Registrar and Transfer Office
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone (UK) 0371 384 2351*
Textel/Hard of hearing line (UK)
0371 384 2255*
Telephone (Overseas)
+44 121 415 7047

*Lines open 8.30am to 5.30pm, Monday to Friday (excluding UK bank holidays).

Electra Private Equity PLC
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB
T: +44 (0)20 7214 4200
www.electraequity.com

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