Electra Private Equity PLC

Report and Accounts

30 September 2016

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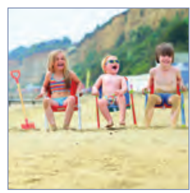


References in this Report and Accounts to Electra Private Equity PLC and its subsidiaries have been abbreviated to 'Electra' or the 'Company'. References to Epiris Managers LLP (formerly Electra Partners LLP) have been abbreviated to 'Epiris' or 'the Manager'.

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 2016 its net assets were £2.1 billion or 5,149p per share.

Electra's business and affairs are managed on an exclusive and fully discretionary basis by Epiris, an independent private equity fund manager with over 25 years' experience and a superior performance record. Electra is overseen by a Board of non-executive Directors and an interim CEO.

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 2016 Electra's return on equity was 14% per year. Electra's performance has been consistently superior to that of the Morningstar Private Equity Index and the FTSE All-Share Index.

On 25 January 2016 the Board of Electra announced that it was reviewing the Company's investment strategy and policy and its structure. On 26 May 2016 the Board provided an interim update on this review in which it announced that it had decided to establish an executive function and served twelve months' notice of termination of the contracts under which management of its operations and investments is outsourced to Epiris.
On 14 October 2016 the Board announced the outcome of the first phase of the review, including its intention to internalise all management functions and to migrate the Company from an investment trust structure to a "corporate" structure; and its intention to commence the second phase of the review in June 2017.

Financial Highlights

As at 30 September 2016

Total portfolio return of 46% in the year	£751m
Investment portfolio equivalent to 82% of net assets	£1,696m
NAV per share total return of 35% for the year	5,149p
NAV per share, including dividends, total return over ten years	255%
Annualised return on equity over ten years	14%
Share price up 36% in the year	4,310p
Share price total return over ten years	237%
Second interim dividend declared	110p

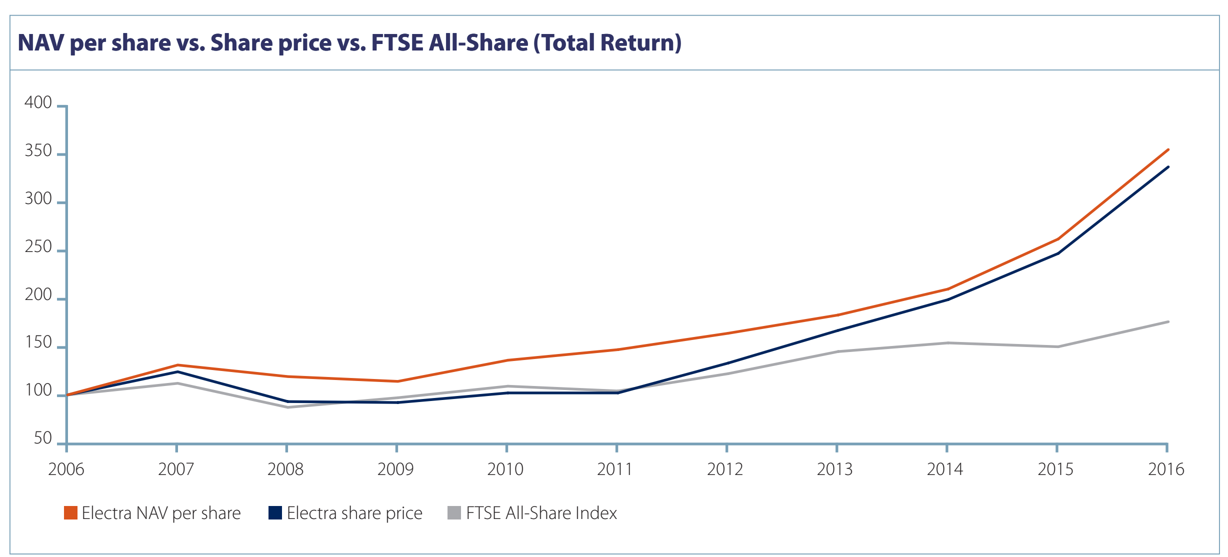
Performance (Total Return):

	One year	Three years	Five years	Ten years
NAV per share				
Electra	35%	94%	141%	255%
Morningstar PE Index*	28%	54%	77%	35%
Share price				
Electra	36%	102%	231%	237%
Morningstar PE Index*	34%	62%	165%	15%
FTSE All-Share Index	17%	21%	69%	76%
FTSE 250 Index	10%	30%	109%	136%

Performance calculated on a total return basis with dividends reinvested.

* The above index, prepared by Morningstar UK Limited, reflects the performance of 21 private equity vehicles, excluding Electra, listed on the London Stock Exchange.

Long-term Performance



Note: 30 September 2006 equals 100.

Historic NAV, Share price and Return on Equity

Year ended 30 September	Total NAV £m	NAV per share p	Ordinary share price p	Dividends per share p	10-year annualised return on equity %
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
2016	2,074	5,149	4,310	122.00	14

Please note:

In 1999 Electra ceased to make new investments and was placed into a realisation phase. Between 1999 and 2006 Electra returned a total of £1.2 billion to shareholders through a mixture of share buybacks and tender offers. Electra returned to full investment in October 2006.

The issue of the Convertible Bonds in December 2010 required the Company to report a diluted NAV per share from the date of issue to the date of final conversion in December 2015 (affecting the year ends from 2011 to 2015).

Chairman's Statement

"Over the last six months, we have reviewed and reconstituted the Board, set in train the development of a strong executive team and completed the first phase of our strategic review. These initiatives are designed to optimise shareholder value and give me confidence that we are building a business with a strategy and structure that is attractive to shareholders.

"We are eager to embark on the second stage of our review, though the timing of that is currently constrained by the terms of the outsourced management contract and will be after June 2017, unless we are able to negotiate earlier access to the portfolio companies with Epiris, which currently seems unlikely."

Overview

I am pleased to make my first report as Chairman of Electra, having joined the Company in May. The year to 30 September 2016 has been one of considerable internal change.

Through this period financial performance has continued to be strong, with a total return of 35% and share price growth of 36%. The Company has also delivered the first full-year benefits of its policy to distribute 3% of NAV to shareholders.

Strategic Review

In January the Board announced a strategic review of investment policy and structure, the first such fundamental review of the business in over 10 years. In conducting its review the Board received input from relevant stakeholders, advisers and shareholders.

In May, pending the outcome of its review, the Board gave 12 months' notice of termination of the Management and Investment Guideline Agreement ("MIG") with Epiris and appointed Edward Bramson, who joined the Board in November 2015, as interim Chief Executive Officer. In August the Board appointed Gavin Manson to the new role of Chief Financial Officer.

The outcome of the first phase of the strategic review, announced in October, confirmed the Board's intention to let the termination run its course. The Board is now developing internal resource to manage the affairs of the Company, under the control of the Board, from June 2017. This internalisation of management will allow the development of a cost-effective structure appropriate for the nature of the business, realising material cost savings, and will facilitate the implementation of best-in-class corporate governance to support the Group's future direction.

In addition, the strategic review set out the Company's intention to migrate to a corporate structure and cease to be a closed-end investment trust. Further details of this transition will be made available in the outcome of the second phase of the strategic review, which will comprise a review of the investment portfolio after June 2017 and a review of the Group's future capital allocation policy. The second phase of the review will include further consultation with shareholders and, prior to implementation, shareholder approval will be sought as required.

Further details of the benefits that are expected to be delivered on implementation of the outcome of the strategic review are in the Strategic Report on pages 7 to 16.

Board Changes

The Board saw considerable change during the year, welcoming not only Edward Bramson, but also Ian Brindle, Paul Goodson and David Lis. I am delighted that Linda Wilding and Dr John McAdam are joining the Board following the year end. Linda Wilding was appointed as a non-Executive Director with effect from 1 December 2016 and Dr McAdam, who will join on 1 January 2017, is to be Senior Independent Director. We have also proposed changes to our remuneration policy that, if approved at the AGM, will enable remunerated executives to be appointed to the Board after our AGM. With these changes, our Board review is complete and I believe the Board is well-suited to take the Company forward.

The reconstituted Board and the executive team that is currently being developed give me great confidence that the changes that have been and will be made to the Company will optimise shareholder value and build a business with a strategy and structure that are attractive to shareholders.

I thank the members of the non-Executive Board who have left for their dedicated service to the Company. I would also like to thank Epiris, who have managed the affairs of the Company for many years. They will continue to do so until the end of May 2017 under the terms of the existing management agreement.

Investment Policy & Return of Capital

Throughout the period of review and until further notice, the Company's existing investment policy and objectives remain in place. The notice of termination of the outsourced management contract has reduced the number of additional investments being made in the second half of the year and, with continued realisations, has resulted in the accumulation of significant cash. In November, the Board announced the opening of a Tender Offer giving shareholders the opportunity to tender shares for the Company to buy back up to an amount of £200 million. This tender was approved by shareholders on 2 December and the offer remains open until 21 December.

It is our intention to propose certain resolutions at the AGM in March that will allow the Company to return further capital to shareholders should this become appropriate.

Investment Activity

In the year to 30 September 2016 the Company invested a total of £218 million across the Buyout and Co-investments portfolio (£137 million), the Secondary portfolio (£7 million), the Debt portfolio (£62 million) and the Non-core investment portfolio (£12 million).

More detail of these investments is given in the Manager's Report and in particular of the two most individually significant buyout investments, Photobox Group and Retirement Bridge Group.

Realisations included a partial realisation on the successful flotation of Hollywood Bowl, and exits from Zensar, Daler-Rowney, Kalle and Elian, as well as further partial realisations of Allflex and AXIO. Further details of these and other realisations are also given in the Manager's Report.

Balance Sheet

In the year to 30 September 2016 the Company's balance sheet was simplified through the mandatory conversion of its 5% Subordinated Convertible Bonds, redemption of the Zero Dividend Preference Shares and cancellation of the Company's multi-currency revolving credit facility.

At 30 September 2016, the Company had gross cash of £659 million and no borrowings.

Dividend

In line with the distribution policy announced in 2015, the Group intends making distributions for the year representing 3% of year-end Net Asset Value. The Annual General Meeting is due to be held in March 2017, which would not have permitted the payment of a final dividend until later than previously. Accordingly the Directors have declared a second interim dividend of 110p per ordinary share, which will be paid on 19 January 2017 to shareholders on the register of members at the close of business on 16 December 2016. The ex-dividend date for the declared second interim dividend will accordingly be 15 December 2016 and the record date for the dividend will, as stated, be 16 December. The terms of the Tender Offer have been amended so as to allow shareholders who successfully tender shares to retain the right to this dividend on those shares. Following the declaration of this second interim dividend the Directors do not intend to recommend the payment of a further dividend in respect of the year to 30 September 2016.

Outlook

The short-term performance of the Company will continue to be driven by asset value development, successful realisations and the return of capital to shareholders.

The Directors believe that the outcome of the second phase of the strategic review will result in improved, long-term shareholder value. The timing of the outcome of the second phase of the review will be after the Board gains direct access to the portfolio companies financial information and management teams following the expiry of the outsourced management contract. The Company is negotiating transitional arrangements with the Manager which may allow aspects of the review to be accelerated.

Neil Johnson
Chairman
8 December 2016

Strategic Report

The Strategic Report provides a review of the Company's business, strategy and performance during the year to 30 September 2016, and of its strategy going forward. It also considers the principal risks and uncertainties facing the Company. References to other sections of this Report and Accounts are provided where appropriate.

Strategy in the year to 30 September 2016 and Strategic Review

Throughout the year under review the Company continued to operate as an approved Investment Trust with its business and affairs managed on an exclusive and fully discretionary basis by Epiris Managers LLP ("Epiris" or "the Manager"). The conduct of the business was managed by the Manager in accordance with the Management and Investment Guideline Agreement ("MIG") between the Company and the Manager. Under these arrangements the objective of the Company's investment strategy and policy 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.

On 25 January 2016, the Board announced that it would conduct a strategic review of the Company's structure, investment strategy and policy (the "Strategic Review"). The review was the first such fundamental review of the business that had been conducted for 10 years. On 12 May 2016, the Board appointed Neil Johnson as non-executive Chairman and Director of the Company, replacing Interim Chairman Dame Kate Barker. Following further consultation with a leading firm of executive search consultants, the Board announced additional changes to its composition with the appointments of the independent Directors David Lis and Paul Goodson in May 2016, Linda Wilding on 1 December 2016 and Dr John McAdam with effect from 1 January 2017.

On 26 May 2016, the Company published its Interim Update on the Strategic Review. In order to strengthen its corporate governance structure, the Board elected to establish an executive function to provide it with ongoing support including the provision of administrative and analytical support in relation to the review process. As part of this process, the Board appointed the non-Executive Director Edward Bramson as unpaid interim Chief Executive Officer; Gavin Manson was subsequently appointed as Chief Financial Officer on 8 August 2016.

To provide the Board with the flexibility to put in place any potential changes as an outcome of the review without any undue delay, the Board also elected to serve notice of termination of the MIG and the related limited partnership agreement.

The MIG provides for a notice period of 12 months ending 31 May 2017 (the "Notice Period") during which time Epiris continues to provide the same administrative and investment management services as previously. The impact of the termination of the MIG on fee structure was reversion back to the structure in place prior to 1 April 2015, whereby the Company pays the Manager 1.5% on assets held in cash (rather than nil) and 1.5% is paid on non-core investments (rather than 1%) as well as 1.5% on core assets.

Pursuant to the terms of the MIG, the Company has reserved £32 million as a termination payment due to Epiris on 31 May 2017. This termination payment is in addition to the management fees which will be paid to Epiris to 31 May 2017.

The partners of Epiris continue to participate in co-investment and carried interest schemes and will be entitled to carried interest on portfolio assets as at 31 May on their subsequent disposal with a 20% reduction in the effective rate. These schemes are explained in more detail in Notes 21 and 22 of the Notes to the Financial Statements.

As a consequence of the terms of the MIG the Board is unable to access management or detailed financial information in respect of portfolio company investments. As such the output of the Strategic Review is being presented in two phases, the first based on analysis of publicly available historical information and the second based on detailed analysis of and discussion with, portfolio companies.

Result of Strategic Review – Phase 1

The Board published the outcome of Phase 1 of the review on 14 October 2016. As part of this announcement, the Board made a number of key recommendations:

- The Company intends to migrate from a listed investment trust to a "corporate" structure over a period of time to be determined. This is intended to result in reduced expenses and reduced discounts to underlying portfolio value
- The business will create a robust and sustainable corporate governance structure by returning direct control of all executive and investment functions to the Board from 1 June 2017
- Following the previous appointment of a CEO and CFO, the Company is to develop its own internal resources to assume all operating responsibilities from June 2017. There will be no change to the investment strategy or structure of the Company in the interim period
- A review of the Company's portfolio ("Phase II") will commence in June 2017, or earlier should Epiris agree to grant the Company access to the portfolio companies' financial information and management teams

The Company intends to follow a flexible capital base model in order to optimise shareholder returns. On 8 November 2016 the Company initiated the process for an initial £200 million return of capital to shareholders by way of a tender offer which closes on 21 December 2016. This return of capital was approved by shareholders on 2 December and is a first step to improving the Company's capital allocation policy.

Rationale for Proposed Strategy

Over the course of Phase 1 of the review, the Board identified a number of systemic issues facing the company through its existing structure:

- Expenses
- Discounts
- Reinvestment Risk
- Capital Allocation

Expenses

The current operating model includes a number of different layers of fees and expenses. Under the current structure a gross portfolio return of approximately 21% per annum is required to deliver circa 15% NAV growth, in the long-term.

In 2016 4.6% of the gross investment return went to fees and expenses, which amongst other things, contributed to the reduction of the 46% gross investment return to the 35% total return.

Discounts

The current listed private equity investment trust valuation includes the application of two levels of significant discount to asset valuation:

- In evaluating the Fair Value of each of Electra's investee companies, the Manager reflects points of difference between each investee company being valued and its comparator companies by adjusting the multiple, typically by applying a discount, implied by the market valuation of comparator companies before using it to value each investee company;
- Sustained tendency in the industry for listed private equity funds to trade at a fairly significant discount to NAV. On a 5 and 10-year average, the Company has traded at an average discount of approximately 15% and 20% respectively.

Reinvestment risk

As a permanent capital vehicle, the closed-end investment trust model encourages retention of capital with the need to invest throughout investment cycles. Incentivised reinvestment of this nature may negatively impact shareholder returns by encouraging investment at high valuations which subsequently decline.

Capital allocation

Capital allocation is currently constrained by a focus on the value of assets under management ("AUM"), rather than return on shareholders capital. This distortion could encourage corporate asset gathering at the expense of capital return, discourages progressive dividends and penalises intra-portfolio capital transfers from cash "producers" to cash "consumers".

In recent years, whilst meeting its performance targets, Electra's performance has been supported by the increase of FTSE 250 multiples from 15.2x at 30 September 2011 to 23.5x at 30 September 2016. The Board consider that there is a significant risk to future performance should this growth not be maintained.

Excluding this risk over future performance, analysis of shareholder returns, assuming 'on target' future investment performance, indicates that the currently realisable value of the portfolio is likely to exceed shareholder returns over the next three year period based on continuation 'as is'. In addition, it is considered that certain of the portfolio assets may have the potential for value creation not currently reflected in realisable value.

Taking these matters into account the Board considers that shareholder value can be optimised by:

- Focusing on value creation through a buy, improve and sell strategy;
- Operational improvements in portfolio assets to be achieved through controlling interests and active management;
- Removal of market valuation inefficiency through corporate structure;
- Implementation of an internal management function scaled and costed appropriately;
- Implementation of 'best practice' corporate governance with direct Board oversight of investments;
- Capital allocation policy based on returning capital to shareholders when market conditions restrict the Company's ability to deliver on its return objectives;
- Additional capital from shareholders for investment driven by a high conviction to deliver targeted returns.

The Board considers that adoption of these actions would result in:

- Recurring expense savings in excess of £20 million per annum going forward;
- Elimination of carried interest (on new investments from June 2017), which totalled £122 million in the year to 30 September;
- Reduction of share price discounts to the portfolio's underlying value;
- A flexible capital allocation policy focused on shareholder returns;
- Improved capability to generate portfolio operating improvements;
- Increased transparency of underlying earnings and dividend paying capability; and
- Improved share liquidity and valuation through a broader shareholder base.

Phase II of strategic review

Consultation with shareholders regarding the future strategic direction of the Company and capital allocation policy commenced in November 2016. Termination of the contracts with Epiris will become effective on 31 May 2017. Phase II of the Review will begin in June 2017, or earlier should Epiris agree to grant the Company access to the portfolio companies' financial information and management teams. It is the Company's intention to identify and act on any subsequent recommendations as early as possible.

Phase II will maintain the principal objective of maximising long-term shareholder value by, inter alia, undertaking a detailed operating review of the portfolio companies then held, establishing the new capital allocation policy, and proposing a revised compensation plan if necessary to maintain alignment of management interests with the optimisation of return on shareholders' capital.

Additionally, the Board will set out a timetable for migration to a new corporate structure. Shareholder approval for this and other items will be sought, as required.

Principal Risks and Risk Management

Risk Management

The role of Epiris 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 Epiris' performance of these responsibilities under review as part of its overall responsibility for the Company's internal controls and will be putting in place appropriate alternative regulated processes as part of its transition arrangements.

The Board and Epiris consider that the risks detailed below are the Principal Risks facing the Company currently along with the risks detailed in Note 18 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 future performance, solvency or liquidity, have been robustly assessed throughout the year ended 30 September 2016, and that processes are in place to continue this assessment.

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.

Foreign Currency Risks

A proportion of the Company's investment portfolio, comprising investments in the USA and Continental Europe, is denominated in currencies other than Sterling. Movements in foreign exchange rates may therefore affect the Company's net assets, as detailed in Note 18 of the Notes to the Financial Statements.

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. At 30 September 2016 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.

Transition Risk

The Company is subject to a number of potential risks relating to the transition from a fund with an external investment manager to a corporate structure, which could impact performance and the Company's ability to meet the expectations of shareholders.

There is a risk that Phase II of the Strategic Review, which will include quantifying the operating improvement potential of the controlled portfolio, could create uncertainty within portfolio companies about the Company's plans for the individual businesses and that this uncertainty could impact the individual businesses' performance. The Company will address this through direct and supportive communication as soon as possible during the transition. To ensure an effective and swift transition, the Company gave the Manager notice of termination on 26 May 2016 ("Interim Update on Strategic Review"). Phase II will commence upon expiry of the MIG at end of May 2017 but could be brought forward with the Manager's agreement to reduce further the period of uncertainty.

The transition period could impact the Manager's own performance and focus on value creation. The Manager has deep experience and is staffed with people of high calibre and professionalism. The Manager is incentivised, through fees and carried interest, to focus on growth in NAV and the value of the underlying portfolio companies. The Board, through its Audit Committee, Valuations Committee and now executive function reviews performance with the Manager on a regular basis.

The Company is working to ensure that its internal resource is of sufficient skill and calibre to ensure an effective transition and that the Board has the full complement of skills to provide oversight and strategic guidance. The creation of the necessary internal resource commenced with the appointment of an interim Chief Executive Officer on 26 May 2016 and the appointment of a Chief Financial Officer on 8 August 2016. On 14 October 2016, in its announcement on the results of the Strategic Review, the Company provided an outline of the internal resource that would be required to effect an effective transition.

The Board reorganisation to ensure effective governance and oversee the transition was completed on 18 November 2016 with the announcement of the appointments of Linda Wilding and Dr John McAdam as Non-Executive Directors with effect from 1 December 2016 and 1 January 2017 respectively. Linda Wilding has extensive experience in the private equity investment and healthcare sectors, while Dr John McAdam has held senior leadership roles in global businesses in a wide range of industry sectors, including the role of CEO of ICI. These appointments, like the appointments of David Lis, formerly a CIO at Aviva Investors, and Paul Goodson, formerly managing director of Barclays UK Private Equity business, announced in May 2016, and Chairman Neil Johnson, whose extensive career spanned a number of executive and advisory roles, ensure that the Company has in place a Board of exceptionally high calibre and experienced independent Non-Executive Directors. The Company also intends to put in place a Risk Committee, whose terms of reference will encompass risk monitoring, management and reporting.

The Company, under the leadership of Edward Bramson, is consulting with shareholders to define and design the compensation plan for the executive management team to align management interests with the return on shareholders' capital. This plan will be reviewed by the Remuneration Committee, comprised solely of independent Non-Executive Directors, before being put to shareholders for approval should amendment to the Remuneration Policy being proposed at the forthcoming AGM be required.

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 is undertaking a thorough review of the Company's investment strategy and policy and its structure, with the objective of maximising long-term shareholder value. Phase I of the Strategic Review was announced in October 2016; Phase II will commence in June 2017 or earlier with the Manager's agreement.

Investment Risks

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 Epiris and, from June 2017, the executive team, in building an effective working relationship with each team in order to agree and implement value-creation strategies; (iv) changes in the market or competitive environment in which each portfolio company operates; and (v) 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.

Epiris 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.

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.

Epiris 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.

The Board will conduct a thorough review of the portfolio companies in Phase II of the Strategic Review to maximise long-term shareholder value, following which it will initiate a clear strategy to deliver optimised returns.

Valuation Risk

The valuation of investments in accordance with IAS 39 and IPEV guidelines requires considerable judgement and is explained on pages 103 to 104.

Operational Risk

The Company's investment management, custody of assets and many administrative systems are currently provided or arranged by Epiris. 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. With effect from the end of May 2017, the Company will assume these responsibilities itself. An executive management team is being established, utilising, where appropriate, the expertise of leading executive search consultants, to ensure that the Company has in place the skills and processes to ensure effective management of the Company's business activities and full compliance with all applicable laws and regulations. The leadership team – an experienced CEO and CFO – are in place, as are the core finance team, and further appointments will be made to ensure a smooth transition process and ongoing effective management.

The Company's current system of internal control mainly comprises the monitoring of the services provided by Epiris, including the operating controls established by them to ensure they meet the Company's business objectives. A reorganisation of the Board to ensure that it has people with sufficient calibre and expertise to fulfil its future oversight and strategic responsibilities was completed on 18 November 2016. Further information is included in the Corporate Governance Statement on pages 138 to 145.

Gearing Risks

Gearing is used across the Company's investment portfolio. One of the principal risks of gearing is that it can cause both gains and losses in the asset value of portfolio investments to be magnified. Another significant risk associated with gearing is the potentially severe impact on portfolio investments of any breaches of their banking covenants. Secondary risks relate to whether the cost of gearing is too high and whether the contracted terms of the gearing, including those relating to the terms of borrowings is appropriate.

Epiris 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.

Cash Drag Risk

Returns to the Company through holding cash deposits are currently low. As investments are realised and proceeds retained as cash deposits there is increasing risk to future achievement of the targeted rate of return on equity of between 10% and 15% per year. The risk of this cash drag in future periods escalates as the proportion of cash deposits increases in comparison to the size of the Company's private equity investments portfolio. The Company intends to manage this risk through the return of capital to shareholders should it be necessary or optimal, in line with the existing Investment Policy.

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 presently 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.
- 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 Epiris. 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 Board reviews the performance of the Manager and future executive team.
- A thorough review of the Company's investment strategy and policy and its structure with the objective of maximising long-term shareholder value is underway.

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.

As an investment trust, with limited internal resource the Company has little 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, Epiris' investment process ensures that social, environmental and ethical issues are taken into account.

Electra recognises and supports the view that social, environmental and ethical best practice should be encouraged.

Board Diversity

There are currently six male Directors and one female Director on the Board. Upon Dr John McAdam joining the Board on 1 January 2017 there will be seven male Directors and one female Director on the Board.

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.

Performance and Prospects

Performance

A number of Key Performance Indicators ("KPIs") are considered by the Board and Epiris 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 2016 the Company's annualised diluted NAV per share return was 14%.

The NAV per ordinary share total return

The Company's net asset value per share total return was 35% over the twelve months and 255% over the ten years to 30 September 2016. These compared with 28% and 35% respectively by the Morningstar Private Equity Index.

The share price total return

The Company's share price total return was 36% over the twelve months and 237% over the ten years to 30 September 2016. These compared with 34% and 15% respectively by the Morningstar Private Equity Index, 17% and 76% respectively by the FTSE All-Share Index and 10% and 136% respectively by the FTSE 250 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 6, 26 to 41, and 65 to 67 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 6, 26 to 42, and 65 to 67 respectively.

Neil Johnson
Chairman
8 December 2016

Audiotonix
Audio mixing console manufacturer

Photograph taken at the 2012 London Olympics

The Manager's Report

About Epiris

On 5 December 2016 Electra Partners changed its name to Epiris.

Epiris is an independent private equity fund manager with over 25 years' experience.

During this time, the Epiris team has invested in excess of £4.7 billion in more than 200 deals. This track record of investing through numerous economic cycles gives Epiris both broad and deep experience across sectors, geographies and business models.

At 30 September 2016 Epiris had funds under management of £2.2 billion. Electra accounts for more than 95% of Epiris' funds under management; the balance is managed on behalf of US and European pension funds, asset managers and family offices.

Key Stats

Funds under management	£2.2bn
Invested in last 25 years	£4.7bn
Capital available for new investment	£450m
Team size in total	38
Investment team	13
Average senior management team experience	22 years

Superior Performance

Over the last ten years Electra, which is managed on an exclusive and fully discretionary basis by Epiris, has seen a NAV per share total return of 255%. This is more than seven times the NAV per share return of the Morningstar Private Equity Index and is equivalent to a ten-year annualised return of 14%, at the upper end of Electra's target range of 10-15% over the long-term.

The Epiris team has delivered investment performance in the top decile since 2009 when compared with other private equity funds investing in Europe using data supplied by Preqin, a leading source of data and intelligence for the alternative assets industry.

	2006 fund	2009 fund	2012 fund
	Top 30%	**Top decile**	**Top decile**
Amount invested:	**£436m**	**£359m**	**£785m**
Distributions to Paid-In capital ("DPI"):	**1.6x**	**1.0x**	**1.0x**
Total Value to Paid-In capital ("TVPI"):	**1.6x**	**2.0x**	**1.8x**
Net IRR:	**11.1%**	**25.3%**	**31.8%**
Preqin 75th percentile net IRR:	**11.1%**	**16.0%**	**19.4%**

In the performance analysis above, Electra's investments since the current investment strategy was adopted in 2006 are grouped into discrete funds. Each fund includes the new Buyouts and Co-investments, Secondaries and Debt investments made over a given three-year period and thus is comparable to the private equity funds whose data is provided by Preqin. This approach also mirrors the treatment of Electra's investments for the purposes of the carried interest schemes which are described on pages 96 to 99.

Note:
DPI, TVPI and IRR are standardised measures widely used in private equity to calculate and present investment performance. All three measures are described in greater detail in the Glossary on pages 161 to 164.

The Electra Difference – Flexible Capital

Electra's investment strategy and structure is different from that of almost every other private equity fund.

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

More specifically, Epiris' strategy is to focus on three areas of private equity investment:

1. **Buyouts and Co-investments:** direct investment in high-quality companies where there is an opportunity to buy well and then transform the business through strategic focus, operational improvement and M&A. As lead investor, Epiris typically targets investments of £40 million to £150 million in UK-centric companies with an enterprise value of up to £300 million. Epiris 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:** loans to UK or international borrowers acquired in either the primary or the secondary market as either individual or portfolios of assets. The Debt portfolio comprises: performing credits, held either directly or through a structured finance vehicle such as a collateralised loan obligation ("CLO"), where Epiris has been able to secure attractive risk-adjusted returns and where a cash yield supports Electra's distribution policy and liquidity needs; and stretched credits, which refers to debt in good businesses with bad balance sheets where Epiris can take a role in the restructuring of the capital structure.

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

Epiris' Investment Approach

Buying Well

When making a new investment Epiris aims to find value by focusing on:

- **Complexity:** business or transaction complexity which can cause attractive businesses to be undervalued; and
- **Buy-and-build:** growing platform businesses through bolt-on acquisitions which create value through greater scale, improved market positions and growth opportunities, as well as cost and revenue synergies.

Business Transformation

Epiris identifies and takes opportunities to transform the businesses in which it invests.

This means that before making a new investment, Epiris 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 works closely 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 Epiris contributes to the development of each portfolio company, and therefore to Electra's investment, in a range of areas including:

- **M&A:** identifying, originating and executing bolt-on acquisitions and mergers to transform portfolio companies' scale, prospects and economics; and managing the exit of each investment to maximise returns;
- **Management:** building exceptional management teams; appointing non-executive Chairmen with complementary skills; changing and reinforcing executive management as required; aligning management's interests with Electra's through economic incentives;
- **Strategy:** increased strategic focus and clarity; business plan development begins prior to acquisition and is refreshed periodically through the life of the investment;
- **Operational Improvements;** using its own analysis and specialist external support to identify opportunities to improve the company's cost and balance sheet efficiency and to invest for future growth; 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.

Creating Returns

Epiris' investment approach enables it to create returns by exploiting three principal value drivers:

- **Profits growth:** through organic growth, operational improvement and acquisition;
- **Cash flow:** allowing businesses either to invest in future growth or to deleverage; and
- **Multiple expansion:** reflecting buying well, strategic repositioning and selling well.

Epiris Investment Model

Epiris' investment team is managed by Managing Partner Alex Fortescue and Chief Investment Partner Bill Priestley and reports to the Investment Committee. Epiris operates a rigorous and disciplined investment model, as described below:

Investment Process: pre-investment: monthly origination meetings; 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.

Risk Management: pre- and post-investment: for new investments and the investment portfolio, the Investment Committee identifies, evaluates, monitors and manages risks including those relating to macroeconomic conditions, portfolio diversification, currency, liquidity and gearing, environmental, social and governance matters.

Origination – creating deal flow:

Systematic and repeatable processes using primary research and extensive networks of intermediaries, asset owners, industry experts and others to generate deal flow and unlock opportunities; prioritising deal flow depending on the fit with Epiris' investment strategy; developing investment theses and strategies as well as relationships with target company management teams and vendors.

- 184 investment opportunities considered during the year to 30 September 2016
- 86% 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.

- 2 Buyout and Co-investment, 1 Secondary and 6 Debt investments completed in the year to 30 September 2016
- Over £1 billion of new portfolio company debt raised in the year

Portfolio Management – business transformation:

Building exceptional management teams 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 to drive strategic repositioning; and dealing with problems and opportunities.

- 10 portfolio company M&A transactions completed in the year to 30 September 2016
- 18% year-on-year profits growth in Buyouts and Co-investments portfolio*

Exit – realising the investment:

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

- £903 million of capital realised in the year to 30 September 2016
- Including c.£260 million of cash returned from repayment of loans in the year

* Growth in Electra's "share" of historical portfolio company earnings in respect of all investments over £5 million with the exception of CALA Group, Retirement Bridge Group and PINE which are valued on a net assets basis.

Hollywood Bowl Group
Ten-pin bowling centre operator

Photograph taken at the Hollywood Bowl centre in Basildon.

Investment Team

Epiris' senior management team is one of the most experienced teams in the industry and has on average 22 years' experience in private equity. The investment team has an average of 18 years' experience in private equity and is supported by a team of specialists in compliance, finance, investor relations and marketing.

Alex Fortescue
Managing Partner
Years' private equity experience: 23

Bill Priestley
Chief Investment Partner
Years' private equity experience: 19

Alex Cooper-Evans
Partner
Years' private equity experience: 23

Charles Elkington
Partner
Years' private equity experience: 23

Chris Hanna
Partner
Years' private equity experience: 18

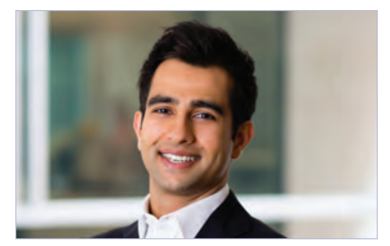
Steve Ozin
Partner
Years' private equity experience: 26

Sarah Williams
Investment Director
Years' private equity experience: 15

Owen Wilson
Investment Director
Years' private equity experience: 19

Ian Wood
Investment Director
Years' private equity experience: 15

Nicola Gray
Investment Manager
Years' private equity experience: 8



Arvind Tewari
Investment Manager
Years' private equity experience: 7

Daniel Frazer
Investment Associate
Years' private equity experience: 3

David Symondson
Chairman of the Investment Committee
Years' private equity experience: 33

For more information about Epiris please visit www.epiris.co.uk.

Investment Highlights

"This has been another busy and successful year during which we have been involved in M&A transactions with a combined value of £3.2 billion. The total investment return of £751 million is the largest absolute return in Electra's history and represents a 46% increase on the opening portfolio.

"Investment performance has been driven by the success of our approach of buying attractive businesses well and then transforming them through M&A as well as strategic and operational focus and change. Strong exits such as Elian and Hollywood Bowl have delivered a record £903 million of realisations over the course of the year.

"Clearly it has been a year of significant change and distraction at the corporate level. We are pleased to have continued to deliver on our strategy and to drive exceptional performance for Electra."

Overview

On 5 December 2016 Electra Partners announced that it had changed its name to Epiris.

This has been another busy and successful year of investment activity for Epiris and therefore for Electra. We have continued to drive not only performance but also business transformation across the Buyouts and Co-Investments portfolio. Together with a record level of realisations, this has resulted in a total investment return of £751 million, the largest absolute return in Electra's history and representing an increase of 46% on the opening portfolio. This unprecedented level of investment performance is the result of three principal factors.

First is the continued successful implementation of our Buyouts & Co-investments strategy, which has resulted in a return of £687 million or 48% on the opening value. At its core this strategy involves achieving value on entry by focusing on complex situations where we can buy well. The businesses we buy have scope for transformation through add-on acquisitions and operational improvement. M&A has been a significant source of value creation for Electra: over half of the return on this part of the portfolio has been generated by Parkdean Resorts, Hollywood Bowl and Elian, all of which completed transformational M&A transactions, initiated and led by the Epiris team, during the year.

Second is our delivery of several strong exits during the year. Almost 40% of the return on the Buyouts & Co-investments portfolio was either realised from transactions such as the sale of Elian, the IPO of Hollywood Bowl or the partial realisation of Electra's investment in Allflex; or reflects transactions which completed after the year-end, namely the sale of AXIO's Vidal and the IPO of Premier Asset Management. Overall, realisations reached £903 million, a record level for Electra which has taken the average uplift on exit over the last five years to 58%.

Finally, many of the companies in which Electra has invested derive a substantial part of their earnings from overseas operations. The value of these earnings in Sterling has increased following the weakening of Sterling against other major currencies since mid-June 2016. We estimate that this factor accounts for approximately £71 million, or 10%, of the total return on the Buyouts & Co-investments portfolio.

We have invested £206 million in the Core Investment Portfolio. We have deployed capital in growth assets, such as Photobox, as well as in lower-risk, cash-yielding assets, such as Retirement Bridge Group and two CLO equity investments, whose returns profile supports Electra's distribution policy and liquidity needs. Further new investment activity has been curtailed by the notice of termination of our management agreement by Electra in May 2016.

Performance for the Year

Over the year, Electra's share price total return was 36% compared to a total return of 17% for the FTSE All-Share Index, 10% for the FTSE 250 Index and 34% for the Morningstar Private Equity Index over the same period.

Electra's net asset value ("NAV") per share has grown very strongly, delivering a total return of 35% in the 12 months, to 5,149p, compared to a 28% NAV per share total return for the Morningstar Private Equity Index.

The investment portfolio has continued to develop at an impressive rate, delivering a total return in the year of £751 million or 46% on the opening portfolio. Further information regarding the effect of this strong investment performance on Electra's NAV is included in the Financial Review on pages 65 to 67.

Long-Term Performance

Over the last ten years, Electra's NAV per share total return has been 255%. This is more than 7x the NAV per share total return achieved over the same period by the Morningstar Private Equity Index of 35%.

Over the same period, Electra's share price total return was 237%. This corresponds favourably to the total return over the same period of the FTSE All-Share (76%), the FTSE 250 Index (136%) and the Morningstar Private Equity Index (15%).

Risk-Adjusted Returns

Electra's "alpha" compared to the FTSE All-Share over the past ten years is 10%. This means that Electra's shares have outperformed the broader UK equity market by 10% per annum on a risk-adjusted basis. In our view this reflects a number of factors: our discipline and patience in investment decision-making; our typically using less leverage than is generally seen in private equity transactions and, in cases such as Park Resorts or AXIO, no leverage at all; and our deliberate construction of a portfolio designed to deliver Electra's long-term performance target.

Electra's portfolio continues to perform well. The strategies we are implementing in partnership with management teams are successfully driving growth and cash flow

Investment Activity

New investments in the year totalled £218 million. The Buyouts and Co-investments portfolio accounted for £137 million, including new investments in Photobox Group and Retirement Bridge Group, and follow-on investments in the Davies Group. In addition £62 million was invested in six new Debt holdings, which included two CLO equity investments.

Realisations totalled £903 million for the year, more than three times the previous year (£259 million) and a record for a 12-month period. The largest realisations were £199 million from the sale of Elian; £153 million from the IPO of Hollywood Bowl Group; £110 million from AXIO following the sale of MIMS; £95 million from the Park Resorts Group following its merger with Parkdean Holidays to create Parkdean Resorts; and £82 million from the sale of Electra's interest in Zensar Technologies.

Two further realisations have been announced since the year end: the partial realisation of Premier Asset Management, which following its IPO in October returned £36 million; and the sale of Vidal from the AXIO portfolio in November, with proceeds of £55 million.

Outlook

Electra's portfolio continues to perform well. The strategies we are implementing in partnership with management teams are successfully driving growth and cash flow, and repositioning each business to make it of significant interest to strategic buyers and financial investors alike. The portfolio's maturity means that we increasingly expect to be able to turn the performance resulting from these strategies into cash returns.

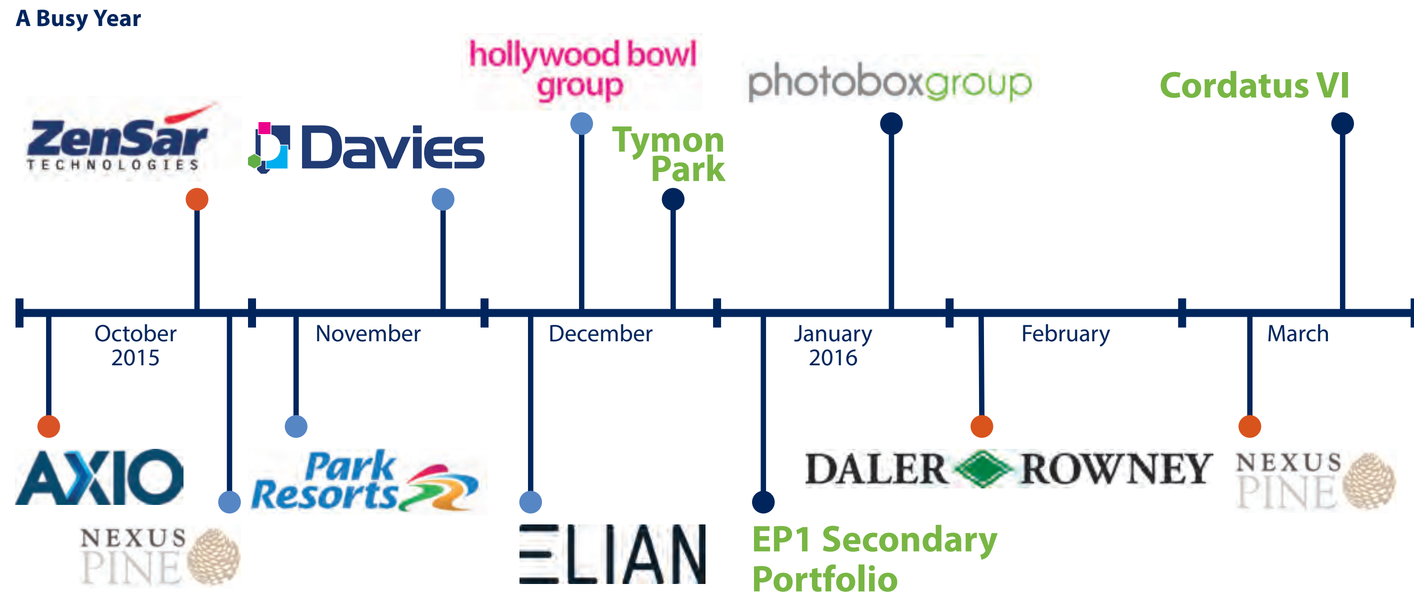
We are committed to a successful and seamless handover of responsibilities to the to-be-recruited new team at Electra immediately following the expiry of the notice period in respect of our management agreement on 31 May 2017. We are in discussion with Electra regarding an appropriate Transitional Services Agreement to provide any short-term support after this time should it be required. In the meantime we will continue to manage the portfolio to optimise returns for Electra and its shareholders.

Portfolio Highlights

Portfolio Breakdown

Total investment portfolio	£1,696m
New investment	£218m
Realisations	£903m
Portfolio investment performance in the year	46%

A Busy Year

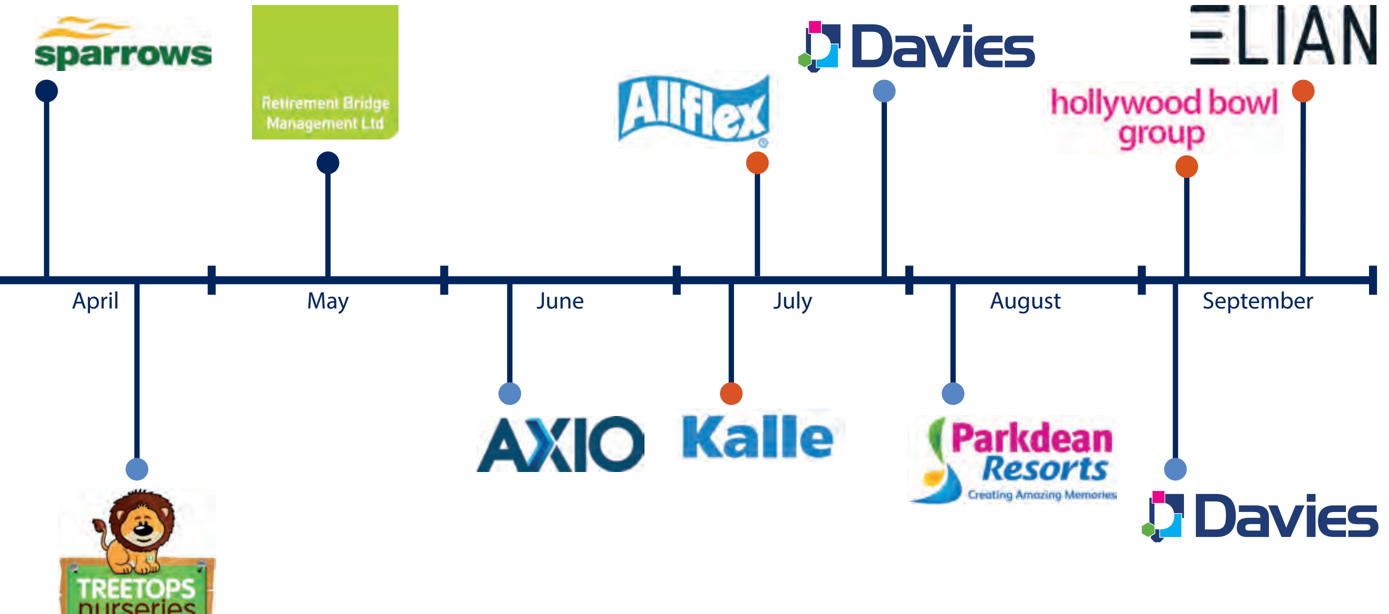


Buyouts and Co-investments Portfolio

Electra's Buyouts and Co-investments portfolio includes direct equity investments in 16 private companies with a value of more than £5 million; of these, three are valued on a net assets basis while the remaining thirteen have together:

LTM revenues	£2.2bn
LTM EBITDA	£0.5bn
EBITDA margin	22%
LTM EBITDA growth	14%
EV to EBITDA multiple	9.7x
Net debt to EBITDA ratio	2.5x
UK employees	c.19,100

Note:
LTM revenues, LTM EBITDA and UK employees are totals with no adjustment made to reflect Electra's ownership interest. EBITDA margin reflects LTM EBITDA as a percentage of LTM revenues. LTM EBITDA growth reflects the growth in Electra's "share" of historical portfolio company earnings. EV to EBITDA multiple and net debt to EBITDA ratio are simple averages.



Portfolio Overview

At 30 September 2016, Electra's investment portfolio was valued at £1,696 million. The investment portfolio consists of Buyouts and Co-investments, Secondaries, Debt investments, listed securities and funds. The top 10 and 20 investments account for 74% and 94% respectively of the investment portfolio.

Portfolio Breakdown

Investment Portfolio	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Buyouts & Co-investments	**1,461**	1,418	1,052	620	600
Secondaries	**82**	92	105	126	34
Debt	**51**	17	7	97	80
Core Investment Portfolio	**1,594**	1,527	1,164	843	714
Non-core Investment Portfolio	**102**	103	108	125	154
Investment portfolio	**1,696**	1,630	1,272	968	868

During the last year the classification of investments has been changed to reflect more closely the investment strategy. Investments previously described as "Direct Unlisted" are now shown as either "Buyouts and Co-investments" or "Debt" investments; together with "Secondaries" these form the Core Investment Portfolio, while "Funds" and "Listed" investments have been amalgamated into a new category labelled "Non-core". This classification of investments is in line with that used in the Half Year Report.

Buyouts and Co-investments

Buyouts and Co-investments form the major part of Electra's portfolio and consist of direct equity investments in 22 private companies with an aggregate value of £1,461 million. The 10 largest investments account for 84% of the Buyouts and Co-investments portfolio at 30 September 2016.

Secondaries

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 Buyouts and Co-investments. At 30 September 2016, Electra held investments in six secondary portfolios with an aggregate value of £82 million.

Debt

Debt investments consist of loans to UK or international borrowers acquired in either the primary or the secondary market as either individual or portfolios of assets. The Debt portfolio comprises both performing credits, held either directly or through a structured finance vehicle such as a collateralised loan obligation ("CLO"), where Epiris has been able to secure attractive risk-adjusted returns and where a cash yield supports Electra's distribution policy and liquidity needs; and stretched credits, which refers to debt in good businesses with bad balance sheets where Epiris can take a role in the restructuring of the capital structure. At 30 September 2016 Electra held five Debt investments with an aggregate value of £51 million.

Core Investment Portfolio

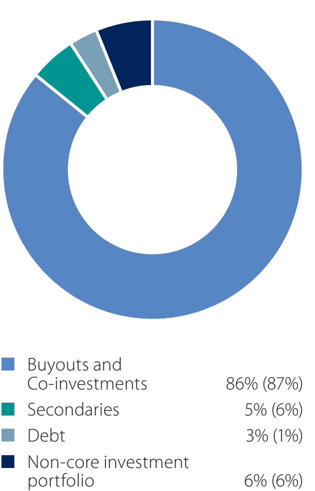
The Core Investment Portfolio includes investments where Epiris has an active role in originating, evaluating, negotiating and/or managing the investment. The core investment portfolio accounts for 94% of the investment portfolio at 30 September 2016 compared to 94% at 30 September 2015.

Non-core Investment Portfolio

The Non-core Investment Portfolio consists of listed and fund investments (with the exception of Hollywood Bowl Group and Zensar Technologies, which as core investments are included within Buyouts and Co-investments above). At 30 September 2016, Electra held five listed investments with an aggregate value of £10 million. 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 and no new primary commitments have been made since 2011.
At 30 September 2016, Electra held investments in 11 funds with an aggregate value of £92 million.

Investment Portfolio Breakdown

At 30 September 2016 (30 September 2015)



Buyouts and Co-investments	86% (87%)
Secondaries	5% (6%)
Debt	3% (1%)
Non-core investment portfolio	6% (6%)

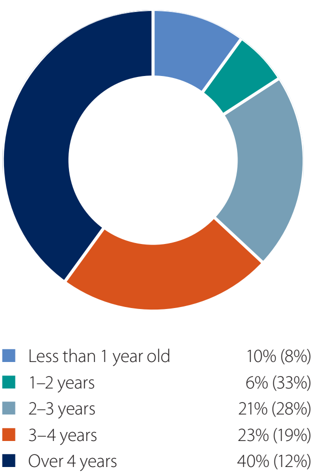
Investment Portfolio – Sector Breakdown

At 30 September 2016 (30 September 2015)

Food & beverage	0% (1%)
Financial & insurance	5% (2%)
House, leisure and personal goods	11% (14%)
Industrial general and transportation	10% (7%)
Media	13% (12%)
Real estate	3% (4%)
Private equity funds	5% (6%)
Secondaries	5% (6%)
Support services	7% (18%)
Technology, hardware and equipment	8% (6%)
Travel and leisure	30% (24%)
Other	3% (0%)

Buyouts and Co-investments – Age Analysis

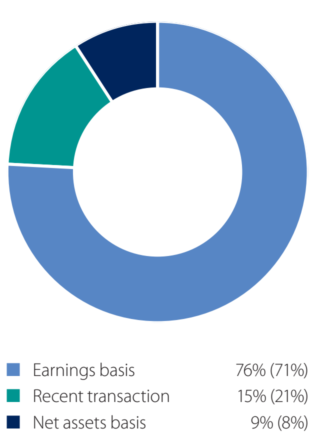
At 30 September 2016 (30 September 2015)



Less than 1 year old	10% (8%)
1–2 years	6% (33%)
2–3 years	21% (28%)
3–4 years	23% (19%)
Over 4 years	40% (12%)

Buyouts and Co-investments – Valuation Basis

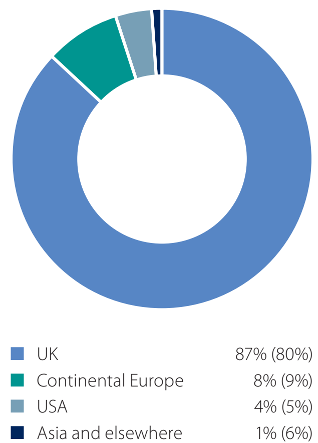
At 30 September 2016 (30 September 2015)



Earnings basis	76% (71%)
Recent transaction	15% (21%)
Net assets basis	9% (8%)

Buyouts and Co-investments – Geographic Breakdown

At 30 September 2016 (30 September 2015)



UK	87% (80%)
Continental Europe	8% (9%)
USA	4% (5%)
Asia and elsewhere	1% (6%)

Portfolio Review

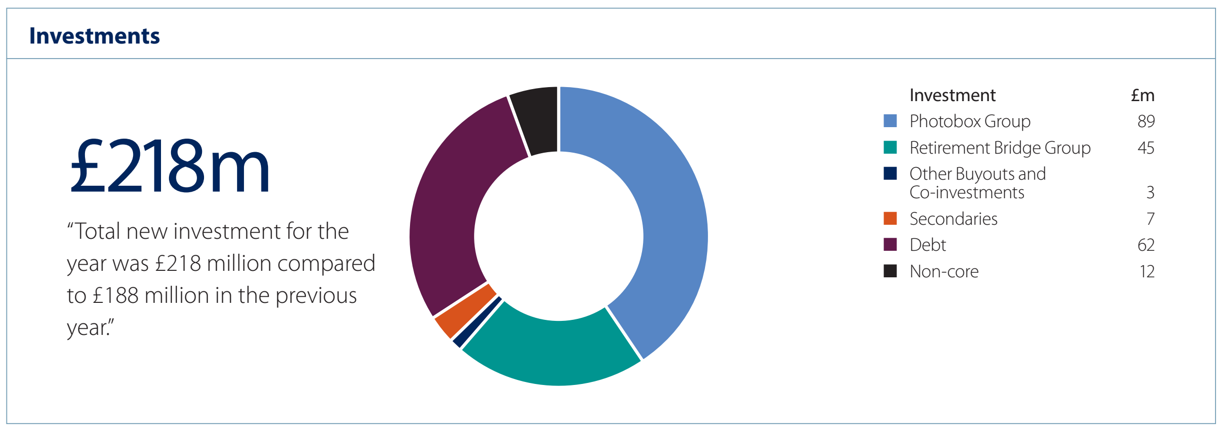
Portfolio Movement

Electra's investment portfolio increased from £1,630 million to £1,696 million during the twelve months to 30 September 2016. The increase of £66 million resulted from the acquisition of £218 million of new investments together with the portfolio return of £751 million, offset by realisations of £903 million.

Year ended 30 September	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Opening investment portfolio	**1,630**	1,272	968	868	883
Investments	**218**	188	410	337	150
Realisations	**(903)**	(259)	(352)	(459)	(301)
Investment return	**751**	429	246	222	136
Closing investment portfolio	**1,696**	1,630	1,272	968	868
Total return on opening portfolio	**46%**	34%	25%	26%	15%

New Investments

Total new investment for the year was £218 million compared to £188 million in the previous year.



The most significant individual new investments were in respect of Photobox Group, Retirement Bridge Group and the Debt portfolio.

Buyouts and Co-investments

Photobox Group is Europe's leading digital consumer service for personalised products and gifts. Photobox's services allow consumers to turn their digital photographs into a range of products, from traditional prints and greetings cards to photobooks, calendars and canvases. Photobox is the market leader in Europe and is uniquely placed, due to its scale, to capture further growth as the overall trend for personalised gifts continues. Our strategy is to accelerate growth through improving the rate and economics of customer acquisition as well as product innovation, and to ensure that growth is delivered effectively and efficiently. Electra invested £89 million alongside another private equity firm in the acquisition of Photobox, which was concluded at an attractive valuation in January.

In May, Electra invested £45 million alongside another private equity firm in the acquisition of Retirement Bridge Group, an originator, consolidator and servicer of home reversion equity release plans with a portfolio of more than 3,500 properties across the UK. The investment offers an attractive risk-adjusted return benefiting from a cash yield and downside protection from the high level of asset backing. The intention is to optimise the return from the existing portfolio and to explore opportunities for organic and acquisition-led growth.

Secondaries

The EP1 Secondary Portfolio ("EP1") acquired two further secondary fund positions. In common with its previous acquisitions, these funds were purchased at a discount to net asset value, comprise mature underlying assets and are cash-generative. Electra supported the acquisitions with a follow-on investment of £7 million, taking its total investment in EP1 to £93 million. Commitments outstanding to secondaries were £34 million compared to £31 million at 30 September 2015.

Debt

Electra has invested £32 million in the equity of two collateralised loan obligation funds ("CLOs"), namely Tymon Park and Cordatus VI. CLO equity offers strong risk-adjusted returns from a diversified portfolio of senior debt issued by predominantly private equity-backed issuers; much of the return is delivered as cash yield.

In December, Electra provided a £10 million mezzanine loan to support the acquisition of Bowlplex by Hollywood Bowl, formerly known as The Original Bowling Company. Later in the same month Electra invested a further £11 million to acquire an interest in Hollywood Bowl's senior debt at a discount to par. Upon the IPO of the business in September, both of these holdings were repaid with interest.

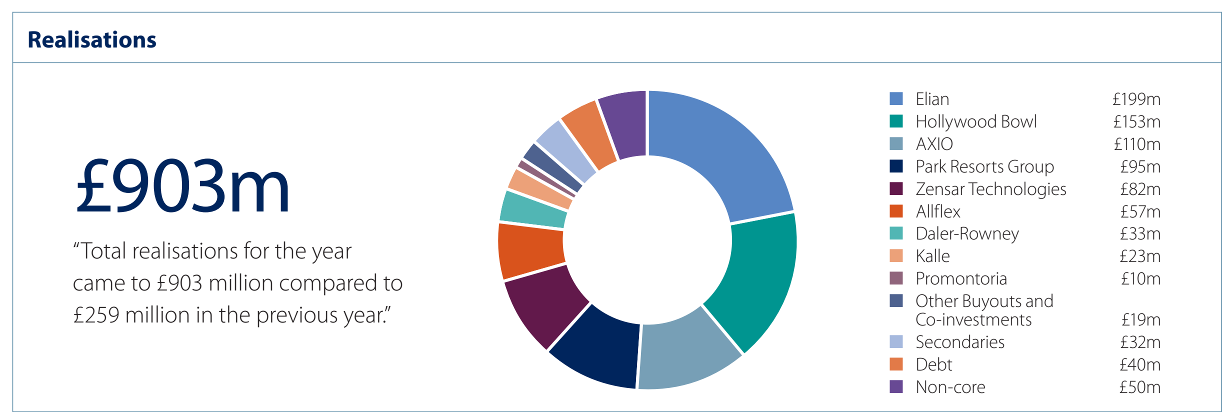
In April, Electra invested £9 million to acquire a portion of the senior debt in Sparrows, a global provider of engineering products and services to the energy industry. Sparrows is a market-leading business providing an essential service in offshore oil and gas operations. Electra's investment has been concluded at an attractive valuation and benefits from a cash yield.

Non-core Investment Portfolio

A further £12 million was drawn down by private equity funds in which Electra is a limited partner. Commitments outstanding to private equity funds were £14 million compared to £21 million at 30 September 2015.

Realisations

Total realisations for the year came to £903 million compared to £259 million in the previous year.



The most significant realisations during the year were in respect of Elian, Hollywood Bowl, AXIO, Park Resorts Group, Zensar Technologies, Allflex, Daler-Rowney and Kalle.

Buyouts and Co-investments

The largest realisation during the year was in respect of Elian. Electra received proceeds of £199 million from the £435 million sale of the company to Intertrust Group in September. Epiris led the £180 million buyout of Elian in 2014 and worked closely with the management team to reposition the business through revenue diversification, operational excellence and transformational M&A. This strategy was successfully implemented, including through the acquisitions of Allied Trust and SFM in 2015. Revenues and profits increased by 40% and 60% respectively over the two years of Electra's investment, while the value of the business more than doubled. Including income and proceeds from a previous repayment, Electra realised a return of 2.6x original cost, an IRR of 54%.

Hollywood Bowl announced a successful IPO valuing the company at £266 million in September. Epiris led the £91 million buyout of Hollywood Bowl in 2014 and worked closely with the management team to accelerate earnings growth through increased investment and operational focus; and to reposition the business through M&A. This strategy was successfully implemented, with strong organic growth and the acquisition of Bowlplex in December 2015. Revenues and profits increased by 35% and 80% respectively over the two years of Electra's investment, while the value of the business almost trebled. Upon admission, Electra received cash proceeds of £153 million giving a total return on its equity investment, including the value of its 18% retained interest in the company, of 3.9x original cost, an IRR of 101%.

In October 2015, AXIO completed the sale of its Asian healthcare business, MIMS, for $250 million. This was the third major realisation from its portfolio following the sale of JOC Group and Breakbulk in 2014. In the same month AXIO refinanced its aviation business, OAG. Electra received proceeds from these two transactions and from cash flow amounting to £110 million during the year, taking total cash proceeds from its investments in AXIO (excluding proceeds subsequently received from the sale of Vidal) to £193 million or 2.1x original cost.

Electra received £95 million of loan repayments following completion of the merger of the Park Resorts Group and Parkdean Holidays in November 2015. Total proceeds received by Electra from this investment are now £110 million or 0.8x of original cost.

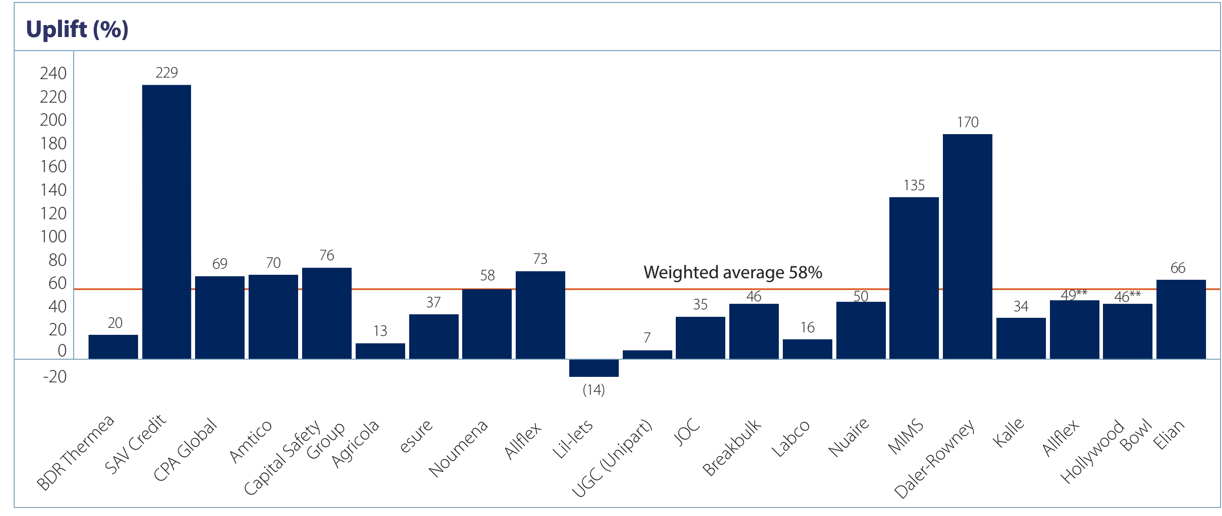
The investment in Zensar Technologies was sold in October 2015 for a consideration of £82 million. Epiris supported the company as it grew and then sought an exit once the market's valuation of the shares reflected the company's scale and growth. Over the five years prior to exit, profits growth and rerating resulted in the value of Electra's investment more than trebling. The investment generated a return of 19x on original cost over the 18 years of the investment, an IRR of 18%.

In July, Electra announced that it had partially realised its holding in Allflex, the global leader in animal intelligence and monitoring technologies for livestock, pets, fish and other species. Electra received total proceeds of £57 million, equivalent to a return of 0.8x cost, from the redemption of preferred equity and from the sale of approximately 28% of its 15% equity interest. Electra originally invested in Allflex in 1998, eventually selling the business in 2013, generating a return of 15x original cost and an IRR of 28%. Following the sale, Electra made a new equity investment for a minority stake in the current business alongside BC Partners. The total return on the current investment now stands at 1.9x original cost, a 24% IRR.

In February 2016, Electra sold its interest in fine art materials supplier Daler-Rowney. Following a period of underperformance in 2014, Epiris strengthened the management team and initiated a performance improvement programme. These actions cemented the company's attractive positions in niche markets, improved its operational and financial performance, and created good growth prospects for the years to come; as a result the business was well positioned for an exit to a strategic buyer. Electra received proceeds of £33 million from the sale, equivalent to a return of 1.7x original cost, a 12% IRR.

Electra's investment in Kalle, the global manufacturer of artificial sausage casings and sponge cloths, was realised in April 2016, with Electra receiving cash proceeds of £23 million. Including the proceeds received from a previous refinancing in 2013, Electra realised a return of 3.2x original cost, an IRR of 22%.

In respect of Buyouts and Co-investments, over the past five years Electra has achieved an average uplift over the prior valuation* on realisation of 58%:



* Except where the prior valuation at the time reflected the impending realisation, in which case the "prior, prior" valuation has been used.

** Partial realisation, only takes into account the cash proceeds received.

Other realisation proceeds from the Buyouts and Co-investments portfolio include £10 million from Promontoria, which continues to realise its portfolio of retail properties; and £4 million from the redemption of preference shares by Premier Asset Management.

The performance arose principally from the Buyouts and Co-investments portfolio which generated a total return of £687 million, representing an increase of 48% on the opening portfolio

Secondaries

The Secondaries portfolio produced realisations of £32 million in the year.

The largest component was the EP1 Secondary Portfolio, from which Electra received distributions totalling £18 million. This takes total distributions from the EP1 Secondary Portfolio to £87 million, or more than 0.9x cost, and the total return on the investment to 1.6x cost.

AC Infraestructuras distributed £6 million to Electra following the sale of its largest asset, Metro Ligero Oeste. This took total proceeds since the investment was made in December 2014 to 1.2x cost and the total return to 2.1x cost.

Debt

In March PINE entered into a new £41 million borrowing facility which allowed the repayment of £13 million of debt held by Electra and £7 million of capital included in the Buyouts and Co-investments portfolio.

As a result of the IPO of Hollywood Bowl in September, Electra received £23 million, inclusive of interest, from the repayment of its debt investments in the business.

Non-core Investment Portfolio

Electra received £35 million from private equity funds in which it held a limited partnership interest and £15 million from the sale of listed investments.

Performance

During the year to 30 September 2016 Electra's investment portfolio generated a total return of £751 million, an increase of 46% on the opening portfolio of £1,630 million.

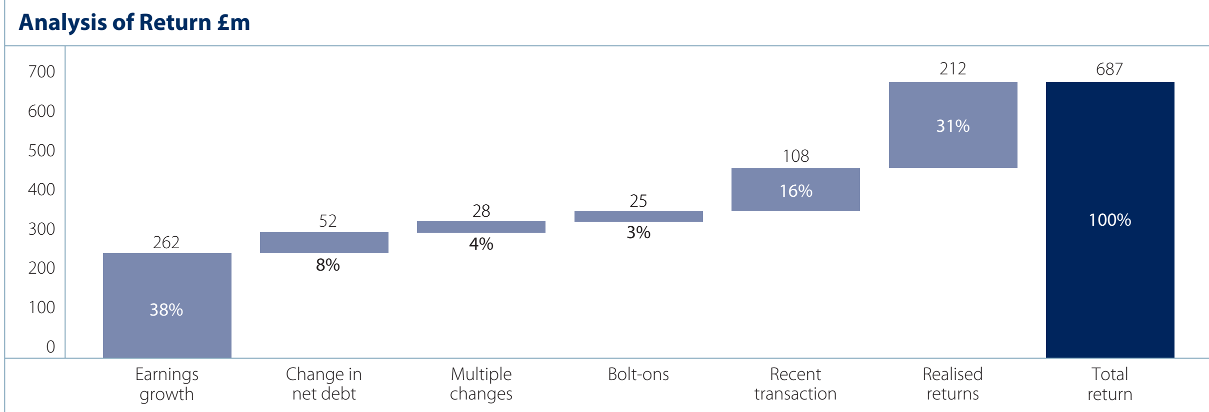
Year ended 30 September	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Buyouts and Co-investments	687	397	230	172	136
Secondaries	15	15	12	33	8
Debt	12	2	(2)	21	3
Non-core	37	15	6	(4)	(11)
Total return	751	429	246	222	136

The performance arose principally from the Buyouts and Co-investments portfolio which generated a total return of £687 million, representing an increase of 48% on the opening portfolio; the Secondaries portfolio contributed £15 million to the total return, an increase of 17%; and the Debt portfolio provided £12 million, an increase of 66%. The non-core investment portfolio contributed £37 million, or 35% on the opening portfolio.

Buyouts and Co-investments

In the year to 30 September 2016 the total return of £687 million from the Buyouts and Co-investments portfolio included £212 million of realised gains with the balance being unrealised. Unrealised appreciation included £108 million of valuation growth resulting from: the revaluation of retained interests in investments where Electra has achieved a partial realisation; and investments where Electra agreed a transaction that had not completed at the year-end. A further £262 million resulted from organic growth in maintainable earnings, £52 million in respect of debt reduction by portfolio companies and £28 million as a result of changes in multiples used for valuation. The contribution of bolt-on acquisitions made in the year to unrealised valuation growth was £25 million.

Analysis of Return £m



In determining the Fair Value of each of investment at the reporting date, Epiris applies an appropriate and reasonable multiple to the maintainable earnings, or in the case of property companies to the net assets, of individual investee companies in order to derive their enterprise value.

Typically Epiris derives the multiple using a market approach which references observable market inputs, generally the market valuations of quoted comparable companies and the price at which unquoted comparable companies have changed ownership. Differences between these comparable companies and the investee company being valued are reflected by adjusting the multiple, generally by applying a discount, for points of difference such as relative size, growth, profitability or return on capital.

The unrealised gain from multiple changes of £28 million in the year under review may be disaggregated into a reduction of £123 million from changes in the market valuations of quoted comparable companies and an increase of £151 million from changes in adjustments for points of difference. The latter, which is tested using a tool known as "calibration" which is explained in more detail in the Principles of Valuation of Investments on page 103, generally reflects progress in implementing Epiris' strategy to improve performance and reposition investee companies. The largest individual movement was in respect of Parkdean Resorts, which at 30 September 2015 was valued on the basis of the merger which completed in November 2015; this investment contributed a reduction of £53 million from changes in the market valuations of quoted comparable companies and an increase of £95 million from changes in adjustments for points of difference.

In respect of maintainable earnings, Epiris usually uses reported earnings for the most recent twelve-month period, adjusted if necessary to represent a reasonable estimate of maintainable earnings. Such adjustments might include exceptional or non-recurring items, the impact of discontinued activities and acquisitions, or forecast material changes in earnings.

The unrealised gain from earnings growth of £262 million in the year under review may be disaggregated into an increase of £207 million from growth in reported earnings for the most recent twelve-month period, and an increase of £55 million from changes in adjustments to reflect maintainable earnings. This latter includes £42 million in relation to adjustments to reflect the increased value of portfolio companies' earnings derived from overseas operations as a result of the weakening of Sterling against other major currencies since mid-June; and £13 million relating to other adjustments to maintainable earnings. The largest individual movement was in respect of Parkdean Resorts, which contributed an increase of £112 million from earnings growth. At 30 September 2015 this investment was valued using the valuation agreed for the mergers of Electra's holiday park assets with Parkdean Holidays to form Parkdean Resorts; this transaction was announced in August 2015 and completed in November 2015. A portion of this £112 million could therefore be considered to result from earnings growth achieved between the date upon which the merger valuation was agreed and 30 September 2015.

Approximately a further £29 million of unrealised gain results from the effect of the weakening of Sterling against other major currencies since mid-June on the valuation of investments denominated in currencies other than Sterling.

The most significant realised returns were generated by Elian, Hollywood Bowl and Allflex, as discussed above. The largest unrealised increases in valuation arose in respect of Parkdean Resorts, AXIO, Audiotonix and Innovia.

The merger of the Park Resorts Group with Parkdean Holidays to create Parkdean Resorts completed in November 2015. Electra initially invested in Park Resorts in 2012, buying the company's senior debt before taking an equity position in a refinancing led by Epiris in 2013. This refinancing allowed Epiris to implement its strategy to improve performance and consolidate the sector, which increased group EBITDA from £32 million in 2012 to £68 million in 2015. The merger combined two complementary portfolios of holiday parks to create a nationwide operator with 2015 EBITDA of over £100 million. Earnings have grown further from this level during 2016 as a result of strong financial performance coupled with the successful execution of the merger integration plan. This has resulted in a £188 million increase in the valuation of Electra's investment during the year. The total return on the investment now stands at 3.7x original cost.

The investment in AXIO has continued to benefit from Epiris' strategy to reposition each component business with strategic clarity, operational improvement, growth investment and M&A. In October 2016, AXIO agreed to sell its European healthcare information business, Vidal, to M3, Inc., subject to certain conditions. Following completion of this sale in November 2016, AXIO has returned to Electra 2.7x original cost in cash. Amongst the three remaining businesses, performance in OAG and RISI continues to be strong while, in June 2016, TechInsights acquired Chipworks to create the market leader in advanced technology intelligence and patent advisory services. In aggregate, these three businesses have more than trebled earnings since the investment was made. The valuation of Electra's investment increased by £130 million during the year as a result of the agreement to sell Vidal, earnings growth, an increase in the valuation multiple and cash flow. The total return on the investment, which was made in 2013, now stands at 4.6x original cost.

Audiotonix's financial performance remains strong. The continued investment in research and development has resulted in successful new product launches along with a growing pipeline of future products. The company sells to over 90 countries and over 50% of its revenues are in US Dollars. The recent devaluation of Sterling has benefited Audiotonix's earnings, which are reported in Sterling. The valuation of Electra's investment has increased by £50 million as a result of earnings growth and cash flow. The total return on the investment now stands at 3.3x original cash cost.

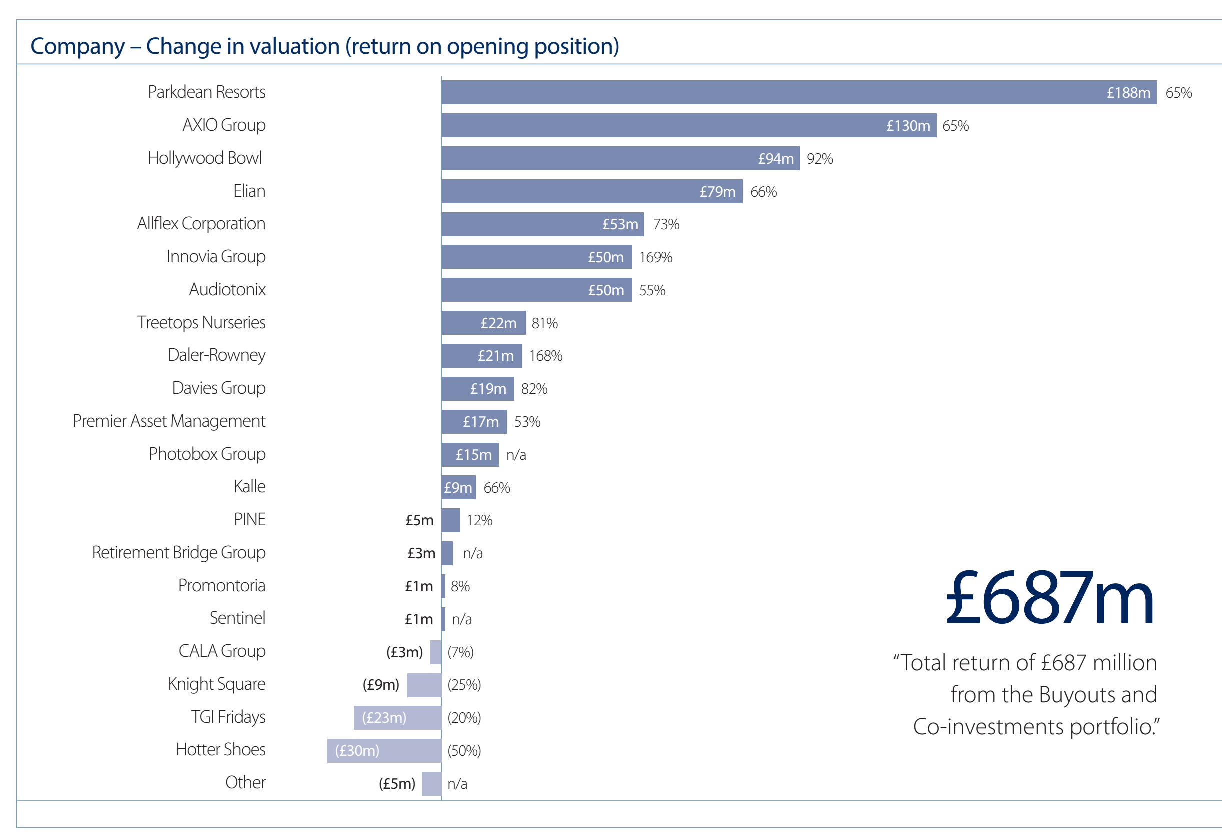
Innovia's earnings have increased substantially over the past year. Product mix, production of substrate for £5 and £10 notes and operational improvements have contributed to earnings growth. In April 2016 Innovia sold its cellophane manufacturing business to Futamura Chemicals Co., Ltd., allowing it to focus on its core product areas of polymer banknote substrate, where it is the global market leader, and BOPP films, where it is building on its "double bubble" technology to develop products for its core and new markets. The valuation of Electra's investment has increased by £50 million during the year as a result of earnings growth and an increase in the valuation multiple. The total return on the investment now stands at 2.5x original cost.

The largest valuation decreases were in respect of Hotter Shoes and TGI Fridays.

The valuation of Electra's investment in Hotter has reduced to £31 million, or 0.4x original cost. The investment in Hotter was written down significantly at 31 March 2016 as a result of earnings declines and a consequent reduction in the valuation multiple in the first half of the year. Following this underperformance, a new management team has been recruited and is implementing an operational improvement plan with a focus on cost reductions and cash and stock management. Earnings have stabilised and Epiris and the management team are focusing on delivering the improvement plan over the short term.

TGI Fridays' earnings are performing in line with the investment case, reflecting a successful store opening programme offset by some weakness in like-for-like performance as a result of UK casual dining market conditions. The valuation of Electra's investment in TGI Fridays reduced by £23 million to 0.9x original cost as a result of a decline in comparable company multiples.

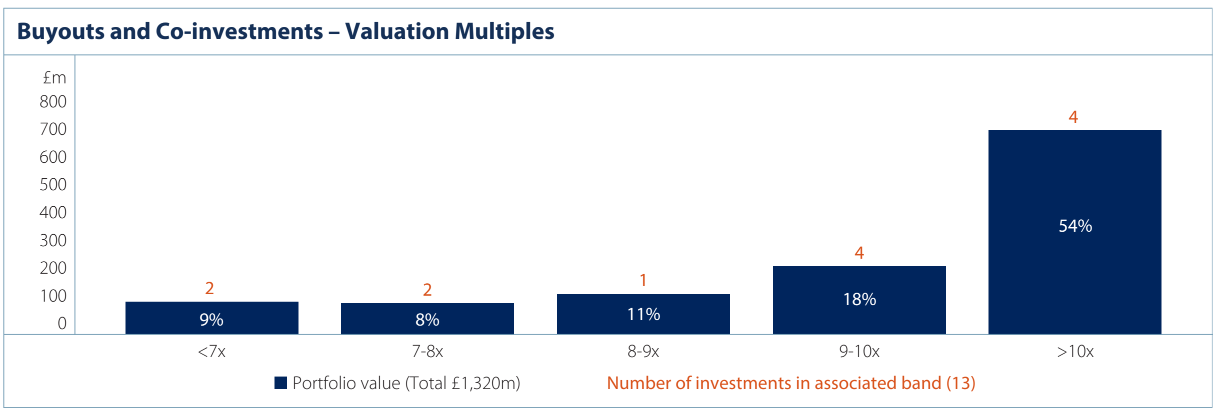
The table below shows the valuation changes in respect of Electra's Buyouts and Co-investments portfolio.



Buyouts and Co-investments – Valuation Multiples

The distribution of Electra's Buyouts and Co-investments portfolio by EV:EBITDA ratio at 30 September 2016 is shown below.

The simple average ratio was 9.7x compared to 8.4x at 30 September 2015.



Note:
All investments over £5 million with the exception of CALA Group, Retirement Bridge Group and PINE which are valued on a net assets basis.

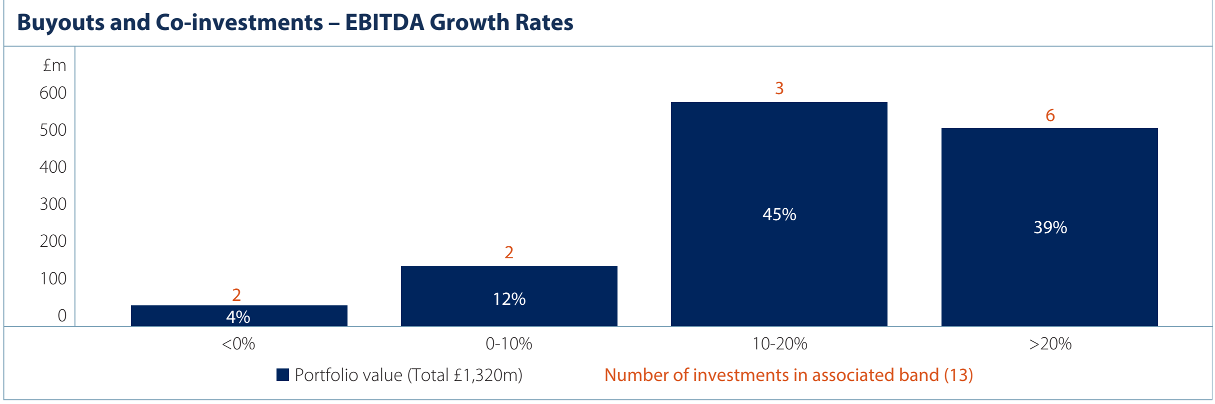
More than 85% of the increase in the simple average was due to those investments where Electra has either achieved a partial exit during the year or sold some or all of its investment following the year end; such investments have been valued at the valuation of the transaction in question.

Buyouts and Co-investments – Profit Growth

The distribution of Electra's Buyouts and Co-investments portfolio by EBITDA growth in the last year compared to the previous year is shown below.

Aggregate portfolio company EBITDA attributable to Electra's interest increased by 14%, of which approximately one percentage point was due to bolt-on acquisitions, compared to 12%, of which approximately 2% was due to bolt-on acquisitions, at 30 September 2015. This analysis calculates portfolio company EBITDA attributable to Electra's interest by multiplying Electra's investment valuation as a proportion of the total equity valuation at 30 September 2016 by EBITDA for the most recent twelve-month period and for the preceding twelve-month period in respect of each portfolio company. Thus it is a measure of the growth in Electra's "share" of historical portfolio company earnings.

Buyouts and Co-investments – EBITDA Growth Rates



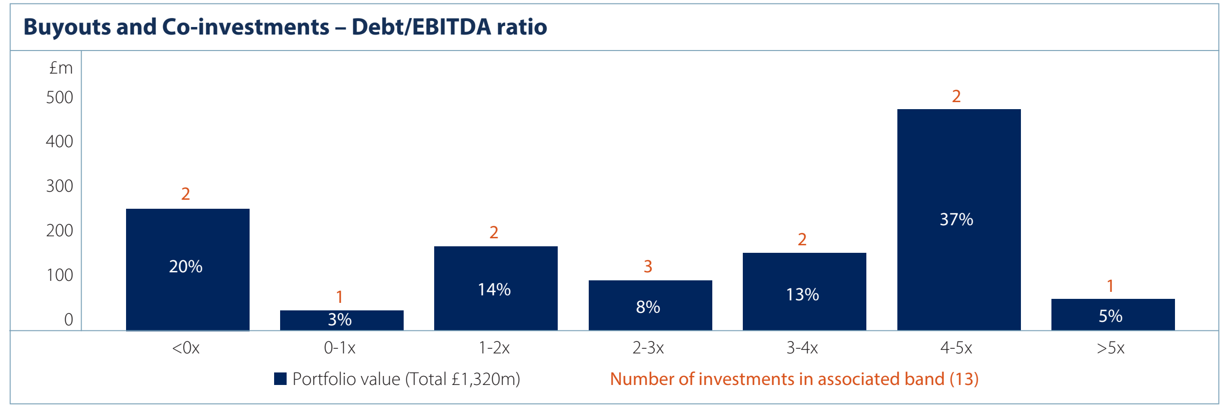
Note:
All investments over £5 million with the exception of CALA Group, Retirement Bridge Group and PINE which are valued on a net assets basis.

The increase in the rate of growth of Electra's "share" of earnings is due to increased underlying earnings growth across the portfolio, offset by a reduction in the weighting of higher-growth companies, for example because of a partial realisation.

Buyouts and Co-investments – Debt/EBITDA ratio

The distribution of Electra's Buyouts and Co-investments portfolio by net debt to EBITDA ratio at 30 September 2016 is shown below.

The simple average ratio was 2.5x compared to 2.7x at 30 September 2015.



Note:
All investments over £5 million with the exception of CALA Group, Retirement Bridge Group, and PINE which are valued on a net assets basis.

The decrease in the simple average is due to changes to the portfolio's composition as a result of investment activity.

Alex Fortescue
Managing Partner
Epiris Managers LLP
8 December 2016

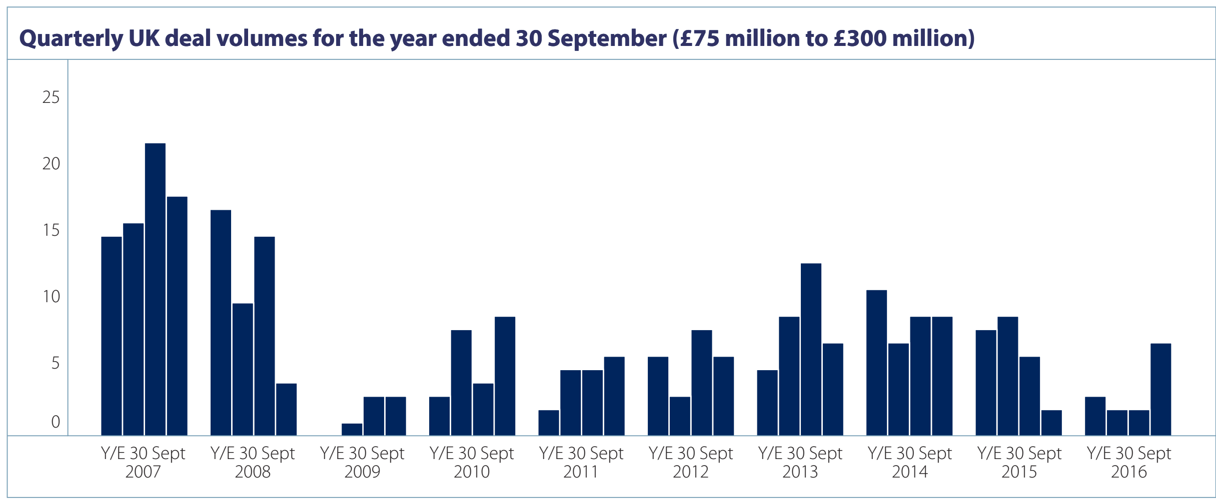
Market Review

"The private equity market in the year to 30 September 2016 has continued to see a limited supply of investment opportunities helping prices remain at a high level."

Market Deal Volumes

Deal volumes in the year to 30 September 2016 were significantly below the levels seen in previous years, even with a return to more normal levels in the fourth quarter.

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



Source: MergerMarket (completed deals where EV is provided)

Market Deal Pricing

Deal pricing has remained relatively strong, fuelled by a scarcity of assets and a plentiful supply of acquisition debt. Although the average entry multiple for UK buyouts valued at over £10 million fell slightly from 11.4x in the year to September 2015 to 10.8x EBITDA this year, it remains above the five and ten-year average, both of which stand at 10.4x (source: CMBOR).

Investment Activity

A number of factors, relating both to private equity in particular and to financial markets more broadly, have increased asset prices as well as liquidity in the M&A and credit markets. At the same time, Electra's portfolio of assets has matured as our investment strategy has successfully created a portfolio of growth businesses which are of increasing interest to strategic and financial buyers alike.

We have capitalised on this to deliver a record level of realisations during the year, £903 million in total. The Buyouts and Co-investments portfolio alone has generated realisations of £781 million and the weighted average exit multiple in this part of the portfolio was 13.4x EBITDA. This includes three exits to strategic buyers and one in an IPO.

Bill Priestley

Bill Priestley
Chief Investment Partner
Epiris Managers LLP
8 December 2016

New Investments

PHOTOBOX GROUP

Date of initial investment:	Jan 2016
Type of deal:	Buyout
Equity ownership:	37%
Original cost:	£89 million
Amount realised:	£2 million
Valuation:	£102 million
Valuation:	Based on multiple of earnings
Multiple of cost:	1.2x
IRR:	27%
Location:	Europe
Website:	www.group.photobox.com
Management:	Jody Ford, CEO; Douglas McCallum, Chairman

In January 2016, Electra invested £89 million in the acquisition of Photobox alongside Exponent Private Equity. The balance of the financing of the transaction was provided from bank facilities arranged by both firms.

Photobox is Europe's leading digital consumer service for personalised products and gifts. It enables millions of customers to share memories by turning their digital photographs into a range of personalised products and gifts, from traditional prints and greetings cards to photobooks, calendars and canvases, using the group's websites, installed software and mobile applications. Products are manufactured at one of the group's five production facilities and sold across Europe through the PhotoBox, Moonpig, Sticky9, Hofmann and posterXXL brands.

Photobox is the European market leader and due to its scale is well placed to capture further market growth, which is expected to continue as a result of the growth in digital photography as well as an increased propensity to purchase personalised products. Our strategy is to accelerate growth through improving the rate and economics of customer acquisition as well as through product innovation, and to ensure that growth is delivered effectively and efficiently.

Performance in the financial year to April 2016 was ahead of the Epiris investment case and the start to the current financial year has been similarly positive. Jody Ford, formerly at eBay, joined the company as CEO in July 2016 as part of the planned management succession.

RETIREMENT BRIDGE GROUP

Date of initial investment:	May 2016
Type of deal:	Co-investment
Equity ownership:	50%
Original cost:	£45 million
Amount realised:	£1 million
Valuation:	£47 million
Valuation:	Based on net assets
Multiple of cost:	1.1x
IRR:	16%
Location:	UK
Website:	n/a
Management:	Paul Barber, CEO; Steve Groves, Chairman

In May 2016, working alongside Patron Capital, Electra invested £45 million in the acquisition of Retirement Bridge Group, formerly known as Grainger Retirement Solutions.

Retirement Bridge is a consolidator and servicer of home reversion equity release plans with a portfolio of more than 3,500 properties across the UK. The investment offers an attractive risk-adjusted return benefiting from a cash yield and downside protection from the high level of asset backing.

The intention is to optimise the return from the existing portfolio and to explore opportunities for organic and acquisition-led growth.

Since acquisition the company has been successfully separated from its former parent and the management team has been complemented through the appointment of Steve Groves, formerly CEO of Partnership Group plc, as Chairman. Performance since acquisition has been in line with expectations and the management team is focused on both growth and operational improvement initiatives.

Realisations

DALER-ROWNEY

Date of initial investment:	Mar 2011
Date of realisation:	Feb 2016
Type of deal:	Buyout
Original cost:	£20 million
Proceeds:	£33 million
Multiple of cost:	1.7x
IRR:	12%
Location:	International
Website:	www.daler-rowney.co.uk
Management:	Patrick Giraud, CEO

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.

Headquartered in Bracknell, Berkshire, Daler-Rowney is one of the largest suppliers of fine art materials in the world. The company has a long history of product innovation (its history dates to 1783) and its comprehensive product range includes artists' paints, brushes, papers and canvases which meet the needs of artists of all kinds, 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 investment strategy was to continue organic growth, with investment in product development and in sales and marketing, and to grow through acquisition. In 2013 the company acquired the business of Dr. Fr. Schoenfeld GmbH & Co, a leading manufacturer of fine arts colours under the Lukas and Nerchau brands, thus becoming the market leader in German-speaking Europe.

Following a period of underperformance in 2014, Epiris strengthened the management team and initiated a performance improvement programme. These actions cemented the company's attractive positions in niche markets, improved its operational and financial performance, and created good growth prospects for the years to come; as a result the business was well positioned for an exit to a strategic buyer. Electra received proceeds of £33 million from the sale, representing an uplift of 168% on the valuation at 30 September 2015 and equivalent to a return of 1.7x original cost, a 12% IRR.

KALLE

Date of initial investment:	Feb 2010
Date of realisation:	April 2016
Type of deal:	Co-investment
Original cost:	£9 million
Proceeds:	£29 million
Multiple of cost:	3.2x
IRR:	22%
Location:	Germany
Website:	www.kalle.de
Management:	Dr Carsten Heldmann, CEO; Peter Fearn, non-executive Chairman

In 2010 Electra made a €10 million (£9 million) equity investment in the €216 million acquisition of Kalle. In 2013 a refinancing of the business returned €7 million (£6 million) to Electra.

Headquartered in Wiesbaden, Germany, and operating from fifteen production facilities across nine countries, Kalle is a market leader in the production of artificial casings for sausages, with strong positions in the viscose, textile and plastic product segments.

Kalle has a portfolio of high-quality products and a pipeline of new innovations. It operates in defensive markets which benefit from robust demand in developed markets, and growing demand in emerging economies, for low-cost protein sources. Further growth opportunities exist by virtue of increasing penetration of artificial casings.

In July 2016 Kalle was sold to a financial buyer with Electra receiving proceeds of £23 million. Together with proceeds received from the refinancing of Kalle in 2013, Electra's total proceeds from this investment were £29 million. This equates to a return of 3.2x cost, an IRR of 22%.

ZENSAR TECHNOLOGIES

Date of initial investment:	Sep 1997
Date of realisation:	Oct 2015
Type of deal:	Co-investment
Original cost:	£4 million
Proceeds:	£89 million
Multiple of cost:	19.3x
IRR:	18%
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 an 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 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%.

Case Study: Elian

Date of initial investment:	Jun 2014
Date of realisation:	Sep 2016
Type of deal:	Buyout
Original cost:	£81 million
Proceeds:	£207 million
Multiple of cost:	2.6x
IRR:	54%
Location:	International
Website:	www.elian.com
Management:	Paul Willing, CEO; John Connolly, Chairman

The Deal

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

Epiris led this complex carve-out of a niche division alongside Elian's management team, who made a significant investment in the new business.

The Business

Elian is a leading provider of offshore trust, fund and company administration services employing 600 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 more than 3,000 corporate, private and investment fund clients worldwide.

Investment Rationale and Strategy

Elian 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's historical growth had been slow and its separation from its former parent created uncertainty as to not only the sources of future new business, but also its operational structure. As a result, Epiris was able to acquire the business at an attractive valuation.

The plan was to work closely with the management team to transition the business from being part of an international law firm to being a high-performance, independent business. Growth would be accelerated through a strategy of revenue diversification and operational improvement: developing new sales channels, broadening the scope of services offered to clients, developing Elian's international footprint, focusing on productivity and cost efficiency. M&A was a key component of the strategy, with the opportunity to make synergistic acquisitions in a consolidating market before exiting to a larger consolidator.

Business Growth

Epiris worked closely with Elian's management to implement the growth strategy:

Revenue Diversification

It was clear that a more broadly-based business with less dependence on the former parent and on Jersey would be more valuable on exit. During the two years of Electra's ownership the business successfully introduced new products and established new sales channels. It grew its office network with a mixture of new office openings and M&A; by the time of exit in September 2016 the business had expanded its network to 16 countries, including the significant headcount growth in Luxembourg and Hong Kong, and the addition of offices in the Netherlands and Spain through Elian's M&A programme, plus developing a substantial presence in London.

Operational Excellence
By bringing analytical insight to the table, Epiris was able to drive better measurement and analysis of key performance metrics, resulting in internal productivity, cost and process efficiencies. EBITDA margins improved by five percentage points as a result.

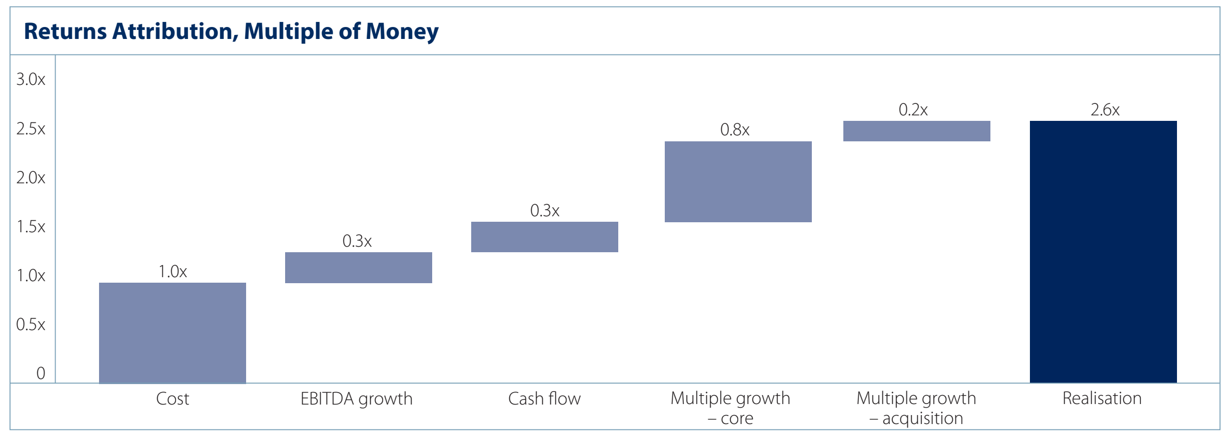
Increased Commercial Focus
By strengthening the management team, aligning their interests with Electra's and creating a clear and focused strategy, Epiris supported an increased commercial focus across the business. New product development initiatives were prioritised and delivered and business was won through new sales channels. Organic growth significantly accelerated.

Transformational M&A
Epiris worked with the management team to develop and evaluate a comprehensive pipeline of bolt-on acquisitions, considering over a dozen opportunities. Elian completed two such bolt-ons, of Allied Trust and of SFM Europe. Allied Trust was a synergistic bolt-on to Elian's private wealth division. The acquisition of SFM Europe was transformational for Elian, bringing a niche market-leader with more than €1 trillion of assets under administration into the group. Having identified both opportunities, Epiris led the execution of the acquisitions.

Both transactions were highly complementary to Elian's development, expanding the business' international reach and adding additional product expertise.

Outcome
Over the two years of Electra's ownership, Elian was successfully repositioned as a high-performance, growth business. EBITDA increased by 60% over the same period. The strategic value that had been created led to numerous unsolicited approaches from trade buyers for the asset.

In September 2016 Electra sold its interest in Elian to Intertrust Group, a Dutch trust and corporate service provider, in a transaction with an enterprise value of £435 million, more than double the value at entry. Electra realised a return of 2.6x original cost, an IRR of 54%.



Key Investments

	Fair Value of holding at 30 Sep 2015 £m	Net payments/ (receipts) £m	Performance in year £m	Fair Value of holding at 30 Sep 2016 £m
Buyouts and Co-investments				
Parkdean Resorts	287	(95)	188	380
AXIO Group	200	(110)	130	220
Audiotonix	91	–	50	141
Photobox Group	–	87	15	102
TGI Fridays	113	–	(23)	90
Innovia Group	30	–	50	80
Allflex Corporation	73	(57)	53	69
Treetops Nurseries	27	–	22	49
CALA Group	50	–	(3)	47
Retirement Bridge Group	–	44	3	47
Premier Asset Management	33	(4)	17	46
Hollywood Bowl Group	103	(153)	94	44
Davies Group	23	1	19	43
PINE	43	(8)	5	40
Hotter Shoes	61	–	(30)	31
Knight Square	34	–	(9)	25
	1,168	(295)	581	1,454
Elian	120	(199)	79	–
Daler-Rowney	12	(33)	21	–
Kalle	14	(23)	9	–
Other	104	(94)	(3)	7
Total Buyouts and Co-investments	**1,418**	**(644)**	**687**	1,461
Secondaries				
EP1 Secondary Portfolio	68	(11)	12	69
Other	24	(14)	3	13
Total Secondaries	**92**	**(25)**	**15**	82
Debt				
Cordatus VI	–	18	4	22
Tymon Park	–	11	5	16
Other	17	(7)	3	13
Total Debt	**17**	**22**	**12**	51
Non-core Investments				
Listed	17	(15)	8	10
Funds	86	(23)	29	92
Total Non-core Investments	**103**	**(38)**	**37**	102
TOTAL INVESTMENT PORTFOLIO	1,630	(685)	751	1,696

Large Buyouts and Co-investments

PARKDEAN RESORTS

Date of initial investment:	Jan 2012
Type of deal:	Buyout
Equity ownership:	45%
Original cost:	£132 million
Amount realised:	£110 million
Valuation:	£380 million
Valuation:	Based on multiple of earnings
Multiple of cost:	3.7x
IRR:	49%
Location:	UK
Website:	www.parkdeanresorts.co.uk
Management:	John Waterworth, 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. Epiris' strategy was to take an equity position in Park Resorts through a restructuring of the company's debt and thereafter to grow the business organically and through acquisition.

This strategy was delivered through a refinancing led by Epiris in 2013; the acquisitions of South Lakeland Parks, Southview and Manor Park and the Summerfields Holiday Park (together with Park Resorts, the "Park Resorts Group"); and a number of investment and margin improvement programmes. In November 2015 Electra merged the Park Resorts Group with Parkdean Holidays to create Parkdean Resorts.

Parkdean Resorts is a leading UK operator of caravan holiday parks with 35,000 pitches across 73 sites nationwide with EBITDA in excess of £100 million. The company operates in a defensive, fragmented sector supported by positive customer demographics and strong value propositions. Future growth is expected to come from yield management improvements, from investment in park facilities and capacity and from acquisitions, supplemented by sales and cost synergies resulting from the merger.

Aggregate revenue and profits growth were 8% and 16% respectively in 2015 and strong performance has continued into the current year following successful completion of the post-merger integration programme. Current and future growth are driven by cost synergies, improved yield management and the return on growth capital expenditure projects. In July 2016 the business completed the bolt-on acquisition of Vauxhall Holiday Park, its first since the merger.

AXIO GROUP

Date of initial investment:	Apr 2013
Type of deal:	Buyout
Equity ownership:	69%
Original cost:	£91 million
Amount realised:	£193 million
Valuation:	£220 million
Valuation:	Based on multiple of earnings
Multiple of cost:	4.6x
IRR:	78%
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 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 expansion by selling the portfolio's components to strategic acquirers.

AXIO has sold four of its seven businesses, namely JOC Group, Breakbulk, MIMS and Vidal. All four of these sales have been to strategic acquirers at double-digit valuation multiples. Electra has received total cash proceeds from its investment in AXIO of almost £250 million or 2.7x original cost.

The group now comprises OAG, a global leader in aviation information and intelligence; TechInsights, the global leader in intellectual property consulting and technical reverse engineering; and RISI, the leading information provider for the global forest products industry. Together these businesses generated EBITDA of £16 million in 2015, a level which has more than doubled over the course of Electra's ownership, with further strong growth in 2016 as a result of growth and operational initiatives as well as TechInsights's acquisition of Chipworks in June 2016.

AUDIOTONIX

Date of initial investment:	Aug 2014
Type of deal:	Buyout
Equity ownership:	58%
Original cost:	£64 million*
Amount realised:	£4 million
Valuation:	£141 million*
Valuation:	Based on multiple of earnings
Multiple of cost:	2.3x
IRR:	49%
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 in a growing global market by optimising new product development, through its best in class R&D team and improving 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 financial year ended March 2016, Audiotonix produced revenue growth of 4%. Growth has accelerated in the current financial year as a result of a number of product launches following investment in new product development. The business plans to continue growing through further innovative product launches in core and adjacent markets. The company sells to more than 90 countries worldwide and more than 50% of its revenues are in US Dollars; so the underlying growth has been supported by the weakening of Sterling.

*Original cost reflects the valuation of Electra's interest in Allen & Heath which was rolled into the Audiotonix transaction in August 2014. The original cash cost of the investment is £42 million and on this basis the multiple of cost is 3.3x.

TGI FRIDAYS

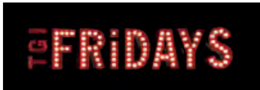
Date of initial investment:	Dec 2014
Type of deal:	Buyout
Equity ownership:	78%
Original cost:	£99 million
Amount realised:	£3 million
Valuation:	£90 million
Valuation:	Based on multiple of earnings
Multiple of cost:	0.9x
IRR:	(4)%
Location:	UK
Website:	www.tgifridays.co.uk
Management:	Karen Forrester, 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.

TGIF, which has the exclusive UK rights to operate under the TGI Fridays brand, has 76 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.

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.

Revenue and underlying profits growth were 9% and 12% respectively in 2015 as the benefits of strong operational management and new store openings were somewhat offset by a more competitive environment. Although 2016 has been a more challenging year, a number of initiatives have been implemented in order to strengthen the company's product and service proposition which are starting to bear fruit.



INNOVIA GROUP

Date of initial investment:	Apr 2014
Type of deal:	Co-investment
Equity ownership:	24%
Original cost:	£33 million
Amount realised:	£nil
Valuation:	£80 million
Valuation:	Based on multiple of earnings
Multiple of cost:	2.5x
IRR:	45%
Location:	International
Website:	www.innoviafilms.com, www.innoviasecurity.com
Management:	Mark Robertshaw, CEO; Malcolm Fallen, Chairman

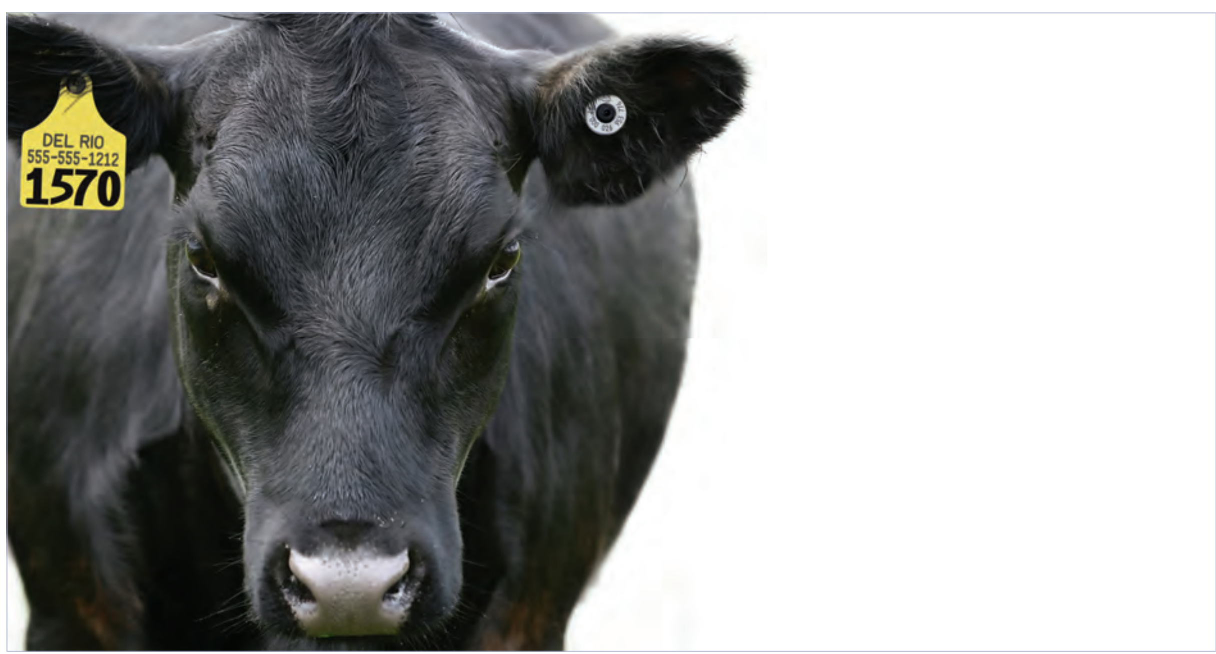
In April 2014 Electra made a €40 million (£33 million) equity investment in the €498 million buyout of Innovia Group from the Candover 2001 Fund. In June 2016 Innovia completed the sale of its Cellophane business for €75 million; proceeds received were used to pay down debt.

The group is headquartered in Cumbria and operates four 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 2015 Innovia generated revenue growth of 2% with profits declining slightly although ahead of budget. Performance in the current year to date has strengthened significantly as a result of product mix and operational improvements. Production of substrate for the next generation £5 and £10 notes began at Innovia's new state-of-the-art facility in Cumbria in early 2016. The Bank of England began the issue of the new £5 notes in September, whilst new £10 notes are due to enter circulation in summer 2017 and the announcement of the results of the tender for £20 notes is expected before the end of 2016.



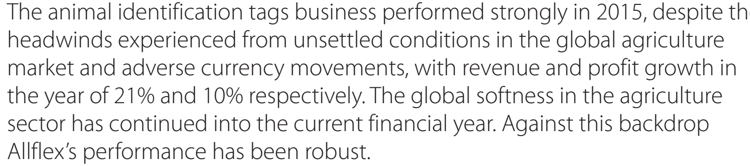
ALLFLEX CORPORATION

Date of initial investment:	Jul 2013
Type of deal:	Co-investment
Equity ownership:	11%
Original cost:	£68 million
Amount realised:	£57 million
Valuation:	£69 million
Valuation:	Based on multiple of earnings
Multiple of cost:	1.9x
IRR:	24%
Location:	International
Website:	www.allflex-group.com
Management:	Dr Stefan Weiskopf, CEO

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. In July 2016 Electra sold part of its interest in the business receiving £57 million from the redemption of preferred equity and from the sale of c.28% of its 15% equity interest. The return was equivalent to a return of 0.8x cost.

Allflex is the worldwide leader in animal traceability and farm livestock management products. Its core business is the manufacture and distribution of visual and electronic animal identification tags. Its 2015 acquisition of SCR, the world's largest manufacturer of electronic milk meters and smart tags for monitoring cow fertility and health, brought a leadership position in the adjacent animal intelligence market.

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 animal identification tags business performed strongly in 2015, despite the headwinds experienced from unsettled conditions in the global agriculture market and adverse currency movements, with revenue and profit growth in the year of 21% and 10% respectively. The global softness in the agriculture sector has continued into the current financial year. Against this backdrop Allflex's performance has been robust.

TREETOPS NURSERIES

Date of initial investment:	Feb 2012
Type of deal:	Buyout
Equity ownership:	79%
Original cost:	£15 million
Amount realised:	£3 million
Valuation:	£49 million
Valuation:	Based on multiple of earnings
Multiple of cost:	3.5x
IRR:	44%
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), an additional £5 million in 2014 to fund the acquisition of Happy Child (15 nurseries) and in 2016 Electra underwrote the purchase of Kindercare (ten leasehold nurseries in Yorkshire).

Headquartered in Derby, Treetops is the fifth-largest nursery school operator in the UK, operating 58 nurseries and 6,500 registered places predominantly in the North of England, the Midlands and the South East. 95% 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 its 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.

Financial performance in the year to September 2015 was strong with revenue and profits growth (including the impact of acquisitions) of 21% and 46% respectively. Performance in the current year remains strong, driven by both occupancy and fee increases, while the integration of Kindercare is progressing well.

CALA GROUP

Date of initial investment:	Mar 2013
Type of deal:	Co-investment
Equity ownership:	11%
Original cost:	£32 million
Amount realised:	£nil
Valuation:	£47 million
Valuation:	Based on net assets
Multiple of cost:	1.5x
IRR:	14%
Location:	UK
Website:	www.cala.co.uk/cala-group
Management:	Alan Brown, CEO; Manjit Wolstenholme, 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 London and the South East represents a strong strategic fit for CALA and accelerates its strategy to deliver £1 billion in revenue by 2018.

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

In the financial year to June 2016, CALA delivered record revenue and operating profit for the fourth consecutive year, with growth of 15% and 17% respectively, whilst the company's return on capital also continued to improve. The group now has a controlled land bank of over 15,000 plots with a potential GDV of £5.5 billion.

PREMIER ASSET MANAGEMENT

Date of initial investment:	Sep 2007
Type of deal:	Buyout
Equity ownership:	25%
Original cost:	£57 million
Amount realised:	£25 million
Valuation:	£46 million
Valuation:	Based on multiple of earnings
Multiple of cost:	1.3x
IRR:	3%
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%. In October 2015 Premier redeemed £4 million of preference shares. In October 2016 Premier successfully completed an initial public offering ("IPO") on the AIM market of the London Stock Exchange. Electra sold just over 75% of its holding in the IPO, receiving cash proceeds of £36 million and continues to hold approximately 8% of the issued share capital of the company, which had a valuation at the offer price of £10 million.

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 financial year to September 2015, with AUM and profits growth of 34% and 48% respectively, Premier has continued its success in growing assets. AUM now stand at £5.0 billion thanks to strong fund performance and distribution as well as a favourable demand environment.

HOLLYWOOD BOWL GROUP (formerly The Original Bowling Company)

Date of initial investment:	Sep 2014
Type of deal:	Buyout
Original equity cost:	£50 million
Equity proceeds:	£155 million
Remaining valuation:	£44 million
Equity multiple of cost:	3.9x
Equity IRR:	101%
Valuation:	Based on listed share price
Location:	UK
Website:	www.hollywoodbowlgroup.com
Management:	Steve Burns, CEO; Peter Boddy, Chairman

hollywood bowl group

In September 2014 Electra made a £50 million equity investment in the £91 million management buyout of Hollywood Bowl Group from private shareholders and CBPE Capital. In December 2015 Hollywood Bowl completed the acquisition of Bowlplex, adding 10 ten-pin bowling centres to the existing portfolio. Electra invested £10 million by way of a mezzanine loan to finance the acquisition. Later in the same month Electra invested a further £11 million to pre-emptively acquire a portion of Hollywood Bowl Group's senior debt, at a discount to par, from one of its lenders who was exiting the senior debt market. In September 2016 Hollywood Bowl Group successfully completed an initial public offering ("IPO") on the main market of the London Stock Exchange, valuing Electra's equity and debt investments in the group at £217 million. On admission Electra received cash proceeds of £153 million from the sale of its equity investment as well as £22 million from the repayment of the two debt instruments. In addition Electra continues to hold approximately 18% of the issued share capital of the company with a valuation at 30 September 2016 of £44 million.

Hollywood Bowl Group operates 54 ten-pin bowling centres under the Hollywood Bowl, AMF and Bowlplex brands. The company 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. Hollywood Bowl Group is the UK market leader and has grown ahead of the market thanks to its history of investment in sites and customer experience, as a result of which its estate is well positioned to make further advances.

Trading at Hollywood Bowl Group continues to be strong. In October the business announced revenues to September 2016 (including the Bowlplex sites) were 22% up on the prior year. Performance has been driven by growth in the core estate, the centre refurbishment programme, an improved food and beverage offer and higher amusement spend.

DAVIES GROUP

Date of initial investment:	Sep 2011
Type of deal:	Buyout
Equity ownership:	58%
Original cost:	£40 million
Amount realised:	£1 million
Valuation:	£43 million
Valuation:	Based on multiple of earnings
Multiple of cost:	1.1x
IRR:	2%
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. Since this acquisition, Davies has acquired three further businesses: ALA in Ireland; MFS, a leading defendant of motor related claims; and Argent, a provider of specialist casualty services. Electra provided a further £1 million to support this M&A programme.

Davies is a leading insurance services provider. It delivers third party administration ("TPA") and specialist technical services to insurance intermediaries, the Lloyd's market, UK & global insurance companies, and large self-insured businesses. The 750-strong team manages more than 160,000 claims per annum across the UK & Ireland. It works with more than 100 clients, helping them control and manage in excess of £1.2 billion of annual claim cost across property, casualty, motor and niche insurance classes. In addition to its third party administration services, it provides integrated technical services including loss adjusting, surveying, fraud detection, and supply chain solutions.

The current focus of Davies is on the broker, MGA and Lloyd's 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 strong progress following the business transformation initiated in 2013. During the year to June 2016 revenues grew by nearly 40% whilst profits more than doubled. Growth has been driven by new business wins coupled with reduced attrition; by recent acquisitions, which have successfully broadened Davies's service offering; and by margin improvements. Two further acquisitions, Surveyorship and Core Claims, were completed in July and September respectively; both were financed by bank facilities.

PINE

Date of initial investment:	Jun 2005
Type of deal:	Co-investment
Equity ownership:	99%
Original equity cost:	£31 million
Equity amount realised:	£19 million
Equity valuation:	£40 million
Equity multiple of cost:	1.9x
Equity IRR:	13%
Original debt cost:	£13 million
Debt amount realised:	£13 million
Valuation:	Derived from property investment value
Location:	UK
Website:	www.thepinefund.com
Management:	Harry Hyman, CEO (Nexus Group)

Electra first invested in PINE in 2005 in order 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.

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. In 2015 PINE made its first investment outside the nursery sector when it acquired a property relating to two special educational needs schools operated by Priory Group. In March 2016 PINE acquired a further two nursery school freeholds and now owns a portfolio of over 30 properties leased to education providers with a value of more than £80 million.

In March 2016 PINE entered into a new £41 million borrowing facility which allowed the repayment of £20 million to Electra through redemption of outstanding loan notes and buy back of units. PINE's properties have performed robustly amid the general slowdown in the UK property sector and they remain an attractive investment with their unexpired lease lengths of 20 years plus, indexed rents and strong unit covenants.

HOTTER SHOES

Date of initial investment:	Jan 2014
Type of deal:	Buyout
Equity ownership:	61%
Original cost:	£84 million
Amount realised:	£2 million
Valuation:	£31 million
Valuation:	Based on multiple of earnings
Multiple of cost:	0.4x
IRR:	(31)%
Location:	International
Website:	www.hotter.com
Management:	Sara Prowse, CEO; Alan White, Chairman

In January 2014 Electra invested £84 million in equity in the management buyout of Hotter Shoes 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), international growth and the rapid roll-out of a retail store estate in the UK. These growth drivers offer significant further opportunity.

Profits fell in the year to January 2016, and again in the first half of the current financial year, due to operational challenges and some difficulties with scaling processes and systems to the increasing size and complexity of the business. This was compounded by generally difficult conditions in the UK clothing retail market since investment. A number of steps have been taken in response, including the appointment of a new Chief Executive, who has strengthened the leadership team and implemented a turnaround plan focused on cash, inventory and cost management as well as retail performance improvement.

hotter®

KNIGHT SQUARE

Date of initial investment:	Mar 2012
Type of deal:	Buyout
Equity ownership:	50%
Original cost:	£22 million
Amount realised:	£14 million
Valuation:	£25 million
Valuation:	Based on multiple of earnings
Multiple of cost:	1.8x
IRR:	16%
Location:	UK
Website:	www.knightsquare.com,
Management:	Paul Lester CBE, Chairman

In 2012 Electra made a £22 million equity investment in the £62 million acquisition of Knight Square (formerly known as 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.

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 installation and 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 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.

Group revenue and profits growth were 4% and 1% respectively in 2015. FirstPort has made considerable improvements to its service delivery, which were reflected in a substantially improved customer retention rate and new business development success in 2015. This has continued into the current year albeit with some headwind in the form of weakness in the UK residential property market. Appello has made progress in implementing its growth strategies and has successfully completed the integration of Call24, the call monitoring centre in the South West acquired in 2015; however profitability has reduced as a result of operational disruption following a flawed systems implementation.

Financial Review

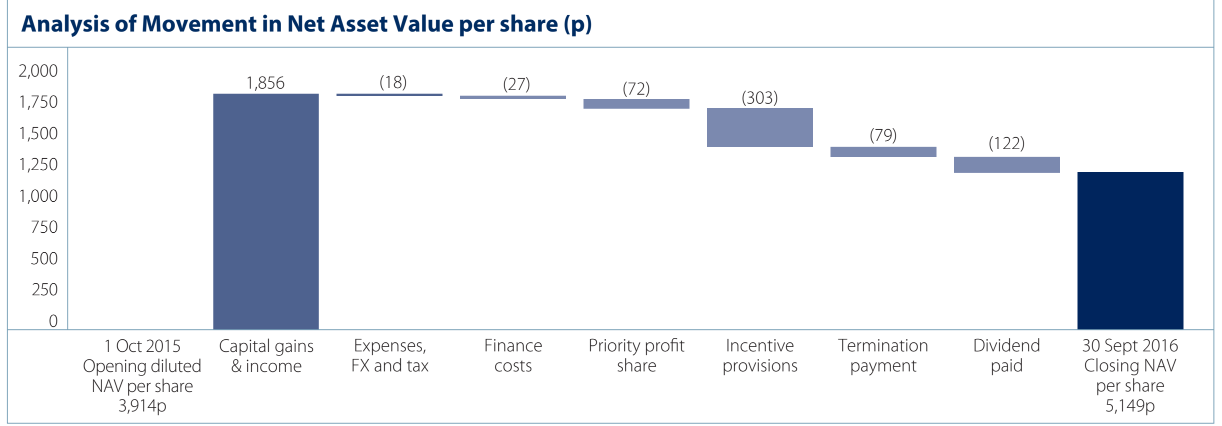
"Net asset value per share total return was 35% for the year to September 2016 (37% before the termination payment). This follows the 25% NAV total return in the year to September 2015. These excellent results continue the good long term performance of Electra with total NAV returns over the last ten years of 14% per annum."

Analysis of Movement in Net Asset Value per share

The Consolidated Income Statement on page 69 of the Report shows the total return for the year and, together with dividends of 122p per ordinary share paid during the year, explains the movement in NAV per share for the year to 30 September 2016.

Performance from the investment portfolio was particularly strong and contributed 1,856p per share, 47% of the opening NAV per share. Deducted from this, as shown below, were finance, operating costs and tax, which together totalled 45p per share; the priority profit share paid to Epiris for managing the portfolio amounted to 72p per share; and the charge for incentive schemes amounted to 303p per share (see further detail below). In addition, there is a provision for the estimated cost of the termination payment which will be payable to Epiris at the end of their notice period in May 2017, this amounts to 79p per share. Dividends of 122p per share were paid in the year. This resulted in an increase to net assets of 1,235p per share, a total return (adding back the dividends paid) of 35% 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 four pools in relation to the three-year periods commencing 2006, 2009, 2012 and 2015. The carried interest schemes are described in more detail in Note 21 on pages 96 to 99.

The carried interest provision has increased from £132 million to £243 million in the year to 30 September 2016. The charge for the year of £122 million, 303p per share, results from the strong investment performance delivered this year and at the year-end is unpaid. Actual cash paid in respect of carried interest this year was £3 million. Over 90% of the provision relates to the 2009 and 2012 pools. The former requires £73 million of further realisations before any carried interest will become payable and the latter £139 million. At 31 May 2017, when the contract with Epiris terminates, any provision, on post 2006 Pools, which is unpaid at that date and any future uplift to them will be reduced by 20% which will revert back to the Company. At 30 September 2016 the value of 20% of the carried interest schemes which are affected in this way was £47 million.

	Creditor £m	Provision £m	Total £m
At 1 October 2015	1	132	133
Paid in period:			
Pre-2006 pools	(1)	(1)	(2)
2006 pool	–	(1)	(1)
Transfer:			
Pre-2006 pools	8	(8)	–
Provisions:			
Pre-2006 pools	–	2	2
2006 pool	–	3	3
2009 pool	–	40	40
2012 pool	–	72	72
2015 pool	–	4	4
At 30 September 2016	**8**	**243**	**251**

The post-2006 pools accrue carried interest at 18% of net investment profits, but the provision is made on a three-year pooled basis and after charging an amount in respect of PPS. This means the actual accrual rate is just over 16% which results in the increase in the provision of 303p per share.

Net Liquid Resources

The Consolidated Cash Flow Statement on page 74 analyses the movement in the Group's cash for the year. Cash on the Balance Sheet has increased by £512 million to £659 million. Cash inflows were in the main related to sales of investments and investment income, which yielded approximately £900 million in cash, over three times the amount realised in the previous year. The major constituents of the cash outflows were investments of £218 million, operating and finance costs of approximately £39 million, £73 million for the redemption of the Zero Dividend Preference shares and £49 million for the two dividends paid in the year.

Against this, Electra has the following commitments:

- payment of the proposed £200 million share buyback;
- payment of a second interim dividend of 110p per ordinary share (£44 million), as declared by the Board;
- financing of committed and other investments; and
- payment of the termination payment.

Accordingly, it is expected that free cash, after taking the above into account together with investment disposals previously announced, will be approximately £410 million.

Gearing

At 30 September 2016 Electra was ungeared at the group level. The £275 million multi-currency bank facility remained undrawn throughout the year and was cancelled on 14 June 2016, resulting in the write off of the deferred arrangement fees of approximately £3 million.

As previously reported, the Company exercised its right to a Mandatory Conversion of all of the outstanding 5% Subordinated Convertible Bonds into new ordinary shares, with the conversion taking place on 29 December 2015. During the year, 85,369 Bonds in aggregate were converted into 4,215,593 new ordinary shares. As a result, £73 million of Balance Sheet debt was retired, £10 million of future finance costs saved and a simplification of the Company's Balance Sheet and accounting requirements achieved. As originally anticipated, the conversion of the Bonds required the transfer of the remaining special reserve to revenue reserves and accordingly, in this year an amount of £8 million was transferred. Further details are to be found in Note 17 on pages 82 to 83.

The Final Capital Entitlement of the ZDP shareholders was paid in full in August 2016 as required by the terms of the original issue. The cost of repayment was £73 million in aggregate. More detail can be found in Note 16 on page 82.

FX

At 30 September 2016, the estimated foreign currency exposure, was €263 million and $175 million based on the currency of underlying securities in the investment portfolio. As such, given the weakness of sterling during the year, Electra has benefitted from its exposure to these long positions. The Euro and US Dollar have strengthened against Sterling by 14% and 14% respectively during the year, resulting in a £46 million gain in respect of the investment portfolio. This is shown as part of the net gain of £756 million in the Consolidated Income Statement. The £12 million 'Loss on revaluation of foreign currencies' shown in the Consolidated Income Statement relates to the revaluation of intercompany loans denominated in currencies other than Sterling. The £15 million movement in translation reserves in the Consolidated Statement of Comprehensive Income arises from translation of opening shareholders capital in relation to certain overseas subsidiaries.

Steve Ozin
Partner
Epiris Managers LLP
8 December 2016

Parkdean 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	2016 Total £m	Revenue £m	Capital £m	2015 Total £m
2	Investment income/net gain	91	665	756	82	354	436
	Loss on revaluation of foreign currencies	–	(12)	(12)	–	–	–
	Other Income	–	–	–	1	–	1
22	Incentive schemes	–	(122)	(122)	–	(67)	(67)
21	Priority profit share	(29)	–	(29)	(25)	–	(25)
21	Termination payment	(32)	–	(32)	–	–	–
4	Income reversal	(8)	–	(8)	(8)	–	(8)
3	Other expenses	(6)	–	(6)	(5)	–	(5)
	Net Profit before Finance Costs and Taxation	16	531	547	45	287	332
7	Finance costs	(7)	(4)	(11)	(12)	(5)	(17)
	Profit on Ordinary Activities before Taxation	9	527	536	33	282	315
8	Taxation expenses	(4)	–	(4)	(4)	–	(4)
	Profit on Ordinary Activities after Taxation attributable to owners of the parent	5	527	532	29	282	311
11	**Basic Earnings per Ordinary Share (pence)**	13.12	1,341.03	1,354.15	79.96	789.80	869.76
11	**Diluted Earnings per Ordinary Share (pence)**	12.80	1,308.83	1,321.63	84.43	700.83	785.26

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 23.

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	2016 £m	2015 £m
Profit for the year	532	311
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on consolidation	15	–
Total Comprehensive Income attributable to owners of the parent	547	311

Consolidated Statement of Changes in Equity

For the year ended 30 September 2016 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 £m
	Opening balance at 1 October 2015	9	39	34	20	(4)	1,029	312	64	1,503
	Net revenue profit added to the reserves	–	–	–	–	–	–	–	5	5
	Net profits on realisation of investments during the year	–	–	–	–	–	162	–	–	162
7	Finance costs	–	–	–	–	–	(4)	–	–	(4)
	Increase in value of non-current investments	–	–	–	–	–	–	503	–	503
22	Increase in incentive provisions	–	–	–	–	–	–	(122)	–	(122)
	Profit on foreign currencies	–	–	–	–	15	(12)	–	–	3
	Investments sold during the year	–	–	–	–	–	382	(382)	–	–
17	Conversion of Convertible Bond	1	84	–	(20)	–	–	–	8	73
9	Dividends	–	–	–	–	–	(49)	–	–	(49)
	At 30 September 2016	10	123	34	–	11	1,508	311	77	2,074

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 £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
22	Increase in incentive provisions	–	–	–	–	–	–	(67)	–	(67)
	Profit on foreign currencies	–	–	–	–	–	–	–	–	–
	Investments sold during the year	–	–	–	–	–	6	(6)	–	–
17	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

Company Statement of Changes in Equity

For the year ended 30 September 2016 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 £m
	Opening balance at 1 October 2015	9	39	34	20	1,103	358	(60)	1,503
	Net revenue profit added to the reserves	–	–	–	–	–	–	(30)	(30)
	Net profits on realisation of investments during the year	–	–	–	–	166	–	–	166
	Increase in value of non-current investments	–	–	–	–	–	542	–	542
22	Increase in incentive provisions	–	–	–	–	–	(122)	–	(122)
	Profit on foreign currencies	–	–	–	–	2	–	–	2
	Investments sold during the year	–	–	–	–	382	(382)	–	–
	Revaluation of subsidiaries	–	–	–	–	–	(11)	–	(11)
17	Conversion of Convertible Bond	1	84	–	(20)	–	–	8	73
9	Dividends	–	–	–	–	(49)	–	–	(49)
	At 30 September 2016	10	123	34	–	1,604	385	(82)	2,074

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 £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
22	Increase in incentive provisions	–	–	–	–	–	(67)	–	(67)
	Profit on foreign currencies	–	–	–	–	–	–	–	–
	Investments sold during the year	–	–	–	–	4	(4)	–	–
	Revaluation of subsidiaries	–	–	–	–	–	12	–	12
17	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

Consolidated Balance Sheet

Note	As at 30 September	£m	2016 £m	£m	2015 £m
13	Non-Current Assets				
	Investments held at fair value:				
	Unlisted and listed		1,696		1,630
			1,696		1,630
	Current Assets				
14	Trade and other receivables	4		4	
	Current tax asset	1		2	
	Cash and cash equivalents	659		147	
		664		153	
	Current Liabilities				
15	Termination payment	32		–	
15	Trade and other payables	11		6	
16	Zero Dividend Preference Shares	–		69	
	Net Current Assets		621		78
	Total Assets less Current Liabilities		2,317		1,708
17	Convertible Bond	–		73	
22	Provisions for liabilities and charges	243		132	
	Non-Current Liabilities		243		205
	Net Assets		2,074		1,503
	Capital and Reserves				
19	Called-up share capital		10		9
	Share premium	123		39	
	Capital redemption reserve	34		34	
17	Other reserves	–		20	
	Translation reserve	11		(4)	
	Realised capital profits	1,508		1,029	
	Unrealised capital profits	311		312	
	Revenue reserve	77		64	
			2,064		1,494
	Total Equity		2,074		1,503
12	Basic Net Asset Value per Ordinary Share (pence)		5,149.09		4,168.47
12	Diluted Net Asset Value per Ordinary Share (pence)		5,149.09		3,913.84
19	Ordinary Shares in issue at 30 September		40,270,531		36,054,938

The Notes on pages 76 to 107 are an integral part of the Financial Statements.

The Financial Statements on pages 69 to 107 were approved by the Directors on 8 December 2016 and were signed on their behalf by:

Neil Johnson, Chairman
Electra Private Equity PLC
Company Number: 303062

Company Balance Sheet

Note	As at 30 September	£m	2016 £m	£m	2015 £m
	Non-Current Assets				
13	Investments held at fair value:				
	Unlisted and listed		118		120
	Subsidiary undertakings		1,075		1,012
			1,193		1,132
	Current Assets				
14	Trade and other receivables	480		432	
	Current tax asset	–		1	
	Cash and cash equivalents	659		146	
		1,139		579	
	Current Liabilities				
15	Trade and other payables	15		3	
	Net Current Assets		1,124		576
	Total Assets less Current Liabilities		2,317		1,708
17	Convertible Bond	–		73	
22	Provisions for liabilities and charges	243		132	
	Non-Current Liabilities		243		205
	Net Assets		2,074		1,503
	Capital and Reserves				
19	Called up share capital		10		9
	Share premium	123		39	
	Capital redemption reserve	34		34	
17	Other reserves	–		20	
	Realised capital profits	1,604		1,103	
	Unrealised capital profits	385		358	
	Revenue reserve	(82)		(60)	
			2,064		1,494
	Total Equity		2,074		1,503

The Notes on pages 76 to 107 are an integral part of the Financial Statements.

The Financial Statements on pages 69 to 107 were approved by the Directors on 8 December 2016 and were signed on their behalf by:

Neil Johnson, Chairman
Electra Private Equity PLC
Company Number: 303062

Consolidated Cash Flow Statement

For the year ended 30 September	£m	2016 £m	£m	2015 £m
Operating activities				
Purchase of investments	(218)		(187)	
Amounts paid under incentive schemes	(3)		(35)	
Sales of investments	826		224	
Sales of liquidity funds	–		120	
Dividends and distributions received	41		4	
Other investment income received	27		35	
Other income received	5		4	
Expenses paid	(37)		(32)	
Taxation paid	(3)		(6)	
Net Cash Inflow from Operating Activities		638		127
Financing Activities				
ZDP repayment	(73)		–	
Bank loans repaid	–		(153)	
Finance costs	(2)		(6)	
Dividends paid	(49)		(14)	
Convertible Bond Interest paid	(2)		(5)	
Net Cash Outflow from Financing Activities		(126)		(178)
Changes in cash and cash equivalents		512		(51)
Cash and cash equivalents at 1 October		147		198
Cash and Cash Equivalents at 30 September		659		147

Company Cash Flow Statement

For the year ended 30 September	£m	2016 £m	£m	2015 £m
Operating activities				
Purchase of investments	(108)		(82)	
Amounts paid under incentive schemes	(3)		(35)	
Sales of investments	561		244	
Sales of liquidity funds	–		120	
Dividends and distributions received	15		3	
Other investment income received	18		8	
Other income received	1		–	
Expenses paid	(37)		(32)	
Taxation paid	2		(1)	
Net Cash Inflow from Operating Activities		449		225
Financing Activities				
ZDP repayment	(73)		–	
Intercompany loans	190		(100)	
Finance costs	(2)		(5)	
Dividends paid	(49)		(14)	
Bank loans repaid	–		(153)	
Convertible Bond Interest paid	(2)		(5)	
Net Cash Inflow/(Outflow) from Financing Activities		64		(277)
Changes in cash and cash equivalents		513		(52)
Cash and cash equivalents at 1 October		146		198
Cash and Cash Equivalents at 30 September		659		146

Notes to the Financial Statements

1 Segmental Analysis

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

2 Investment Income

For the year ended 30 September	£m	2016 £m	£m	2015 £m
Income				
Dividend income	20		28	
Interest income	65		50	
Other investment income	6		4	
		91		82

3 Other Expenses

For the year ended 30 September	£'000	2016 £'000	£'000	2015 £'000
Other Expenses				
Administrative expenses	3,542		1,792	
Directors' remuneration (see Note 5)	435		299	
Exceptional expenses*	1,293		2,265	
Auditors' remuneration	592		682	
Total operating expenses		5,862		5,038

* In 2016 exceptional expenses included the costs of the General Meeting held in November 2015 and costs associated with phase 1 of the Strategic Review. In 2015 the costs included shareholder related advisory costs and the costs of preparing a circular to shareholders for a General Meeting held in November 2015.

Auditors' Remuneration

For the year ended 30 September	2016 £'000	2015 £'000
Audit of group accounts pursuant to legislation	170	165
Audit of subsidiaries accounts pursuant to legislation	72	116
Sub total	242	281
Other assurance services*	25	114
Total audit fees and other assurance services	267	395
Other services	30	–
Other services relating to taxation	295	287
Total auditors' remuneration	592	682
PricewaterhouseCoopers LLP services contracted by Epiris under its discretionary management contract**		
Tax advisory services	–	25
Corporate finance services and transaction services	795	75
Fees in relation to investment due diligence contracted by Epiris	795	100

* These are professional services in relation to agreed upon procedures performed in respect of Electra's Internal Controls Monitoring Report (ICMR) £25,100 (2015: £20,000 in respect of ICMR) and additional fees for valuation work in connection with the interim review £nil (2015: £94,000).

**PricewaterhouseCoopers LLP have also been engaged by Epiris, 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

As explained in the Report of the Audit Committee on pages 146 to 147 the Board agreed to appoint Deloitte LLP as auditors of the Company with effect from the audit of the Company's Financial Statements for the year ending 30 September 2017, subject to approval by the members at the forthcoming Annual General Meeting to be held on 23 March 2017.

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	Salary £'000	Benefits £'000	2016 Total £'000	Salary £'000	Benefits £'000	2015 Total £'000
Chairman's remuneration (Roger Yates)	10	30	40	100	–	100
Chairman's remuneration (Dame Kate Barker)	62	–	62	–	–	–
Chairman's remuneration (Neil Johnson)	103	2	105	–	–	–
Directors' fees	162	66	228	199	–	199
	337	98	435	299	–	299
Emoluments						
Chairman and highest paid Director	103	2	105	100	–	100

Roger Yates held the position of Chairman for the period from 11 March 2014 to his resignation on 5 November 2015 at which date Dame Kate Barker was appointed Chairman. Dame Kate Barker held the position of Chairman for the period from 5 November 2015 until she stepped down as Chairman on 12 May 2016 at which date Neil Johnson 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 124 to 137.

In the case of Neil Johnson the salary includes payments made to C1 International Consulting Ltd of £26,000 in which he is a director and shareholder.

Benefits include the following:
Roger Yates received reimbursement for a cancelled holiday of £30,000.
Edward Bramson received reimbursement for travel costs of £64,000.

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 one Director (2015: none) waived remuneration.

6 Employees (Excluding Directors)

The Company has two employees (2015: none).

	2016 £'000	2015 £'000
Wages and salaries	49	–
Social security	7	–
	56	–

Wages and salaries shown above include salaries and benefits paid in the year. These costs are included in the operating expenses.

No pension contributions were made in respect of any of the employees.

7 Finance Costs

For the year ended 30 September	Revenue £m	Capital £m	2016 Total £m	Revenue £m	Capital £m	2015 Total £m
Loans Repayable In Less Than One Year						
Zero Dividend Preference Share costs	–	4	4	–	5	5
	–	4	4	–	5	5
Loans Repayable After More Than One Year						
Bank facility*	5	–	5	5	–	5
Convertible Bond costs	2	–	2	7	–	7
	7	–	7	12	–	12
	7	4	11	12	5	17

*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 was LIBOR plus a margin of 2.5%.

On 14 June 2016 the Company's multi-currency revolving credit facility was cancelled. The unamortised issue cost at 14 June 2016 of £3,680,000 (2015: £864,000) and non-utilisation fees of £1,700,000 (2015: £1,651,000) have been charged to the income statement.

8 Taxation Expenses

For the year ended 30 September	Revenue £m	Capital £m	2016 Total £m	Revenue £m	Capital £m	2015 Total £m
Current tax:						
Current tax on profit for the year	4	–	4	4	–	4
Income tax expense	4	–	4	4	–	4

8 Taxation Expenses continued

The difference between the income tax expense shown above and the amount calculated by applying the effective rate of UK corporation tax, currently 20% pro-rata (2015: 20.5% pro-rata) to the profit before tax is as follows:

For the year ended 30 September	Revenue £m	Capital £m	2016 Total £m	Revenue £m	Capital £m	2015 Total £m
Profit on ordinary activities before taxation	9	527	536	33	282	315
Profit before tax multiplied by the effective rate of:						
UK corporation tax of 20% pro-rata (2015: 20.5% pro-rata)	2	105	107	7	58	65
Effects of:						
Dividend income	(4)	–	(4)	(6)	–	(6)
Priority profit share of partnership income appropriated by General Partner	12	(12)	–	4	(4)	–
Capital profits not chargeable due to Investment Trust status	–	(93)	(93)	–	(54)	(54)
Non-taxable income	(6)	–	(6)	(1)	–	(1)
Total Tax Charge	4	–	4	4	–	4

The Finance Act 2015 received Royal Assent on 18 November 2015 and has reduced the standard rate of UK corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. A further reduction to the standard rate of UK corporation tax to 17% from 1 April 2020 in the Finance Act 2016 received Royal Assent on 15 September 2016.

9 Dividends

A final dividend for 2015 of £31,411,014 (78p per share) and an interim dividend for 2016 of £17,719,034 (44p per share) were paid during the year ended 30 September 2016 (2015: approved/paid £13,621,000, 38p per share).

10 Total Return Attributable to Equity Shareholders

The Total Return dealt with in the Financial Statements of the Company includes a profit of £547,000,000 (2015: £311,000,000).

11 Earnings per Share

For the year ended 30 September	2016	2015
Net revenue profit attributable to ordinary shareholders (£m)	5	29
Net capital return attributable to ordinary shareholders (£m)	527	282
Net revenue profit on which diluted return per share calculated with finance charge net of taxation of £nil (2015: £5 million) added back	5	34
Net capital return on which diluted return per share calculated (£m)	527	282
Total Diluted Return (£m)	532	316
Weighted average number of ordinary shares in issue during the year on which the undiluted profit per ordinary share was calculated	39,303,381	35,734,284
Weighted average number of ordinary shares in issue during the year on which the diluted profit per ordinary share was calculated	40,270,531	40,270,691

Net revenue profit was £5,154,998 (2015: profit of £28,572,975) and net capital return was £527,071,329 (2015: £282,229,080).

	Basic earnings per share		Diluted earnings per share	
	2016	2015	2016	2015
	p	p	p	p
Revenue profit per ordinary share	13.12	79.96	12.80	84.43
Capital return per ordinary share	1,341.03	789.80	1,308.83	700.83
Earnings per ordinary share	1,354.15	869.76	1,321.63	785.26

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. The Bond has been treated as a compound financial instrument containing both a liability and an equity component.

On 29 December 2015, all the outstanding 5% Subordinated Convertible Bonds (76,578) were mandatorily converted into new ordinary shares of Electra. At 29 December 2015 the conversion price in respect of each Bond was 2,025p and as a result Electra issued a further 3,781,481 new ordinary shares.

The basic Net Asset Value ("NAV") per share is calculated by dividing NAV of £2,073,564,000 (2015: £1,502,940,000) by the number of ordinary shares in issue amounting to 40,270,531 (2015: 36,054,938).

The diluted NAV per share is calculated by adding the liability component of the Convertible Bonds of £nil (2015: £73,189,000) to NAV of £2,073,564,000 (2015: £1,502,940,000) and then dividing by the weighted average number of ordinary shares amounting to 40,270,531 (2015: 40,270,691) after taking into account dilutive potential shares.

13 Non-Current Assets

Investments Held at Fair Value

As at 30 September	2016 Group £m	2016 Company £m	2015 Group £m	2015 Company £m
Unlisted at Fair Value	1,642	118	1,529	120
Listed at Fair Value	54	–	101	–
Subsidiary Undertakings at Fair Value	–	1,075	–	1,012
	1,696	1,193	1,630	1,132

Investments Held at Fair Value

As at 30 September	Group Unlisted and Listeds £m	Group Liquidity funds £m	Group Total £m	Company Unlisted and Listeds £m	Company Liquidity funds £m	Company Total £m
Valuation						
Valuation at 1 October 2015	1,630	–	1,630	1,132	–	1,132
Purchases	218	–	218	108	–	108
Disposals	(903)	–	(903)	(599)	–	(599)
Increase in valuation	751	–	751	552	–	552
Valuation at 30 September 2016	1,696	–	1,696	1,193	–	1,193

As at 30 September	Group Unlisted and Listeds £m	Group Liquidity funds £m	Group Total £m	Company Unlisted and Listeds £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

14 Trade and Other Receivables – Current

As at 30 September	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Prepayments	–	4	–	4
Amounts owed by subsidiary undertakings	–	–	476	428
Sales for future settlement	4	–	4	–
	4	4	480	432

15 Trade and Other Payables – Current

As at 30 September	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Amounts owed to subsidiary undertakings	–	–	5	–
Carried interest payable	8	1	8	1
Other payables	3	5	2	2
Termination payment	32	–	–	–
	43	6	15	3

16 Zero Dividend Preference Shares

As at 30 September	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Zero Dividend Preference Shares	–	69	–	–

The Company's subsidiary, Electra Private Equity Investments PLC ("EPEI") issued 43,000,000 ZDP Shares at a price of 100 pence each on 5 August 2009 and a further 4,295,000 ZDP Shares at a price of 104 pence each on 2 December 2009. EPEI's ZDP Shares were listed on the London Stock Exchange.

In accordance with its articles, EPEI was required to redeem all of the ZDP Shares at 155.41 pence per share ("the Final Capital Entitlement") on 5 August 2016 and, if unable to do so, the Directors of EPEI were required to convene a general meeting of EPEI, to be held as soon as reasonably practicable following 5 August 2016, at which a resolution would be proposed requiring EPEI to be wound up voluntarily. Accordingly, EPEI's Directors convened a general meeting of EPEI, which was held on 12 August 2016, and at which, inter alia, a special resolution was passed to wind up EPEI voluntarily pursuant to the relevant provisions of the Insolvency Act 1986.

The Company had agreed (by means of the Company repaying the inter-company loan from EPEI and the Company subscribing for new Ordinary Shares in EPEI) to contribute sufficient funds to EPEI to enable the full Final Capital Entitlement to be paid to the relevant ZDP Shareholders and accordingly the Final Capital Entitlement was paid in full by 19 August 2016 to those ZDP Shareholders on the ZDP Share register at 6.00pm on 11 August 2016. The ZDP Shares were cancelled from trading on the London Stock Exchange on 19 August 2016.

17 Convertible Bond

As at 30 September	At 2015 £m	Finance charge £m	Finance charge paid £m	Bond conversion £m	At 2016 £m
Fair value of debt (debt cashflows discounted at 9.9%)	73	–	–	(73)	–
Other Reserves*	20	–	–	(20)	–
5% coupon payable**	1	1	(2)	–	–
Revenue Reserve movement	–	–	–	8	8
Share Capital movement	–	–	–	1	1
Share Premium movement	–	–	–	84	84
Total Bond issue	94	1	(2)	–	93

17 Convertible Bond continued

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 cashflows 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.

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. In accordance with the terms and conditions of the Bonds, the conversion price of 2,050p was adjusted to 2,025p in June 2015 as a result of the payment of the interim dividend on 24 July 2015.

In the period from 1 October 2015 to 28 December 2015, 8,791 5% Subordinated Convertible Bonds were converted into new ordinary shares of Electra. The Conversion Price in respect of each Bond was 2,025p and as a result Electra issued 434,112 ordinary shares.

On 29 December 2015, all of the outstanding 5% Subordinated Convertible bonds (76,578) were mandatorily converted into new ordinary shares of Electra. The Conversion Price in respect of each Bond was 2,025p and as a result Electra issued a further 3,781,481 ordinary shares

18 Financial Instruments

(i) Management of Risk

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

The Group's financial instruments comprise securities in unlisted and listed companies, partnership interests, trade receivables, trade payables and cash.

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.

18 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.

Epiris 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 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 and Continental Europe. The cancellation of the multi-currency facility (Note 7) means the Company no longer hedges foreign currency risk.

The impact on profit after tax and on shareholders' equity of 10% increases and decreases in the value of the US Dollar 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. These profits are held as cash balances. The Company had no gearing at 30 September 2016.

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 and fixed income securities. Whilst the unlisted equity is intentionally illiquid, short-term flexibility is achieved through cash which is available on demand.

Credit Risk

The Group's exposure to credit risk principally arises from 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. Cash was principally held with two UK banks (see table below) and totalled £659,214,000 (2015: £147,123,000).

Bank Credit Ratings at 30 September 2016	Moody's
Royal Bank of Scotland	A3
Barclays	A2 (Negative)

18 Financial Instruments continued

Capital Risk Management

The Group's capital at 30 September comprised:

	30 Sep 2016 £m	30 Sep 2015 £m	Repaid
Debt			
Zero Dividend Preference Shares	–	69	Aug 2016
Convertible Bond	–	73	Dec 2015
	–	142	
Equity			
Equity share capital	10	9	
Retained earnings and other reserves	2,064	1,494	
	2,074	1,503	
Total capital	2,074	1,645	
Debt as a percentage of total capital	–	9%	

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, or issue new shares or debt. During the year the Group paid dividends totalling £49,130,000 (2015: £13,621,000).

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 (2015: £nil) was utilised to repurchase shares for cancellation.

(ii) Market Price Exposure

	2016 Increase in variable £m	2016 Decrease in variable £m	2015 Increase in variable £m	2015 Decrease in variable £m
10% movement in price of listed investments				
Impact on profit after tax	5	(5)	9	(9)
Impact as a percentage of profit after tax	1%	(1)%	3%	(3)%
Impact on shareholders' equity	5	5	9	(9)
Impact as a percentage of shareholders' equity	0%	0%	1%	(1)%

(iii) Foreign Currency Exposures

Currency

	2016 Sterling appreciation £m	2016 Sterling depreciation £m	2015 Sterling appreciation £m	2015 Sterling depreciation £m
10% Movement in Euro				
Impact on (loss)/profit after tax	(18)	20	(16)	16
Impact as a percentage of (loss)/profit after tax	(3)%	4%	(5)%	5%
Impact on shareholders' equity	(18)	20	(16)	16
Impact as a percentage of shareholders' equity	(1)%	1%	(1)%	1%
10% Movement in US Dollar				
Impact on (loss)/profit after tax	(10)	11	(12)	12
Impact as a percentage of (loss)/profit after tax	(2)%	2%	(4)%	4%
Impact on shareholders' equity	(10)	11	(12)	12
Impact as a percentage of shareholders' equity	(1)%	1%	(1)%	1%

18 Financial Instruments continued

(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 2016.

As at 30 September 2016	Total £m	Fixed rate financial instruments £m	Floating rate financial instruments £m	Financial instruments on which no interest is earned/paid £m
Financial Assets	2,359	622	445	1,292
Financial Liabilities	(43)	–	–	(43)
Total	2,316	622	445	1,249

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

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

Currency As at 30 September	Fixed rate financial assets weighted average interest rate 2016 %	2015 %	Fixed rate financial assets weighted average period until maturity 2016 years	2015 years
Sterling	5	7	3	5
US Dollars	7	8	2	4
Euro	7	8	2	3

	2016 Increase in variable £m	2016 Decrease in variable £m	2015 Increase in variable £m	2015 Decrease in variable £m
1% movement in interest rates				
Impact on interest income from cash	6	(6)	2	(2)
Total impact on profit/(loss) after tax and shareholders' equity	6	(6)	2	(2)
Impact as a percentage of total profit/(loss) after tax	1%	(1)%	0%	0%
Impact as a percentage of shareholders' equity	0%	0%	0%	0%

18 Financial Instruments continued

(v) Maturity of Financial Liabilities

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

As at 30 September	2016 £m	2015 £m
N/A (2015: less than one year)	–	73
N/A (2015: Over two years)	–	85

The financial liability less than one year in 2015 related to the 47,295,000 Zero Dividend Preference Shares (ZDP Shares): 43,000,000 issued by the Company's subsidiary Electra Private Equity Investments PLC ("EPEI") on 5 August 2009 and 4,295,000 issued on 2 December 2009 (see Note 16). The Final Capital Entitlement was paid to shareholders on 19 August 2016. The financial liability over two years in 2015 related to £100 million 5% Subordinated Convertible Bonds issued on 29 December 2010, convertible on or before 29 December 2017 (see Note 17). These were converted on 29 December 2015.

(vi) Financial Assets and Liabilities

As at 30 September	Fair Value 2016 £m	Fair Value 2015 £m
Primary Financial Assets Held		
Equity shares	1,029	952
Non-equity shares	36	65
Fixed interest securities	622	606
Floating rate securities	9	7
Cash at bank and in hand	659	147
Other assets	4	4
Primary Financial Liabilities held to Finance the Group's Operations		
Zero Dividend Preference Shares	–	72
Convertible Bond	–	138
Other creditors	43	6

Cash, and other receivables and creditors are measured at amortised cost and the rest of the financial assets and liabilities in the table above are held at fair value through profit or loss. The carrying values of the financial assets and liabilities measured at amortised cost are equal to the fair value.

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 23).

18 Financial Instruments continued

(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 complies with 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.

Financial assets and liabilities at fair value through profit or loss

As at 30 September 2016	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Unlisted and listed investments	1,696	54	–	1,642

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

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.

18 Financial Instruments continued

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, comparability difference adjustments, 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 considerations such 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 23.

As at 30 September 2016 10% (2015: 10%) of financial assets at fair value comprise of investments in private equity funds that have been valued in accordance with the policies set out in Note 23. 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.

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

	2016 £m	2015 £m
Opening balance	1,529	1,181
Purchases	218	188
Realisations	(805)	(244)
Transfer to Level 1	(44)	(4)
Increases in valuation	744	408
Closing balance as at 30 September	1,642	1,529

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.

18 Financial Instruments continued

Description	Fair value 2016 £m	Valuation Technique	Unobservable Inputs	Weighted Average Input	Reasonable possible shift +/- (absolute value/%)	Change in Valuation +/- £m
UK						
Consumer goods	650	Comparable trading multiples	EBITDA multiple	9.4x	1x	110/(118)
			Comparability difference adjustment	17.6%	5%	61/(57)
Property	44	Yield	Yield %	7.5%	1%	6/(6)
Private equity funds	69	NAV valuation	NAV	n/a	5%	3/(3)
Business services	662	Comparable trading multiples	EBITDA multiple	9.1x	1x	83/(80)
			Comparability difference adjustment	23.6%	5%	53/(47)
Continental Europe						
Private equity funds	86	NAV valuation	NAV	n/a	5%	4/(4)
Business services	41	NAV valuation	NAV	n/a	5%	2/(2)
Property	2	Yield	Yield %	7.5%	1%	-/-
USA						
Business services	69	Comparable trading multiples	EBITDA multiple	17.8x	1x	7/(7)
			Comparability difference adjustment	1.0%	5%	6/(6)
Private equity funds	7	NAV valuation	NAV	n/a	5%	1/(1)
Asia and elsewhere						
Private equity funds	12	NAV valuation	NAV	n/a	5%	1/(1)
	1,642					

18 Financial Instruments continued

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)
			Comparability difference adjustment	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)
			Comparability difference adjustment	17.0%	5%	(41)/39
Continental Europe						
Consumer goods	14	Comparable trading multiples	EBITDA multiple	9.3x	1x	1/(1)
			Comparability difference adjustment	28.0%	5%	-/-
Private equity funds	59	NAV valuation	NAV	n/a	5%	3/(3)
Business services	33	Comparable trading multiples	EBITDA multiple	5.9	1x	13/(17)
			Comparability difference adjustment	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)
			Comparability difference adjustment	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					

For the purposes of the above tables:

- Consumer goods includes non-cyclical consumer goods, travel and leisure and house leisure and personal goods
- Business services includes media, construction and materials, industrial general and transportation, support services and technology, hardware and equipment
- 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 comparability difference adjustment 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.

18 Financial Instruments continued

The following table presents the transfers between levels for the year ended 30 September 2016:

Transfers between Level 1 and 3:	Level 1 £m	Level 2 £m	Level 3 £m
UK			
Consumer goods	44	–	(44)

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 equity securities transferred out of Level 3 relate to ordinary shares of Hollywood Bowl Group Plc which was listed on the London Stock Exchange during the year. The fair value is determined based on quoted market prices as described in Note 23.

The following table presents the movement in Level 3 instruments for the year ended 30 September 2016 by sector of financial instrument:

	Consumer goods £m	Property £m	Business services £m	Fund positions £m	Total £m
Opening balance at 1 October 2015	642	71	638	178	1,529
Purchases	110	–	89	19	218
Realisations	(329)	(31)	(377)	(68)	(805)
Transfers to Level 1	(44)	–	–	–	(44)
Increase in valuation	271	6	422	45	744
Closing balance at 30 September 2016	650	46	772	174	1,642

19 Called-up Share Capital

As at 30 September	2016 £m	2015 £m
Allotted, called-up and fully paid 40,270,531 (2015: 36,054,938) ordinary shares of 25p each	10	9

During the year ended 30 September 2016, 85,369 Subordinated Convertible Bonds were converted into 4,215,593 ordinary shares (2015: 11,165 Convertible Bonds were converted into 547,187 ordinary shares). No shares were purchased by the Company from shareholders during the year ended 30 September 2016 (2015: nil).

20 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 significant subsidiaries are included in the consolidated Financial Statements of the Group.

Albion (Electra) Limited (trading partnership member)
4,995 ordinary shares of US$1.00 (par value). Paid-in capital US$11,565,002.
Incorporated in the Commonwealth of the Bahamas.
The subsidiary is 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) (in members voluntary liquidation)
14,430,000 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.

20 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
(in members voluntary liquidation)
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.

20 Particulars of Holdings continued

Electra General Partner Number One 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.

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	2016 Carrying value £m	2016 Cost £m	2015 Carrying value £m
ALLFLEX HOLDINGS IV Class A1 Capital Stock 11.2% Class B1/B2 Capital Stock 11.6% Class A2 Capital Stock 11.% Class B3/B4 Capital Stock 11.6%	69	49	73
AUDIOTONIX A shares 57.6% Loan notes 100%	141	61	91
AXIO GROUP Ordinary shares 69.8%	220	2	200
CALA GROUP Ordinary shares 10.5% Unsecured loan 10.5%	47	32	50
CORDATUS VI Subordinated loan notes 51.0%	22	19	–
DAVIES GROUP Preference shares 63.1% Ordinary shares 57.7% Senior unsecured loan notes 72.0% Unsecured loan notes 72.2%	43	40	23
HOLLYWOOD BOWL Ordinary shares 18%	44	–	–
HOTTER SHOES A Ordinary shares 61.3% 10% Secured red PIK loan notes 2022 72.9%	31	84	61
INNOVIA GROUP PEL 29.4% PEC 28.3% Ordinary shares 23.8%	80	33	30

20 Particulars of Holdings continued

As at 30 September	2016 Carrying value £m	2016 Cost £m	2015 Carrying value £m
KNIGHT SQUARE Ordinary shares 49.4% Senior loan notes 66.7% Junior loan notes 55.4%	25	8	34
PARKDEAN RESORTS Ordinary shares 45.1% A roll over loan notes 51.5%	380	196	287
PHOTOBOX GROUP Ordinary A shares 37.2% Loan notes 44.8%	102	89	–
PINE Income units 99.0% Capital units 99.0%	40	22	56
PREMIER ASSET MANAGEMENT Ordinary shares 24.7% 4.0% Preference shares 33.0% 8.0% Preference shares 100.0%	46	26	33
RETIREMENT BRIDGE GROUP Loan notes 50.0%	47	45	–
TGI FRIDAYS A Ordinary shares 78.5% Unsecured loan notes 100%	90	99	113
TREETOPS NURSERIES Ordinary shares 79.2% Preference shares 98.8% 12% Unsecured loan notes 2017 100.0%	49	12	27
TYMON PARK CLO LTD Subordinated loan notes 49.0%	16	13	–

21 Related Party Transactions

Carried interest schemes

Certain members of Epiris (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.

21 Related Party Transactions continued

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, 2012 and 2015 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, 2012 to 2015 and 2015 to 2018 (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.

Summary of carried interest pools

As at 30 September 2016	Initial Pool £m	2006 Pool £m	2009 Pool £m	2012 Pool £m	2015 Pool £m
Amount invested	(236)	(436)	(359)	(785)	(175)
Amount realised	686	763	380	809	4
Valuation of remaining investments	7	46	461	795	196
Pool profit	457	373	482	819	25
Multiple of cost	2.9	1.9	2.3	2.0	1.1
Priority Profit Share	(7)	(32)	(24)	(35)	(2)
Net profit	450	341	458	784	23

21 Related Party Transactions continued

As at 30 September 2016	LTI £'000	1995 LTI £'000	Initial Pool £'000	2006 Pool £'000	2009 Pool £'000	2012 Pool £'000	2015 Pool £'000	Total £'000
Provisional Entitlement	6,688	–	717	8,301	82,469	141,124	4,200	243,499
Outstanding Entitlement	6,989	–	742	139	–	–	–	7,870
Total Amount Outstanding	13,677	–	1,459	8,440	82,469	141,124	4,200	251,369
Amount Paid in Year	1,437	–	950	976	–	–	–	3,363

As at 30 September 2015	LTI £'000	1995 LTI £'000	Initial Pool £'000	2006 Pool £'000	2009 Pool £'000	2012 Pool £'000	2015 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 Year	2,303	63	1,450	30,925	–	–	–	34,741

At 31 May 2017, when the contract with Epiris terminates, any provision, on post 2006 Pools, which is unpaid at that date and any future uplift to them will be reduced by 20% which will revert back to the Company. At 30 September 2016 the value of 20% of the carried interest schemes which are affected in this way was £47 million.

Based on estimates of future cash flows in respect of the investments in these pools the actual net impact on the carried interest provision of the 20% reduction that will occur at 31 May 2017 is estimated to be immaterial and consequently no adjustment has been made.

The carried interest provision of £243 million will only become payable should sufficient proceeds be received from disposal of investments in the pools. The timing of this is uncertain and may arise within a relatively short period.

Participants Investment

From October 2006 the participants in the 2006, 2009, 2012 and 2015 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 2016 £1,875,000 was invested (2015: £1,855,000). At 30 September 2016 the fair value of all investments currently held by the participants was £15,134,000 (2015: £13,498,000).

At 31 May 2017 the Participants have the option to sell their Participants Investments to the Company at the higher of cost or valuation. Had this option been exercised at 30 September 2016 its value would have been £15,936,000.

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 Epiris Managers LLP. The co-investment agreement required Electra to co-invest at the ratio of 2:1 in all Epiris 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.

Priority profit share

Priority profit share for the year ended 30 September 2016 was £28,954,000 (2015: £24,930,000).

21 Related Party Transactions continued

Priority profit share

Priority profit share for the year ended 30 September 2016 was £28,954,000 (2015: £24,930,000).

Year to September	2016 £m	2015 £m
Fee at 1.5%	26,660	22,860
Fee at 1%	714	509
	27,374	23,369
Adjustment for deal fees net of abort costs	1,580	1,561
Total	28,954	24,930

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 Epiris). From 1 April 2015 to 26 May 2016 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%.

On 26 May 2016 the Company served notice of termination of the Management and Investment Guideline Agreement on Epiris and as a consequence from 27 May 2016 priority profit share paid to the Manager 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 Epiris).

In the year to 30 September 2016 £5,206,000 (2015: £3,582,000) 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, Epiris is entitled to receive 50% of the aggregate deal fees in excess of abort costs which were £2,046,000 (2015: £461,000). This is achieved by increasing the priority profit share for the year by the relevant amount. These amounts are shown in the table above.

In addition Epiris charged portfolio companies £1,704,000 in relation to directors and monitoring fees (2015: £1,659,000).

Termination Payment

On 26 May 2016 the Company served notice of termination of the Management and Investment Guideline Agreement on Epiris. This termination becomes effective on 31 May 2017. Under the terms of their contract Epiris are entitled to compensation based on the priority profit share received in the year to 31 May 2017. This has been estimated to be £32,000,000.

This estimate is based on the actual PPS that has been paid from 1 June 2016 up to 30 September 2016. This accounts for approximately 34% of the £32,000,000 provision. The balance is based on estimates of reasonable likely future cash flows including investment realisations, and material payments.

Sherborne

Sherborne Investors Management LP ("Sherborne") was appointed as adviser to the Company on 22 December 2015. Their role was to advise the Company in connection with research and the formulation and making of proposals to the Board of Directors of the Company, and, in particular the Board of Directors' Management Engagement Committee, for the purpose of monitoring and supervising the performance of Epiris. Under the terms of the contract Sherborne are not entitled to a fee but are entitled to be reimbursed for all reasonable expenses. In the year ended 30 September 2016 the Company paid Sherborne £88,000 as reimbursement for travel and subsistence costs. Edward Bramson is a managing member of Sherborne Investors Management LP.

21 Related Party Transactions continued

Net Loans to the Company

Net Sales of investments from Electra to Electra Investments Limited amounted to £156,260,000 for the year ended 30 September 2016 (2015 from Electra: £94,919,000). Net loans advanced by Electra to Electra Investments Limited were £13,090,000 (2015: from Electra £312,669,000). Interest of £9,039,000 (2015: £7,137,000) was paid on these loans.

Net loans for working capital and/or to clear intercompany balances were made from Albion (Electra) Limited for £626,000 (2015: £264,000), to Electra Holdings Inc., for £25,000 (2015: £15,000), to Electra Property Inc., for £415,000 (2015: £170,000), from Electra Private Equity Investments PLC to £73,651,000 (2015: £1,760,000), from Electra Securities Ltd for £nil (2015: £440,000).

Remuneration Disclosure

The AIFMD requires certain disclosures to be made in relation to the remuneration of the Manager's staff during its last financial year ended 31 March 2016.

	Year ended 31 March 2016 £000
Remuneration paid by the Manager to its partners	3,543
Carried Interest paid to the partners of the Manager	8,765
Total	12,308

In accordance with the FCA's guidance on the AIFMD remuneration code, the information above relates only to the financial year of Epiris ended 31 March 2016, substantially all of which relates to the management of Electra. As this is the first full financial year following the Manager's variation of permission to act as an AIFM under the AIFMD (which took effect from 11 July 2014) and which involved a substantial reorganisation of Epiris' group structure, it would not be useful to provide a remuneration disclosure for the previous financial year of Epiris because it would not provide a reliable basis for a like-for-like comparison.

The remuneration paid by Manager in the period was fixed remuneration with no variable remuneration being paid and the number of beneficiaries was eight for the year ended 31 March 2016. All those concerned are partners of the Manager who are also its senior management. Following successful disposals made during the year ended 31 March 2016 the same individuals received aggregate profit distributions as set out above in respect of their carried interest in partnerships through which Electra invests.

Remuneration Policy

Epiris has reviewed its remuneration policies and procedures in order to ensure that incentives are aligned with the detailed requirements of AIFMD. Epiris' 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 Epiris and all are members of its Management Committee.

22 Provision for Liabilities and Charges

Incentive Scheme	2016 £m	2015 £m
At 1 October	132	83
Amounts paid	(3)	(18)
Amounts payable	(8)	–
	121	65
Increase in provision	122	67
At 30 September	243	132

23 Basis of Accounting and Significant Accounting Policies

The Financial Statements for the year ended 30 September 2016 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 IFRS Interpretations Committee ("IFRS IC") as adopted in the European Union as at 30 September 2016.

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, as revenue items for the year ended 30 September 2016.

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 the year there were no relevant standards, amendments and interpretations that became effective for the first time.

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. Subsidiaries are entities controlled by the Group. Control, as defined by IFRS 10, is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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.

Electra Private Equity PLC does not consolidate the investment entities it controls. The principal subsidiaries comprise wholly owned companies and near wholly owned investment holding limited partnerships. They provide investment related services through the provision of investment management or advice and hold investments in managed assets. The primary purpose of these entities is to provide investment related services that relate to the Company's investment activities and therefore they are not considered to be investment entities. These subsidiaries continue to be consolidated.

Investments

The Board has appointed Epiris, 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 the agreements, Epiris 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.

The Group has created other limited partnerships and corporate entities to hold the underlying portfolio assets. The purpose of the limited partnerships and corporate holding vehicles is to invest for investment income and capital appreciation. These partnerships meet the definition of an investment entity and are classified at fair value through profit and loss with movements in fair value being recognised in the Consolidated statement of comprehensive income.

23 Basis of Accounting and Significant Accounting Policies continued

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, Epiris estimates the Fair Value of each investment at the reporting date in accordance with IFRS 13 and the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines.

Fair Value is the price for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction. In estimating Fair Value, the Manager applies a valuation technique which is appropriate in light of the nature, facts and circumstances of the investment and uses reasonable current market data and inputs combined with judgement and assumptions. Valuation techniques are applied consistently from one reporting date to another except where a change in technique results in a better estimate of Fair Value.

The Manager tests its valuation techniques using a tool known as "calibration". This compares the inputs and assumptions used in estimating Fair Value on the reporting date to those used on previous reporting dates and to those underlying the initial entry price of an investment in order to ensure that the inputs and assumptions used on the reporting date are consistent with those used previously.

In general, the Manager will: determine the enterprise value of the investee company in question using one of a range of valuation techniques; adjust the enterprise value for factors that would normally be taken into account such as surplus assets, excess liabilities or other contingencies or relevant factors; and apportion the resulting amount between the investee company's relevant financial instruments according to their ranking and taking into account the effect of any instrument that may dilute the economic entitlement of a given instrument.

(ii) Unlisted Investments

In respect of each unlisted investment the Manager selects one or more of the following valuation techniques:

- A market approach, based on the price of the recent investment, earnings multiples or industry valuation benchmarks;
- An income approach, employing a discounted cash flow technique; and
- A replacement cost approach valuing the net assets of the portfolio company.

In assessing whether a methodology is appropriate the Manager maximises the use of techniques that draw heavily on observable market-based measures of risk and return.

Price of Recent Investment

Where the investment being valued was itself made recently, its cost may provide a good indication of Fair Value. Using the Price of Recent Investment technique is not a default and at each reporting date the Fair Value of recent investments is estimated to assess whether changes or events subsequent to the relevant transaction would imply a change in the investment's Fair Value.

23 Basis of Accounting and Significant Accounting Policies continued

Multiple

Typically the Manager uses an earnings multiple technique. This involves the application of an appropriate and reasonable multiple to the maintainable earnings of an investee company.

The Manager usually derives a multiple by reference to current market-based multiples, reflected in the market valuations of quoted comparable companies or the price at which comparable companies have changed ownership. Differences between these market-based multiples and the investee company being valued are reflected by adjusting the multiple for points of difference which might affect the risk and earnings growth prospects which underpin the earnings multiple. Such points of difference might include the relative size and diversity of the entities, rate of earnings growth, 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, and risks arising from the lack of marketability of the shares.

In respect of maintainable earnings, the Manager usually uses earnings for the most recent twelve month period adjusted if necessary to represent a reasonable estimate of maintainable earnings. Such adjustments might include exceptional or non-recurring items, the impact of discontinued activities and acquisitions, or forecast material changes in earnings.

In some circumstances the Manager may apply a multiple to the net assets of a business, typically where the business' value derives mainly from the underlying Fair Value of its assets rather than its earnings, such as property holding companies.

Discounted Cash Flow

The Discounted Cash Flow technique involves deriving the value of a business or an investment by calculating the present value of the estimated future cash flows from that business or investment using reasonable assumptions and estimations of expected future cash flows, the terminal value or maturity amount and date, and the appropriate risk-adjusted rate that captures the risk inherent to the business or investment. The Manager usually uses the Discounted Cash Flow technique in respect of certain debt investments or where the realisation of an investment is imminent with the pricing of the relevant transaction being substantially agreed such that the technique is likely to be the most appropriate one.

(iii) Listed Investments

The Fair Value of financial instruments traded in active markets is based on quoted market prices at the reporting 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 transactions for an asset take place with sufficient frequency and volume to provide pricing information on an on-going basis. The quoted market price used for listed financial instruments held by the Group is the bid price on the reporting date.

(iv) Fund Investments

In determining the Fair Value of investments in funds managed by parties other than Epiris, the Manager usually uses the net asset value of the fund as reported by the manager as the starting point. The Manager may make adjustments to the reported net asset value to reflect, for example, purchases and sales occurring between the fund's measurement date and the reporting date, or any other facts or circumstances which might impact the Fair Value of the fund.

(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 Balance Sheet at the Fair Value of the subsidiary.

(vii) Accrued Income

Accrued income is included within investment valuations.

23 Basis of Accounting and Significant Accounting Policies continued

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 year.

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.

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 Epiris. 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.

23 Basis of Accounting and Significant Accounting Policies continued

Taxation

The tax effect of different items of income/gain and expense/loss is allocated between capital and revenue on the same basis as the particular item to which it relates, using the Company's effective rate of tax for the accounting period. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Zero Dividend Preference Shares

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

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

Convertible Bonds

The Bond, in accordance with IFRS, was treated as a compound financial instrument that contained both a liability and an equity component. The economic effect of issuing the instrument was substantially the same as issuing both a debt instrument with an obligation to payment of interest and principal (assuming it was 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 were 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 was calculated by using a market rate of interest for a similar borrowing that did not include an equity component or a conversion option. The rate used for these purposes was 9.9%, which, using discounted cash flow, gave a fair value for the debt component of £73 million. The fair value of the equity element was calculated by deducting the fair value of debt from the issue value of the Bond.

Finance costs were taken to the Income Statement and were 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 was debited to long-term liabilities. The nominal value of the ordinary shares issued on conversion was credited to share capital and the balance representing the excess of conversion proceeds over nominal value of the shares was credited to the share premium account. On conversion, the fair value of the equity element was 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.

23 Basis of Accounting and Significant Accounting Policies continued

Bank Loans

Bank loans were initially recognised at the fair value of the consideration received net of issue costs associated with the loan. After initial recognition, these were subsequently measured at amortised cost using the effective interest method, which was the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities. Amortised cost was 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.

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, the value of carried interest provisions. These are valued by Epiris in accordance with IFRS 13 and the IPEV Guidelines. 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 23 for Principles of Valuation of Investments on pages 103 to 104. See Note 21 for further details on carried interest schemes and the termination payment on pages 96 to 100.

Additionally, in this period a key estimate is the assessment of the financial impact of the termination of the management contract with Epiris. The key estimates associated with this are the value of the provision for the termination payment and the impact on the carried interest provision.

The estimates and assumptions used to determine these provisions are discussed more fully in Note 21 on pages 96 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 2016 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 2016;
- the Consolidated Income Statement and 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.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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

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 valuation or accounting issues. The group's return is driven by the performance of the underlying private equity investee companies and funds in which it holds a stake and so the underlying performance and prevailing trading conditions of these companies and funds is of particular relevance to our audit.

Overview

Materiality

- Overall group materiality: £36 million which represents 1.75% of Net Assets.

Audit scope

- The principal activity of the group comprise investing in a portfolio of unlisted investments. The group is based solely in the UK and the financial statements are a consolidation of the parent company and a number of subsidiaries which hold the investments.
- We audited the financial statements of one significant subsidiary, 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 unrealised gains and interest income.
- Calculation of incentive scheme provision and priority profit share.

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 146 of the Report of the Audit Committee, page 101 Basis of Accounting and Significant Accounting Policies and page 76 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 the 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 assess the level of challenge and rigour in the valuations process. 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 79% of the value of the unlisted investments. For a sample of investments we tested the techniques which the Manager used to value the 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 discussed with management 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 later of the deal date and the prior year-end date and considering how this compared relative to the performance of the portfolio company against the relevant set of comparable companies. ■ We obtained independent confirmation from an appropriate person at the portfolio company to confirm the percentage and nominal holding of the debt and equity instruments.

Area of focus	How our audit addressed the area of focus
	Based on this work, we were satisfied that the assumptions used by the directors were acceptable and that the calculations were mathematically accurate. Applying a recent transaction price has been used as the valuation methodology for 12% of the value of the unlisted investments. For a sample of these 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. Applying an underlying asset valuation has been used as the valuation methodology for 9% of the value of the unlisted investments. For a sample of these investments, we corroborated these by tracing them to supporting documentation such as third party valuation reports. We 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 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 unrealised gains and interest income See page 101 to the financial statements for the directors' disclosures of the related accounting policies, judgements and policies and page 76 for further information. Investment income comprises mainly dividends and interest received from investments. Dividends are recognised on the ex-dividend date and interest income is recognised on an effective yield basis when the value attributed to the investee company supports the payment of interest. There is therefore some subjectivity in the recognition of interest income. Net gains represent fair value increases in the value of investments over the financial year and gains made on the disposal of investments. Fair value movements are unrealised and are based on the change in investment valuations which in themselves are subjective as noted above. Investment income and net gains is the measure used to calculate returns being achieved by the group and as the recognition of unrealised gains and interest income is subjective there is a potential incentive for management to overstate these figures in order to enhance results.	We tested interest income receipts by tracing a sample to supporting documentation and performing procedures, including: ■ agreeing amounts to bank statements; and ■ recalculating interest income based on the terms of the underlying investment and considering the recoverability of accrued income. We recalculated unrealised gains on investments 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 understood and evaluated the controls over the accuracy of revenue recognition. We reviewed the revenue recognition accounting policy for compliance with applicable accounting standards and ensured that revenue is being accounted for in line with the policy. We did not identify any differences as a result of this work. We assessed the appropriateness of the allocation of unrealised gains and interest income 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	How our audit addressed the area of focus
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.	
Calculation of incentive schemes provision and priority profit share See page 101 to the financial statements for the directors' disclosures of the related accounting policies, judgements and policies and Note 21 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; 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. Similar 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. When the management agreement with the Manager terminates in May 2017, any provision on post- 2006 pools, which remain unpaid at that date and any future uplift to them will be reduced by 20% which will revert back to the Company. We have therefore considered whether any adjustments are required to the current provision balance to take account of this future 20% reduction.	We recalculated the amounts payable under the incentive schemes and priority profit share using the methodology and fee rates outlined in underlying scheme documentation in the management agreements. For the incentive schemes, we checked inputs to the calculation back to supporting documentation such as: ■ agreeing gains recognised on the sale of investments to the work we performed over net gains; and ■ agreeing the gross value of investments to the work we performed over the fair value of investments. 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 have also 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. We checked the assumptions used in determining whether any adjustments were needed to the incentive scheme provision due to the termination of the management agreement and found the assumptions to be reasonable.

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 the finance function of the Manager in the UK.

Audit work has been performed in respect of one significant subsidiary which requires an audit of its 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, has 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	£36 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 £1.8 million (2015: £1.3 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 pages 120, in relation to going concern. We have nothing to report having performed our review.

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' 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.

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 and company have adequate resources to remain in operation, and that the directors intend them 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 and company'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.

In our opinion:

- the information given in the Corporate Governance Statement set out on pages 138 to 145 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 148, 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 position and 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 146, 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 prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

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 on page 10 of the Annual Report, in accordance with provision C.2.1 of the Code, 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 on page 14 of the Annual Report, in accordance with provision C.2.2 of the Code, 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.
Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.	

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; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

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 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 148, 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
London
8 December 2016

- 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.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 Epiris, 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.

Epiris 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 Epiris has historically been most active. There is an emphasis on areas where Epiris has specific knowledge and expertise. In circumstances where Epiris 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.

Epiris 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 Financial Statements of the Group for the year ended 30 September 2016 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 2016, the following information is set out in the Strategic Report on pages 7 to 16: 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 (all the outstanding Bonds having been converted into new ordinary shares in the Company on 29 December 2015) is included within the Annual Report in the Remuneration section of the Directors' Remuneration Report on pages 124 to 137.

Results and Dividends

A revenue profit attributable to shareholders of £5,155,000 (2015: profit of £28,573,000) was transferred to Revenue Reserves.

In line with the Company's distribution policy (as revised in 2015 following a review of the Company's capital structure, distribution policy and fee arrangements with Epiris), a final dividend of 78p per ordinary share in respect of the year ended 30 September 2015 (2014: nil) was paid on 26 February 2016 to shareholders on the Register of Members at the close of business on 22 January 2016.

An interim dividend for the year to 30 September 2016 of 44p per ordinary share (2015: 38p) was paid on 24 June 2016 to shareholders on the Register of Members at the close of business on 13 May 2016.

The Board has declared a second interim dividend of 110p per ordinary share in respect of the year ended 30 September 2016 (2015: nil), making a total payment for the year ended 30 September 2016 of 154p per ordinary share (2015: 116p). The second interim dividend will be paid on 19 January 2017 to shareholders on the Register of Members at the close of business on 16 December 2016 (please note that the Dividend Reinvestment Plan ("DRIP") option will not apply to the second interim dividend due to be paid on 19 January 2017).

Management Arrangements

Epiris 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 Epiris on 10 February 2015 (the "Management Agreement").

Epiris is also responsible for the investment management of a number of limited partnership funds to which the Company has subscribed. Epiris 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.

On 26 May 2016, the Board announced an interim update on the review of the Company's investment strategy and policy and its structure, which was announced on 25 January 2016 with the objective of maximising long-term shareholder value (the "Review"). As part of this, the Board announced that, in order to provide the Board with the flexibility to put in place any potential changes as an outcome of the Review without any undue delay, it had served notice of termination of the Management and Investment Guideline Agreement ("MIG") and the related limited partnership agreement under which management of the Company's operations and investments is wholly outsourced to Epiris. The Board stated that it continued to explore a range of options including retaining the services of Epiris as investment manager under a mutually acceptable agreement. The MIG provides for a notice period of 12 months (the "Notice Period") during which time Epiris has continued to provide the same administrative and investment management services as previously, although there have been some constraints on the rate of new investments.

On 14 October 2016, the Board announced that termination of the contracts with Epiris would become effective on 31 May 2017 and that the Board would return control of all executive and investment functions to the Board with the migration to a corporate structure and related consolidated financial reporting.

Under the management agreement Epiris receives a management fee equal to 1.5% per annum on the gross value of Electra's investment portfolio, except that there is no management fee payable on cash and the management fee on Non-Core Listed and Primary Fund Investments is 1% per annum. In addition, members of Epiris 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. Details of the carried interest and co-investment schemes for executives of Epiris are contained in Notes 21 and 22 of the Notes to the Financial Statements.

The terms of the agreement with Epiris are that the agreement may be terminated by either party giving notice of not less than 12 months. Since the Company has given notice to terminate the Management Agreement, Epiris is entitled to receive additional compensation equivalent to 12 months' priority profit share (determined by reference to the previous 12 months' priority profit share).

As part of the Board Review which was announced in February 2015, it was agreed that by way of a transitional arrangement, on 12 months' notice being given up to and including 31 May 2017, compensation payable to Epiris under the termination provisions would be calculated on the basis of the fee structure existing prior to 1 April 2015. These arrangements will apply up to the date of termination at 31 May 2017.

During the year the Company continued to operate carried interest and co-investment schemes for executives of Epiris and details of these schemes are contained in Notes 21 and 22 of the Notes to the Financial Statements.

As part of Epiris' long-term succession plan, Steve Ozin has replaced Hugh Mumford as a Keyman under the relevant limited partnership agreement.

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 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.

During the year to 30 September 2016, the Company exercised its right to a Mandatory Conversion of all of the outstanding Bonds in issue into new ordinary shares. Accordingly during the year to 30 September 2016, 85,369 Bonds were converted into 4,215,593 new ordinary shares in the Company (2015: 11,165 Subordinated Convertible Bonds were converted into 547,187 ordinary shares).

At 30 September 2016 there were 40,270,531 ordinary shares of 25p each in issue. The Company does not hold any shares in treasury.

Authority to Make Market Purchases of Shares

As at 30 September 2016, the Company had authority to purchase for cancellation up to 6,036,552 shares. This authority will lapse at the 2017 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.

On 8 November 2016, the Company announced its intention to return up to £200 million of capital to shareholders by way of a tender offer, subject to shareholder approval which will be sought at a General Meeting to be held on 2 December 2016. A separate circular was sent to shareholders on 8 November 2016 with full details of the tender offer and the General Meeting.

Multi-Currency Loan Facility

On 14 June 2016, the Company announced that, having carefully reviewed its cash position, it had decided to cancel its £275 million multi-currency revolving credit facility ("RCF"). At the time, the RCF was undrawn and no payment was required as a result of the cancellation. Cancellation of the RCF is expected to result in annual savings to the Company of approximately £3.3 million in fees.

Directors

The current Directors of the Company are listed on pages 150 to 151. Roger Perkin served as a Director throughout the year ended 30 September 2016.

On 5 November 2015, the Company held a General Meeting, which had been requisitioned by its largest shareholder, Sherborne Investors ("Sherborne"). At this meeting, two nominees of Sherborne, Edward Bramson and Ian Brindle, were elected to the Board as non-executive Directors. Following the conclusion of the General Meeting, Roger Yates resigned as a non-executive Director and Chairman of the Company and Dame Kate Barker (an existing Director of the Company) was appointed Chairman in his place. On 23 November 2015, Geoffrey Cullinan resigned as a non-executive Director of the Company.

On 12 May 2016 Neil Johnson was appointed as a non-executive Director and Chairman of the Company. On 26 May 2016 David Lis and Paul Goodson were appointed as non-executive Directors of the Company.

On 2 June 2016 Josyane Gold resigned as a non-executive Director of the Company. On 20 June 2016 Dame Kate Barker and Francesca Barnes both resigned as non-executive Directors of the Company.

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

On 18 November 2016 the Board of the Company announced the appointments of two further non-executive Directors of the Company: Linda Wilding with effect from 1 December 2016 and Dr John McAdam with effect from 1 January 2017.

All of the Directors (including John McAdam) intend to retire at the Annual General Meeting in 2017 and, being eligible, offer themselves for election or re-election as appropriate. In addition, it is proposed that, subject to the approval by shareholders of a Remuneration Policy for executive Directors (see the Directors' Remuneration Report on pages 124 to 137), Mr Gavin Manson, who was appointed as Chief Financial Officer on 8 August 2016, be appointed as a Director of the Company at the Annual General Meeting.

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. This was in place throughout the financial period under review, up to and including the date of the Financial Statements.

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 %
Sherborne Investors Management (Guernsey) LLP and its associates	–	11,426,086	–	28.37
Prudential PLC Group of Companies	–	3,637,169	–	9.03
Invesco Limited	–	2,271,141	–	5.63
Investec Wealth & Investment Limited	1,289,876	–	3.20	–

*Percentage shown as a percentage of 40,270,531 ordinary shares, being the number of shares in issue at the latest practicable date before the publication of this Directors' Report.

Global Greenhouse Gas Emissions for the Year ended 30 September 2016

Electra has a staff of four employees, operating from small serviced office premises. Accordingly, it does not have any 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

As described in the Report of the Audit Committee, the Company put the audit contract out to tender during the year and, on the recommendation of the Audit Committee, the Board agreed to appoint Deloitte LLP as auditors of the Company with effect from the audit of the Company's Financial Statements for the year ending 30 September 2017, subject to approval by the members at the forthcoming Annual General Meeting to be held on 23 March 2017.

A separate resolution will be proposed at the Annual General Meeting authorising the Directors to determine the remuneration of the Auditors.

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 7 to 16.

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 arrangements are contained in the Corporate Governance Statement on pages 138 to 145.

Annual General Meeting

The Annual General Meeting will be held on Thursday 23 March 2017. 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 Financial Statements for the year ended 30 September 2016.

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 6,036,552 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.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The following disclosures are made in accordance with this requirement:

(i) details of the Company's proposed Long-Term Incentive Plan are set out in the Directors' Remuneration Report on pages 124 to 137;

(ii) details of Directors' fees waived by Mr Bramson are set out in the Directors' Remuneration Report on pages 124 to 137 .

The Directors confirm that there are no further disclosures to be made in this regard.

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 Epiris), 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 Epiris 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 Epiris 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
8 December 2016

Directors' Remuneration Report

Statement by Chairman of the Remuneration Committee

Dear Shareholders,

On behalf of the Board, I am pleased to present my first report as Chairman of the Remuneration Committee, following my appointment during 2016. This report sets out Electra's policy in relation to Directors' remuneration and how this is intended to be implemented during the coming year, subject to shareholder approval. The current policy can be found on pages 120 to 121 of the Company's Report and Accounts to 30 September 2015, which are available on the Company's website (www.electraequity.com).

Changes to Company structure

Currently Electra Private Equity (the Company) does not employ any executive directors and, as an investment trust, the Board consists of non-Executives Directors only. Therefore payments to Directors in 2015/16 comprise non-Executive base fees and benefits only.

As a result of the changes to the corporate structure, discussed earlier in the report, one or more Executive Directors will be appointed to the Board in 2017. In preparation for this, the Committee has recruited a Chief Financial Officer and agreed the proposed Directors' Remuneration Policy designed to ensure that Electra is capable of attracting, reward and retaining high calibre candidates for the newly created roles. This is summarised below and set out in full on pages 126 to 132 of this report. It will be presented to shareholders at the AGM in March 2017.

Remuneration Policy

We have designed the Remuneration Policy to ensure that pay is aligned with the long-term creation of value to shareholders as well as being in line with best practice within the industry. In summary our policy comprises:

- Base salary pensions and benefits are benchmarked against similar sized companies;
- An Annual bonus based on financial and strategic performance measures with at least 50% of pay-outs deferred into shares for three years;
- A Performance Share Plan measuring performance over three years with an additional two-year holding period; and
- Share ownership guidelines of 200% of salary.

Implementation of the policy in 2016/17

For much of 2016/17, the Company will be in a transitional stage as it seeks to transform its operating structure from investment trust to become a 'corporate' holding company, and assumes all operating responsibilities from Epiris. As outlined in the RNS announcement on 14 October 2016 and earlier in this report, in making this transition the Company intends to reduce operating expenses and discounts to the underlying portfolio of assets presently managed by Epiris, from June 2017

The Company's focus during this time will be setting the strategic direction for its future operation, and preparing to assume direct operating responsibility in June 2017. The approach to remuneration for 2016/17 will reflect that focus, and will seek to set the foundation for increasing the value delivered to shareholders over the long term. In combination with the fact that the Company will not have access to the portfolio until June 2017, and will have limited operational influence until beyond that time, the Committee considers it appropriate to adjust the approach to be taken to remuneration for Executives for the 2016/17 performance year.

The particular approach to remuneration for 2017 will be subject to shareholder consultation, and the Committee will seek input on the proposed arrangements from shareholders to ensure transparency, a shared understanding, and broad-based support for the proposals.

Chief Financial Officer

The Board intends to appoint Gavin Manson to the Board as Chief Financial Officer following the 2017 AGM. The Committee has agrees that Mr Manson will receive a base salary of £300,000 with maximum annual bonus and long-term incentive opportunities of 125% and 200% of salary respectively.

Overview

Strategic and Business Review

The Manager's Report

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Governance

Further Information

Performance measures for annual bonus plan and long-term incentives

As 2016/17 is a transitional year, the Committee will select annual bonus plan measures which capture performance against our key objectives over this period while ensuring alignment with shareholders. Since it has not been possible to set traditional performance targets (such as profit or portfolio-oriented measures) the Committee has determined that the 2016/17 bonus will be based on:

- 50% Total Shareholder Return;
- 40% strategic objectives; and
- 10% cost control.

We will employ a mixture of financial and non-financial measures, which will reflect the Company's particular focus over the coming year. The Committee intends to consult with shareholders on the specific measures to be employed, to ensure a focus on shareholder value while appropriately incentivising executives to deliver the changes needed to position the group for future growth, The Committee believes that this will ensure a focus on shareholder value while incentivising the executives to deliver the changes needed in the year to position the group for future growth.

The long-term incentive granted in 2016/17 will be based on relative TSR verses the FTSE 250 Index.

Pay during 2015/16

During the year Neil Johnson was appointed Chairman of the Company. The Committee agreed that his annual fee would be £200,000, significantly higher than that of his predecessor. This reflects the skills which Mr Johnson brings to the role together with the importance and time commitment required. The Committee is satisfied that this fee is appropriate when compared to the fees at other companies of similar size.

Edward Bramson (a non-Executive) acted as Interim Chief Executive during 2015/16 but he received no additional remuneration for undertaking this role.

In conclusion

I believe that our proposed policy creates a strong alignment between our current and future executives and shareholders, and is relevant and aligned with market expectations for a company of this size. I hope that you concur and that you will feel able to support our proposals at the 2017 AGM.

David Lis
Chairman of the Remuneration Committee

Remuneration Policy

The Company's current Remuneration Policy was approved by the Company's members at the Annual General Meeting in March 2014. In accordance with the Large and Medium-sized Companies and Group (Accounts and Reports) (Amendment) Regulations 2013 (Regulations), the revised Remuneration Policy (set out on pages 126 to 132 will be subject to the approval of the members at the forthcoming AGM in March 2017. If approved, the policy will be effective from that date.

1. Key objectives of the Electra remuneration policy

The remuneration policy aims to deliver two core objectives:

- Enable Electra to attract, retain, and incentivise the best talent for its business; and
- Create alignment with shareholders' interests.

To deliver these objectives the remuneration policy will:

- Reward the achievement of Electra's strategic objectives
- Capture emerging corporate governance best practices, wherever feasible;
- Deliver an appropriate balance between fixed and variable pay and reward both short- and longer-term performance.

2. Executive director remuneration policy table

Salary	
Purpose and link to strategy	■ To provide competitive fixed remuneration that will attract, retain and motivate high calibre executives and reflect their experience, duties and location
Operation	■ Salaries are reviewed annually, and any increases take account of a broad range of factors including: – The salary increases awarded across the organisation; – Inflation/cost of living – Individual performance, skills and experience – Financial performance of the group – Pay levels in comparative companies ■ Salaries in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration
Maximum opportunity	■ There is no maximum salary under this policy, and therefore the Committee retains discretion to increase salaries for the duration of this policy ■ Increases beyond those linked to the workforce (in percentage of salary terms) may be awarded in certain circumstances at the Board's discretion (based on the recommendation of the Committee) such as where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group. Any increases beyond the increments awarded across the broader workforce will be explained in the relevant year's Annual Report on Remuneration

Benefits	
Purpose and link to strategy	To provide competitive benefits in line with market practice
Operation	■ The Benefits provision will be reviewed annually. ■ The Company typically provides the following benefits: – Car allowance – Private health insurance – Death in service cover ■ Where Executive Directors are recruited from overseas, other ancillary benefits may be provided, including relocation expenses / arrangements (as required)
Maximum opportunity	The cost of some of these benefits is not pre-determined and may vary from year to year based on the overall cost to the Company in securing these benefits for a population of employees (particularly health insurance and death-in-service cover)

Pension	
Purpose and link to strategy	To provide a competitive, yet cost-effective, appropriate long-term retirement benefit
Operation	Executive Directors may receive a company contribution to a defined contribution scheme or the provision of a cash supplement equivalent, or a combination thereof
Maximum opportunity	Company contributions of up to 10% of base salary

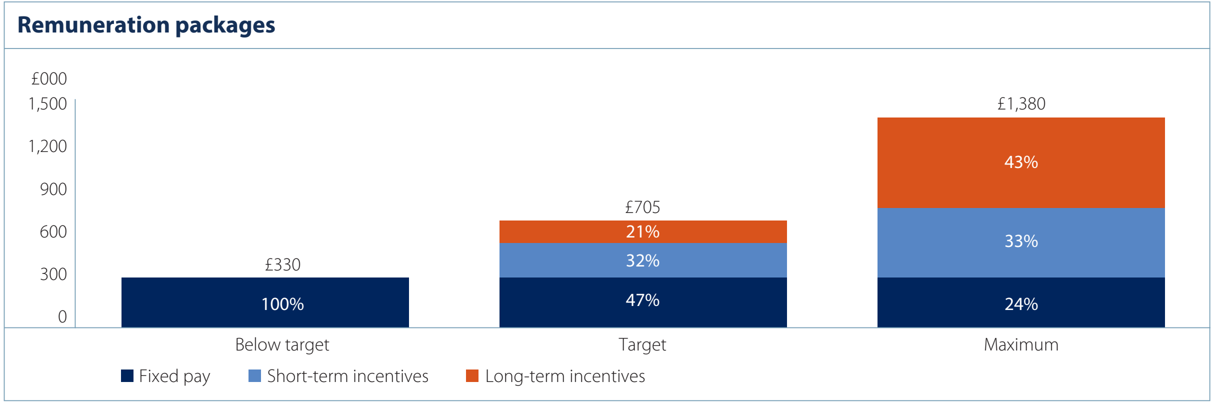
Annual Bonus	
Purpose and link to strategy	To incentivise annual delivery of performance objectives relating to the short-term goals of the Company, driving strong financial performance for investors balanced with effective long-term decision making and prudence
Operation	■ Annual performance measures and threshold, plan and maximum targets will be set by the Committee at the start of the financial year. ■ Following year-end, performance against targets will be assessed to determine pay-out levels at year-end under the bonus plan. ■ In normal circumstances, at least 50% of any actual bonus earned will be deferred into shares for a period of three years. ■ Dividend equivalents (in cash or shares) may be added to deferred shares.
Maximum opportunity	Maximum percentage of salary: 150% of salary
Performance measurement and framework for the recovery of sums paid	■ In normal circumstances, the majority of the bonus will be based on financial performance, with a portion also typically based on the achievement of strategic objectives ■ Up to 20% of maximum is earned at the threshold performance levels, 50% of maximum is paid for on-target performance with a graduated scale operating thereafter through to maximum bonuses being earned for out-performance of the Company's targets for the year ■ Details of the performance targets will be disclosed (retrospectively) in the respective Annual Report on Remuneration ■ Payments under the annual bonus plan (both cash and share components) may be subject to claw-back in the event of a material misstatement of the Company's financial results, misconduct, or if an error is made in the calculation of the bonus. ■ The claw-back provisions will operate for a three-year period following the date on which the bonus is paid i.e. for the full deferral period until the share component vests

Long-Term Incentive Plan Awards	
Purpose and link to strategy	To drive superior long-term financial performance and shareholder returns, aid retention, and align the interests of Executive Directors with shareholders
Operation	■ The LTIP comprises annual awards of free shares (i.e. either conditional shares or nil-cost options) based on a percentage of salary which vest after three years subject to the achievement of performance conditions ■ A holding period applies which requires Executive Directors to retain the after-tax value of shares for 24 months from the vesting date ■ Dividend equivalents (in cash or shares) may be added to shares that vest
Maximum opportunity	■ Maximum percentage of salary: 200% of salary ■ In exceptional circumstances (e.g. recruitment), awards can be made up to 300% of salary
Performance measurement and framework for the recovery of sums paid	■ Granted subject to stretching targets related to the Group's KPIs, tested over three years ■ A maximum of 20% of awards will vest for threshold performance, with full vesting taking place for equalling, or exceeding, the maximum performance targets ■ The Committee may scale back the level of vesting of an award if it considers underlying financial performance over the performance period has been significantly worse than the level of vesting would otherwise indicate ■ Payments may be subject to claw-back in the event of a material misstatement of the Company's financial results, misconduct, or if an error is made in the calculation of the long-term incentive. ■ The claw-back provisions will operate for a two-year period following the date on which awards vest

Share Ownership Guidelines	
Purpose and link to strategy	To encourage a strong culture of ownership across the Executive team, and to create strong alignment between executive directors and those of shareholders, while helping encourage a prudent approach to risk-taking across the business
Operation	■ Executive Directors are expected to build up a shareholding equivalent in value to 200% of salary ■ New joiners will be given five years to achieve these levels of ownership through a combination of purchased shares and equity vesting from any other programmes ■ It is expected that executives will retain, as a minimum, at least 50% of any vesting LTI awards each year until a time at which these ownership guidelines are achieved

3. Illustration of the remuneration packages for each executive director under different performance scenarios

The Company currently has an interim Chief Executive (Edward Bramson) who will not receive any additional remuneration for undertaking this role. For that reason, we have set out the potential remuneration only for the Chief Financial Officer in this year's report. The chart below illustrates the 2016/17 remuneration package, and shows potential pay-outs at different levels of performance. The value of each element, and the percentage of total remuneration that each represents, has been included.



Notes:
Fixed pay consists of base salary and initial benefits allowance of £30,000.
Short-term incentive includes deferred shares. Target performance assumes pay-out at 50% of maximum.
Long-term incentives are based on the 2016/17 award (200% of salary). Target performance assumes pay-out at 25% (the payment for median performance). No payment for dividends or share price growth is assumed.

4. Other relevant policies relating to Executive Directors' remuneration

Administrative powers under incentive plans and the application of discretion
It is important for the Committee to be able to exercise appropriate discretion to ensure that pay outcomes are fair and represent underlying performance. The Committee is therefore able to amend performance outcomes (either in an upward or downward manner) where it believes it is appropriate to do so. The detailed rationale behind any application of discretion will be explained as transparently as possible in the subsequent annual Directors' Remuneration Report.

In addition to the operational features described, the Committee retains standard administrative powers and has absolute discretion to decide (but is not limited to) the following:

- To whom awards are allocated;
- Determination of the result of any disputes relating to the interpretation of the rules;
- The level of the awards under the incentive plans and the timing, within the parameters set in the rules; and
- Alteration of the terms of the performance targets if it feels that they are no longer reflective of the Company's performance as long as the revised targets are no less challenging than those being replaced.

The Committee also retains the discretion to forfeit or clawback deferred awards under the annual bonus plan if it determines that prior performance which resulted in the annual bonus being awarded was discovered to be a misstatement of results or a product of inappropriate management behaviour.

Approach to recruitment remuneration

The Committee is responsible for setting the package for any new Executive Director. On appointment of a new Executive Director, the Committee would seek to offer a remuneration package which can secure an individual of the calibre and skillset required to fulfil the role successfully to help drive long-term value for our shareholders.

In determining the appropriate remuneration package for a new Executive Director the Committee will consider the calibre of the candidate, the level of their existing remuneration, the jurisdiction from which the candidate is recruited from and their skills and experience. Additionally, decisions will be informed by consideration of market data for companies of a similar size and complexity and contextual information regarding remuneration paid to employees elsewhere in the organisation.

Any remuneration package would be in line with the parameters set out in the Directors' Remuneration Policy. In the event of recruitment of a new Executive Director, the rationale behind the package offered will be explained in the subsequent Annual Report on Remuneration.

Where an individual forfeits outstanding incentive awards with a previous employer as a result of accepting the appointment within the Company, the Committee may offer compensatory awards to facilitate recruitment in the form of a 'buy-out' award. These awards would be in such form as the Committee considers appropriate taking into account all relevant factors including the form, expected value, performance conditions, anticipated vesting and timing of the forfeited awards. The expected value of any compensatory awards would be no higher than the value forfeited, and, where possible, the Committee would aim to reflect the nature, timing, and value of awards forgone in any replacement, compensatory awards.

While cash may be included to reflect the forfeiture of cash-based incentive awards, the Committee does not envisage that 'golden hello' cash payments would be offered.

Any share awards referred to in this section will be granted as far as possible under the Company's existing share and incentive plans. If necessary, awards may be granted outside of these plans as currently permitted under the Listing Rules, but in accordance with the principles set out in this section.

For internal promotions, any commitments made prior to appointment may continue to be honoured as the executive is transitioned to the new remuneration arrangements.

Executive Director service contracts

It is the Company's policy to enter into contracts of employment with executive directors which may be terminated at any time by either the Company or the Executive Director upon six months' notice. A summary of the way in which each element of remuneration is treated on loss of office is included in the table below.

Loss of office policy

In the event that the employment of an executive director is terminated, any compensation payable will be determined in accordance with the terms of the employment contract as well as the rules of any relevant incentive plans. The Committee carefully considers compensation commitments in the event of an executive's termination. The aim is to avoid rewarding poor performance and to reduce compensation to reflect the departing executive's obligations and to mitigate losses.

The main elements of remuneration would typically be treated in the following ways:

Element	"Good leaver"*	All other leavers
Fixed pay during the notice period	Save for summary dismissal, executives will receive base pay and other benefits over their notice period including any period where they are not required to work. Alternatively, the Committee may elect to make a payment in lieu of notice, typically amounts will be paid in monthly instalments and reduce, or cease, in the event that remuneration from new employment is received.	
Bonus for final year of service	The Committee may award an executive an annual bonus payment in respect of their final year of service (while they are under notice). This payment will usually be pro-rated to reflect the portion of the financial year for which they were in active employment. Pay-outs will be calculated with reference to individual and financial performance measures in the usual way. The Committee may determine that a portion of such a bonus must be deferred.	No bonus payment will be made if the director is under notice.
Outstanding deferred bonus awards**	Deferred bonus awards are retained by executives leaving the Company and will vest on the original timetable.	Awards will lapse.
Outstanding long-term incentive awards**	Executives will retain their outstanding long-term incentive awards. These awards will ordinarily be pro-rated based on time employed, will vest on the original timescale and will remain subject to the original performance conditions assessed over the entire performance period as well as the holding period.	Awards will lapse.

* The Committee may determine that a director is a good leaver if they leave the Company as a result of either death, retirement (with the agreement of the Committee); ill health, redundancy, or for any other reason as determined by the Committee.

** Where an executive dies in service the Committee may elect to bring-forward the vesting of awards.

Other payments may be made to compensate executives for the loss of employment rights on termination. Payments may include amounts for agreeing to non-solicitation and confidentiality clauses, reimbursement of legal fees and/or for settlement of any claim arising in connection with the termination of a director's employment.

In the event of a change of control, deferred bonus awards would continue in accordance with their terms, subject to the Committee's discretion to determine otherwise. The vesting of outstanding long-term incentive awards would normally be accelerated, the percentage of each award which will vest would be determined by the Committee taking into account the performance conditions and the proportion of the Vesting Period which has elapsed at the date Control was obtained.

Pay and employment conditions across the Group

When determining the Remuneration policy, structures, and practices for executive directors, the Remuneration Committee takes into consideration the pay and employment conditions applied across the organisation to ensure that pay structures are suitably aligned and that absolute remuneration levels remain appropriate. The Committee reviews the pay ratios between the Executive Directors and the broader workforce, and also takes into account the general basic salary increases for employees across the organisation when determining executive director salary increases. Employees are not directly consulted on the design, structure, or levels of executive directors.

Open dialogue with shareholders

The views of our shareholders on remuneration are extremely important to the Committee. As such, it is intended that an ongoing and open dialogue with shareholders is maintained. It is the Committee's policy to consult with major shareholders and investor representative bodies prior to proposing any material changes to either this policy or any related remuneration arrangements at an AGM.

External appointments of executives

It is the Company's policy to allow each executive to accept and fulfil one non-executive directorship of another company, although the Board retains the discretion to adjust this policy on a needs-basis. The individual executive is permitted to retain any fees received in respect of any such external appointment, the details of which will be set out in the Directors' Remuneration Report each year.

5. Remuneration policy for the Chairman of the Board and Non-Executive Directors

Electra's policy on Non-Executive Board remuneration is to set both the structure and level of fees to reflect the need to attract high-calibre Board members, and the scope of the responsibilities, time commitment, and market practice.

Terms of appointment

The appointment of both the Chairman and Non-Executive Directors are subject to letters of appointment. Service contracts are not used for non-executive Board members. The letters of appointment are available for inspection at the Company's registered office during normal business hours and at the AGM. In line with the requirements of the 2014 UK Corporate Governance Code for FTSE 350 companies, all Non-Executive Directors are subject to annual re-election by shareholders at the AGM.

Non-Executive Board remuneration policy

The table below sets out the Company's policy for Non-Executive Director fees.

Fee element	Purpose and link to strategy	Operation	Maximum
Chairman's and non-Executive Directors' basic fees	To attract and retain high calibre individuals to serve as non-Executive Directors.	Fee levels are set to reflect the time commitment, responsibility of the role, and taking into account fees paid by similarly sized companies in the market. The Chairman's fee is determined by the Committee and the non-Executive directors' fees are determined by the Chairman and Executive Directors. Fees are reviewed from time to time to ensure that they remain in line with market practice. Fees are paid in equal monthly instalments. The Chairman's fee includes his Chairmanship of the Nominations Committee.	The maximum aggregate fee for non-Executive Directors, including the Chairman, are limited by the Company's articles of association
Additional fees	To provide compensation to non-Executive Directors taking on additional Committee responsibility	Non-Executive Directors (other than the Chairman) are paid an additional fee for their Chairmanship of a Board committee.	
Benefits	To facilitate the execution of the role.	The Company reimburses reasonable travel and subsistence costs and any tax liabilities from these,	

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 (Regulations). It will be subject to an advisory vote at the forthcoming Annual General Meeting in March 2017. While we have attempted to comply with the disclosure requirements, during the financial year the Company had just two remunerated employees and an interim unpaid Chief Executive Officer (part-year). It has therefore not been possible to comply with all elements (for example the comparison of percentage increase in the remuneration of the Chief Executive Officer with that of all the employees of the Company as a whole). Where possible we have followed both the spirit and requirements of the Regulations and provided as much information as possible to help shareholders understand the Company's pay arrangements.

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

During 2015/16 the Remuneration and Nomination Committee comprised all the non-executive Directors of the Company apart from Edward Bramson and Ian Brindle. As such, the members during the year were:

Dame Kate Barker – to 20 June 2016 (Chairman from 1 October 2015 until 5 November 2015 and from 12 May until 20 June)
F Barnes – until 20 June 2016
G Cullinan – until 23 November 2015
J Gold – until 2 June 2016
P Goodson – from 26 May 2016
D Lis – from 26 May 2016 (Chairman of the Committee from 20 June 2016)
R Perkin
R Yates – to 5 November 2015

The Committee met four times during the year, including meetings to assist the process of identifying a suitable non-Executive Chairman and other non-Executive Directors during the year. The Board has agreed that separate Remuneration and Nomination Committees should be established with effect from 2 December 2016. The Committee members are:

Remuneration Committee – Chairman David Lis; members John McAdam (from 1 January 2017) and Linda Wilding.

Nominations Committee – Chairman Neil Johnson; members David Lis, John McAdam (from 1 January 2017) and Roger Perkin

Remuneration paid in 2015/16

Executive Directors

Edward Bramson (a non-executive) acted as interim Chief Executive from 26 May 2016. He was not remunerated for performing this role. There were no other executive directors during the 2015/16 financial year; there are therefore no figures to disclose in relation to the remuneration of Executive Directors.

Non-Executive Director fees

Only Non-Executive Directors were on the Board during 2015/16.

Role	2016 Fees	Fees 2015
Base fee	£35,000	£35,000
Additional fees:		
Chairman of the Company	£165,000	£65,000
Chairman of the Audit, Valuations or Management Engagement Committee	£6,000	£6,000
Chairman of the Remuneration and Nominations Committee	£3,000	£3,000
Senior Independent Director fee	£6,000	£6,000

No fees are paid for membership of a committee.

Chairman fee

During the year Neil Johnson was appointed Chairman of the Company. The Committee agreed that his annual fee would be £200,000. This reflects the skills which Mr Johnson brings to the role together with the importance and time commitment required from the role. The Committee is satisfied that this fee is appropriate when compared to the fees at other companies of similar size.

Benefits

The Company reimburses reasonable travel and subsistence costs together with any tax liabilities from these amounts.

Pension

The non-Executive Directors were not entitled to any pension benefits in the year ended 30 September 2016.

Variable pay

The non-Executive Directors are not entitled to any variable pay.

This resulted in the following total remuneration for directors:

Single Total Figure Table for the Year (Audited)

Director	Fees 30 Sep 2016 £000	Taxable benefits 30 Sep 2016 £000	Total 30 Sep 2016 £000	Fees 30 Sep 2015 £000	Taxable benefits 30 Sep 2015 £000	Total 30 Sep 2015 £000
N Johnson* (appointed Chairman 12 May 2016)	103	2	105	–	–	–
E Bramson** (appointed 5 November 2015)	–	64	64	–	–	–
I Brindle (appointed 5 November 2015)	32	–	32	–	–	–
D Lis (appointed 26 May 2016)	12	1	13	–	–	–
P Goodson (appointed 26 May 2016)	11.75	0.25	12	–	–	–
RK Perkin***	45.5	0.5	46	41	–	41
R Yates**** (resigned 5 November 2015)	10	30	40	100	–	100
Dame Kate Barker***** (resigned 20 June 2016)	62	–	62	47	–	47
F Barnes (resigned 20 June 2016)	29.75	0.25	30	35	–	35
G Cullinan (resigned 23 November 2015)	7	–	7	41	–	41
J Gold (resigned 2 June 2016)	24	–	24	35	–	35
Total	337	98	435	299	–	299

* In the case of Neil Johnson the fee includes payments made of £26,000 to C1 International Consulting Ltd in of which he is a director and shareholder.

** Edward Bramson waived his fee for his role as Non-Executive Director of the Board. The Company reimbursed Mr. Bramson for his travel expenses, with no further benefits provided

*** Roger Perkin served as Senior Independent Director during the period 5 November 2015 to 12 May 2016 and from 20 June 2016 to 30 September 2016.

**** Roger Yates received reimbursement for a cancelled holiday of £30,000. This payment is gross of tax paid on his behalf.

***** Dame Kate Barker served as Chairman of the Board between 5 November 2015 and 12 May 2016 and as Senior Independent Director between the periods 1 October 2015 and 5 November 2015 and from 12 May 2016 to 20 June 2016. She waived the £3,000 per annum payable to her as Chairman of the Nomination Committee during the period 1 October 2015 to 5 November 2015.

Scheme Interests

The Company did not operate any schemes under which shares, or rights to acquire shares, were awarded to Directors of the Company during the year ended 30 September 2016, and no Director was otherwise awarded any interest in shares in the Company.

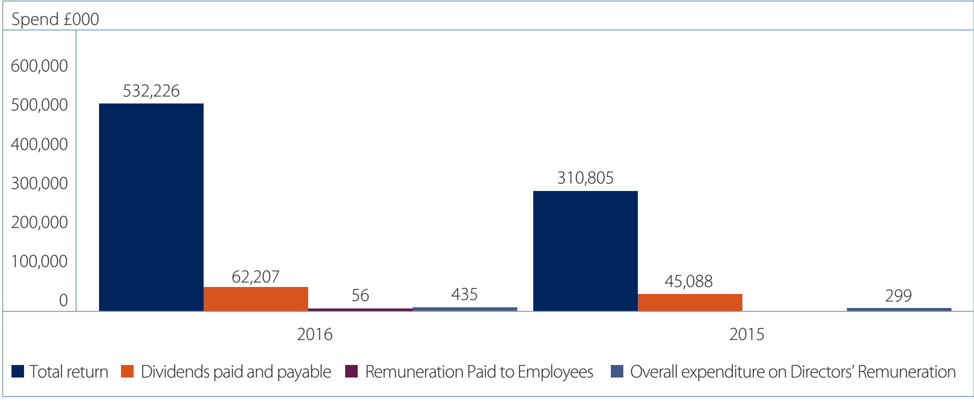
Payments for loss of office and payments to former directors

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 2016.

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 at any time during the year ended 30 September 2016.

Relative Importance of Spend on Pay

Spend	2016 £000	2015 £000	Change %
Total return	532,226	310,805	71
Dividends paid and payable	62,207	45,088	38
Remuneration Paid to Employees	56	–	100
Overall expenditure on Directors' Remuneration	435	299	45

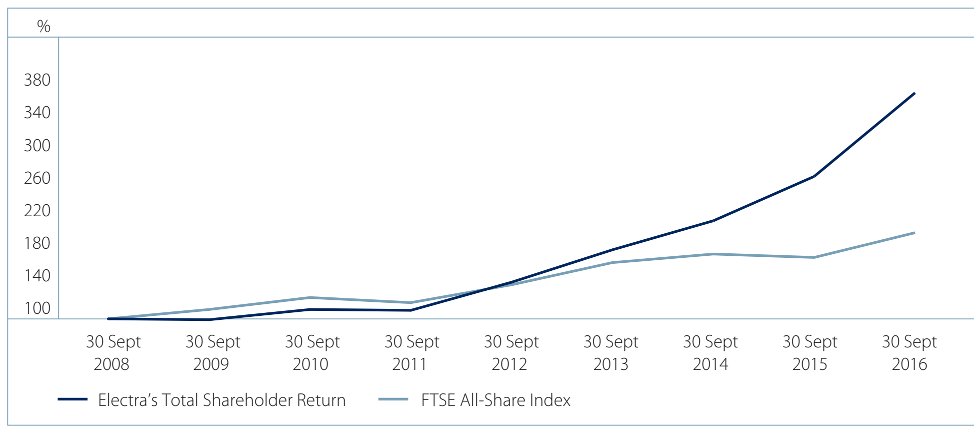


We consider it appropriate to compare the overall expenditure on Directors' remuneration, remuneration paid to employees and dividends paid and payable with the Total Return to demonstrate the relative scale of these figures to each other. It is not meaningful to compare the overall expenditure on Directors' remuneration with the amounts distributed by share buybacks as this amount was nil for the current and previous year.

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. This is displayed in graph format below.

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. On 29 December 2015 the Subordinated Convertible Bonds were mandatorily converted into new Ordinary Shares of the Company. 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 of the Company between 1 October 2016 and 8 December 2016.

	30 Sept 2016 Shares	30 Sept 2016 Bonds	30 Sept 2015 Shares	30 Sept 2015 Bonds
N Johnson*	–	n/a	–	–
E Bramson**	11,426,086	n/a	–	–
I Brindle*	697	n/a	–	–
D Lis*	4,700	n/a	–	–
P Goodson*	–	n/a	–	–
RK Perkin	2,074	n/a	–	42

* Upon appointment none of Mr Brindle, Mr Johnson or Mr Goodson had an interest in the Ordinary Shares of the Company. Mr Lis had an interest in 2,200 Ordinary Shares at the date of his appointment as a Director.

** These shares are held by Sherborne Investors Management (Guernsey) of which Mr Bramson is the managing member. Mr Bramson had an interest of 10,784,463 Ordinary Shares at the date of his appointment as a Director.

Statement of Shareholder Voting

At the Annual General Meeting held on 25 January 2016 an Ordinary Resolution to approve the Annual Report on Remuneration was passed on a poll with the following votes cast:

- Votes for 29,078,392 (99.92%), Votes against 22,103 (0.08%), Votes withheld 1,521

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

Implementation of policy during 2016/17

Chief Financial Officer

The Board intends to appoint Gavin Manson to the Board as Chief Financial Officer following the 2017 AGM. His remuneration for 2016/17 has been determined as:

- Base salary of £300,000
- As the Company has not yet set up any benefits or pension provisions, he will initially receive a total benefits and pension allowance of £30,000. When relevant benefit arrangements are in place he will participate in line with the remuneration policy
- A maximum annual bonus opportunity of 125% of salary (50% will be deferred into shares for 3 years); and
- A long-term incentive award with a face value of 200% of salary.

Performance measures for annual bonus plan

2016/17 is a transitional year, and the Committee has therefore looked to select annual bonus plan measures which capture performance against our key objectives over this period while ensuring alignment with shareholders. Since it has not been possible to set traditional performance targets (such as profit or portfolio-oriented measures) the Committee has determined that the 2016/17 bonus will be based on:

- 50% TSR;
- 40% strategic objectives; and
- 10% cost control.

The Committee believes that this will ensure a focus on shareholder value while incentivising the executives to deliver the changes needed in the year to position the group for future growth. Targets will be set out in the 2016/17 Annual Report on Remuneration.

These will be reviewed for 2017/18 in light of the emerging strategy.

Performance measures for 2016/17 long-term incentive

The long-term incentive plan granted in 2016/17 will be based on TSR relative to the other constituents of the FTSE 250 over the financial years 2016/17, 2017/18 and 2018/19. Median performance will result in 25% of the shares vesting increasing to full vesting for upper quartile performance. All shares (net of tax) will be subject to a two-year holding period after they vest.

Recruitment of a new Chief Executive

Edward Bramson is currently the acting Chief Executive of Electra Private Equity. He does not receive any remuneration for undertaking this role.

Should Electra appoint a new Chief Executive during 2016/17 their remuneration would be in line with the Remuneration Policy and will be set out in the 2017/18 Annual Report on Remuneration.

Non-Executive Director fees

From 1 January 2017, the base fee will be increased to £50,000. Additional fees for Chairing the Remuneration Committee, Audit Committee and Valuations Committee will increase to £10,000 but with no additional fees for Chairing the Nominations Committee. The Senior Independent Director fee will also increase to £10,000.

These increases will become effective subject to shareholder approval of a resolution to increase the permitted upper limit on non-Executive fees from £450,000 per annum to £750,000 per annum at the AGM.

David Lis, Chairman of the Remuneration Committee
Paternoster House
65 St Paul's Churchyard, London EC4M 8AB
8 December 2016

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 2016 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 currently 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 currently outsourced to third parties. However, as reported elsewhere, it is intended that the Company should return control of all executive and investment functions to the Board from June 2017 and accordingly it is developing internal resources to assume all operating responsibilities from June 2017, having served notice of termination of the contracts under which the Company had wholly and exclusively outsourced all of the Company's activities to Epiris, with termination becoming effective on 31 May 2017.

The Company's report this year does not cover the provisions of the Code relating to the role of chief executive, executive directors' remuneration and the need for an internal audit function except to the extent that these have been put in place at the time of writing.

The Board of Directors

The Board comprised six Directors as at 30 September 2016, all of whom were non-executive apart from Edward Bramson who was appointed as an unpaid interim Chief Executive Officer on 26 May 2016.

Roger Yates was Chairman of the Company until 5 November 2015 when he resigned as Chairman and Director of the Company. Dame Kate Barker was Chairman of the Company from 5 November 2015 to 12 May 2016 when Neil Johnson was appointed as Chairman and Director of the Company.

Dame Kate Barker was nominated by the Board as the Senior Independent Director of the Company for the periods to 5 November 2015, (when she was appointed Chairman of the Company), and from 12 May 2016 (when Neil Johnson was appointed Chairman of the Company) until 20 June 2016 when she resigned as a Director. Roger Perkin was nominated by the Board as the Senior Independent Director for the periods from 5 November 2015 to 12 May 2016 and from 20 June 2016 throughout the remainder of the year.

On 5 November 2015 the Company held a General Meeting, which had been requisitioned by its largest shareholder, Sherborne Investors. At this meeting two nominees of Sherborne, Edward Bramson and Ian Brindle were elected to the Board.

On 23 November 2015 Geoffrey Cullinan resigned as a Director of the Company. David Lis and Paul Goodson were appointed as Directors of the Company on 26 May 2016. Josyane Gold and Francesca Barnes resigned as Directors of the Company on 2 June 2016 and 20 June 2016 respectively.

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 Epiris.

Management Agreements between the Company and Epiris set out the matters for which Epiris is responsible and those over which Epiris 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 of the Company who were members of the Board at the time attended the 2016 Annual General Meeting.

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

	Board	Audit Committee	Valuations Committee	Management Engagement Committee	Remuneration and Nomination Committee
Number of meetings	*7	4	2	1	4
N Johnson	2/2	–	–	–	3/3
E Bramson	6/6	–	1/1	1/1	–
I Brindle	6/6	3/3	1/1	–	–
D Lis	2/2	1/1	–	–	2/2
P Goodson	2/2	–	–	–	2/2
RK Perkin	7/7	4/4	2/2	–	4/4
R Yates	1/1	–	–	–	–
Dame Kate Barker**	5/5	1/1	1/1	–	2/2
G Cullinan	1/1	1/1	1/1	–	–
F Barnes	5/5	2/3	2/2	1/1	2/2
J Gold	5/5	2/3	2/2	1/1	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 requisition of a general meeting received from Pershing Nominees on behalf of Sherborne Investment Management (Guernsey) LLC and its associates in September 2015 and the resulting circular to shareholders; the mandatory conversion of the convertible bonds in December 2015 and the appointment of Deloitte LLP as auditors in September 2016.

** Dame Kate Barker was not a member of the Management Engagement Committee at any time while she was a Director and was not a member of the Audit or Valuations Committees whilst she was Chairman. She attended all of the meetings of the Audit and Valuations Committee while she was Chairman of the Company.

The Board receives information that it considers to be sufficient and appropriate to enable it to discharge its duties. Directors receive board papers 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 150 to 151.

Independence of the Board

Edward Bramson is a managing member of Sherborne Investors and Mr Brindle has held non-executive directorships in a number of companies in which Sherborne Investors has had an interest. Both of these Directors were nominated to become Directors of the Company at the General Meeting requisitioned by Pershing Nominees on behalf of Sherborne Investment Management (Guernsey) LLC and its associates in September 2015. On the basis of these relationships to the Company's largest shareholder neither of these Directors is considered by the Board to be independent.

Roger Yates, Roger Perkin and Geoffrey Cullinan were the non-executive Directors of Electra Private Equity Investments PLC ("EPEI") at the commencement of the current year on 1 October 2015. Roger Yates resigned as a Director of EPEI on 5 November 2015. Francesca Barnes and Ian Brindle were appointed as Directors of EPEI on 23 November 2015 and on the same date Geoffrey Cullinan resigned as a Director of EPEI. On 20 June 2016 Francesca Barnes resigned as a Director of EPEI. EPEI is a wholly-owned subsidiary of Electra which was established solely for the purpose of issuing and redeeming Zero Dividend Preference shares. On 12 August 2016 a special resolution was passed at a General Meeting of EPEI requiring that it be wound up voluntarily.

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, apart from Edward Bramson and Ian Brindle, 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. Therefore the majority of the Board are independent.

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. However, in view of the changes to the Board and the Review of the Company that have taken place during the financial year under review, the Board agreed that this was not an appropriate time to carry out an externally-facilitated review and deferred this until after the year end.

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 recently commissioned Korn Ferry to carry out an externally-facilitated evaluation of its operations and performance and those of its Committees and the results of that evaluation are set out below.

Korn Ferry has advised the Board on the appointment of a number of Directors during the year. However separate teams within Korn Ferry are responsible for Director recruitment and Board evaluation.

Korn Ferry report

In line with the provisions of the UK Corporate Governance Code, the Board has conducted an evaluation of its performance. The services of Korn Ferry were retained for the purposes of conducting the board evaluation process.

Board evaluation process:
Korn Ferry undertook a formal evaluation by:

- Having preliminary conversations with the Chairman as to the scope of the review and to the governance and strategic context of Electra;
- Defining six areas to be assessed throughout the process;
- Preparing interview guidelines that were submitted to each member of the Board;
- Discussing those six areas during in-person interviews with each Director;
- Recommending actions for continuous improvement to the Board.

The areas reviewed were: alignment with the strategy and near-to-medium term direction of the company; alignment on Board responsibilities and overall mandate; nature of the conversation and discussions; future competency gaps; effectiveness of secretariat/paper flow; team dynamics. These topics were appropriately addressed and will be regularly reviewed as a matter of good governance.

Outcomes
The Board, in its current membership, had been operating for less than a year at the time Korn Ferry commenced their review. Nonetheless, their observations and the comments received from executive and non-executive Directors alike, point to an effective board with healthy interpersonal dynamics. The interactions among non-Executives and between non-Executives and executives were deemed to be positive, and allowed for sufficient candour, with each Director able to exercise independent judgement.

The Chairmanship of the board was unanimously considered effective. Korn Ferry concluded from their conversations with Board members that the Chairman facilitates contribution from all directors and adequately interfaces with executives and external shareholders.

The review also found that all of the Directors are aligned with the strategic course chosen by the Company; and the aggregate set of Directors' skills and experiences provide adequate support to strategy execution, particularly through the appointment of two additional NEDs in John McAdam and Linda Wilding.

Overall, the Board is considered to be effective and working well with a high level of engagement by Board members.

As a result of Korn Ferry's evaluation and his own discussions with each of the Directors during the year, the Chairman has confirmed that all of the Directors, all of whom intend to retire and offer themselves for election or for re-election at the Annual General Meeting to be held in 2017, continue to be effective and that all of them continue to show commitment to their 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 the then Directors were re-elected at the Annual General Meeting held in January 2016.

Re-election of Directors

In accordance with the Board's policy on Directors' Terms of Appointment, all the Directors (including John McAdam) intend to retire at the Annual General Meeting to be held in 2017 and to offer themselves for election or for re-election. Biographical details of the Directors are set out on pages 150 to 151.

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, during the time of their membership of the Board, other than the respective Chairmen of the Board, while they were in office. Roger Perkin is Chairman of the Committee. The Committee met four times in the year under review and the report of its activities is contained in the Report of the Audit Committee on pages 146 and 147. The Committee has written terms of reference which are available on the Company's website.

With effect from 2 December 2016, the members of the Committee are Roger Perkin (Chairman), Paul Goodson and Linda Wilding.

The Remuneration and Nomination Committee

During the year, the Remuneration and Nomination Committee comprised all the Directors of the Company (apart from Edward Bramson and Ian Brindle), during the time of their membership of the Board, all of whom are or were considered to be independent. The Remuneration and Nomination Committee was chaired by Dame Kate Barker for the periods from 1 October 2015 to 5 November 2015 (when she was appointed Chairman of the Company) and from 12 May 2016 (when Neil Johnson was appointed Chairman of the Company) to 20 June 2016 when Dame Kate Barker resigned as a Director. The Committee was chaired by Roger Perkin for the period from 5 November 2015 to 12 May 2016 and David Lis was appointed as Chairman of the Committee from 1 July 2016 throughout the remainder of the year.

The Committee met four times in the year, including meetings to assist the process of identifying a suitable non-executive Chairman and other non-executive Directors during the year. The report on its activities is contained in the Directors' Remuneration Report on pages 124 to 137. 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 Board has agreed that separate Remuneration and Nomination Committees should be established with effect from 2 December 2016. The Committee members are:

Remuneration Committee – Chairman David Lis; members John McAdam (from 1 January 2017) and Linda Wilding.

Nominations Committee – Chairman Neil Johnson; members David Lis, John McAdam (from 1 January 2017) and Roger Perkin.

The Valuations Committee

The Valuations Committee adds a further level of oversight to the valuation process carried out by Epiris under its contractual arrangements with the Company. The Valuations Committee was chaired by Dame Kate Barker for the period 1 October 2015 to 5 November 2015 and by Francesca Barnes for the period 5 November 2015 to 20 June 2016, when she resigned as a Director, and by Paul Goodson since 1 July 2016. The Committee comprised all the Directors during the year, during the time of their membership of the Board, other than the respective Chairmen of the Board during the year: Roger Yates for the period 1 October 2015 to 5 November 2015, Dame Kate Barker for the period 5 November 2015 to 12 May 2016 and Neil Johnson for the period from 12 May 2016 for the remainder of the year. The Committee met twice during the year. The Committee has written terms of reference which are available on the Company's website.

With effect from 2 December 2016, the members of the Committee are Paul Goodson (Chairman), David Lis, Roger Perkin and Linda Wilding.

Management Engagement Committee

The Management Engagement Committee was established 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's duties are set out in the Committee's written terms of reference, which are available on the Company's website.

The Management Engagement Committee was chaired by Geoffrey Cullinan for the period from 1 October 2015 to 23 November 2015 when he resigned as a Director. The Committee was chaired by Edward Bramson for the period from 23 November 2015 throughout the remainder of the year. The other members of the Committee during the year were Josyane Gold for the period 1 October 2015 to 2 June 2016 and Francesca Barnes for the period 1 October 2015 to 20 June 2016.

The Committee met once during the year to discuss the matters within its remit. The Committee was also involved in discussions regarding the strategic review of the Company's investment strategy and policy and its structure as well as the decision to serve notice of termination of the Management and Investment Guideline Agreement and related limited partnership agreements with the Manager, which were approved by the full Board in May 2016.

On 13 September 2016, the Board agreed that, in light of the decision to give notice of termination of the Management and Investment Guideline Agreement and related limited partnership agreements with Epiris, there was no need to maintain a separate Committee and that the Committee's duties should be handled by the Board in future.

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 Epiris 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 Epiris, 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.

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 Financial Statements. All proxy votes are counted and, except where a poll is called, the level of proxies lodged for each resolution is announced at the Meeting and is published on the Company's website. The Chairmen of the Audit, Remuneration and Nomination, Valuations and Management Engagement Committees are normally available to answer questions at the Annual General Meeting each year.

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

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. The process has been in place for the year under review and up to the date of the approval of the Annual Report and Financial Statements 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 2016 and concluded from the information reviewed that there were no significant failings or weaknesses.

Risk Appetite

The Investment Strategy, as further detailed in the Strategic Report and the Objective and Investment Policy, 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 Notes 21 and 22 of the Notes to the Financial Statements) are structured to try and 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 the 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 Epiris 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, Foreign Currency Risks, Transition Risk, Long-Term Strategic Risks, Investment Risks, Portfolio Diversification Risk, Valuation Risk, Operational Risk, Gearing Risks and Cash Drag Risk along with the risks detailed in Note 18 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 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 103 to 104. 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 Epiris, the Company's system of internal control mainly comprises the monitoring of the services provided by Epiris, including the operating controls established by them to ensure they meet the Company's business objectives. As part of this process Epiris is responsible for submitting performance statistics, investment valuations and management Financial Statements 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 Financial Statements, 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 Epiris 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, and other RNS releases are prepared in accordance with applicable regulatory requirements.

Voting Policy

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

Epiris has adopted the UK Stewardship Code and has made disclosures regarding its policies on stewardship on its website www.epiris.co.uk. Epiris' 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 alternation 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, during the time of their membership of the Board, other than Roger Yates and Dame Kate Barker for the duration of time they were Chairmen of the Board and Neil Johnson who was Chairman of the Board from his appointment as a Director on 12 May 2016. 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.

With effect from 2 December 2016, the members of the Committee are Roger Perkin (Chairman), Paul Goodson and Linda Wilding.

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

- review and approval of the annual plan of the external auditors;
- discussion and approval of the fee for the external audit;
- detailed review of the Annual Report and Financial Statements and Half Year Report 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
- audit tender proposals and appointment of a new auditor
- consideration of the 2016 UK Corporate Governance Code, 2016 AIC Code of Corporate Governance, 2014 Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, 2016 Guidance on Audit Committees and 2012 UK Stewardship Code and impact of these on the Company.

The most significant risk in the Company's Financial Statements is whether its investments are fairly and consistently valued (included the recognition of unrealised gains and interest income) 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 Epiris 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 the report on pages 109 to 115. 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 Financial Statements due to the sensitive nature of these amounts. The Audit Committee ensures that the auditors have checked that the amounts are calculated on a basis which is consistent with the management agreement 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 five 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 auditors of the Company since its listing in 1976 and the audit has not been put out to tender during that time. As anticipated in last year's report, because of PwC's long tenure and in accordance with best practice on the mandatory rotation of the current partner, the Company put the audit contract out to tender during the current year and, on the recommendation of the Audit Committee, the Board agreed to appoint Deloitte LLP as auditors of the Company with effect from the audit of the Company's Financial Statements for the year ending 30 September 2017, subject to approval by the members at the forthcoming Annual General Meeting to be held on 23 March 2017.

EU Audit Regulation reforms in relation to non-audit services will become effective and apply to the Company under these regulations as a Public Interest Entity for the preparation of the Company's 2017 Report and Financial Statements. The Audit Committee can confirm that the Company also expects to comply with these requirements in future in respect of Deloitte LLP.

The Audit Committee has reviewed the provision of non-audit services provided during the course of the current year 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 provided during the course of the current year 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 external 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, Epiris may engage PricewaterhouseCoopers LLP or Deloitte 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 Epiris and the use of entirely separate teams, the Audit Committee is satisfied that this work does not compromise either firm's 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 Epiris 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 Epiris' 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
8 December 2016

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 Epiris. The maintenance and integrity of the website, so far as it relates to the Company, is the responsibility of Epiris. 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

Neil Johnson, Chairman,
Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB
8 December 2016

AXIO Group

B2B information services

This image represents RISI, one of AXIO's four remaining businesses.
RISI is the leading information provider for the global forest products industry.

Board of Directors

Neil Johnson (Chairman)

Neil Johnson is currently Chairman of Synthomer plc, e2v plc and Motability Operations plc and Senior Independent Director of Business Growth Fund. He was formerly CEO of the RAC and chaired telematics company Cybit Plc through IPO and ultimate sale to a US private equity house in 2010. After directing the European automotive interests of British Aerospace, he served a term as director general of the Engineers Employers Federation and later set up a transatlantic trade and business promotion body, British-American Business, Inc. Following an early career in the Army, he began his business career with a series of roles within Lex Service Group, British Leyland, Jaguar and Land Rover. He was, until 2012, an Independent Member of the Metropolitan Policy Authority.

Neil Johnson was appointed as non-executive Chairman and Director of the Company on 12 May 2016.

Edward Bramson

Edward Bramson is a managing member of Sherborne Investors, which he founded in 1986. Sherborne Investors currently invests in publicly traded companies principally in the United States and United Kingdom. Previously, he co-founded New York-based Hillside Capital in 1977, which was one of the first specialist private equity firms in the United States. Edward Bramson has served as Chairman of F&C Asset Management plc, Spirent Communications plc, Nautilus, Inc., Elementis plc, 4imprint Group plc and Ampex Corporation.

Edward Bramson was appointed a Director on 5 November 2015. Edward Bramson is Chairman of the Management Engagement Committee.

Ian Brindle

Ian Brindle was the Senior Partner of Price Waterhouse from 1991 to 1998 and Chairman of PricewaterhouseCoopers until 2001. He was also a member of the Accounting Standards Board between 1992 and 2001 and Deputy Chairman of the Financial Reporting Review Panel between 2001 and 2008. Ian Brindle has served as a non-executive director on the boards of a number of companies including Spirent Communications plc, Elementis plc, F&C Asset Management Group plc and 4imprint group plc.

Ian Brindle was appointed a Director on 5 November 2015.

Paul Goodson

Paul Goodson was Executive Chairman of Great Bear Distribution, a leading independent third party logistics business which provides a range of warehousing, distribution and added value services to blue chip organisations. He stood down in February 2016 after having successfully sold the business to Culina to create a £400 million group.

Prior to Great Bear, he spent 13 years with Barclay PE, latterly serving as MD of the UK business. In this role, he had responsibility for the UK's investment team and shared responsibility for BPE Europe with the Heads of France and Germany. Prior to this, he held a number of senior investment and general management roles both with BPE and 3i after beginning his career with IBM as a Sales Representative.

Paul Goodson was appointed as a Director on 26 May 2016. Mr Goodson is Chairman of the Valuations Committee.

David Lis

David Lis has recently retired from his role as CIO of Equities and Multi-Assets at Aviva Investors, the global asset management business with £267 billion AUM.

Prior to this, he was Head of Equities at Aviva Investors, with overall responsibility for £33 billion of active and passive funds across all major markets and direct day to day responsibility for the active management of the £5.5 billion Institutional UK Equity Fund, £1.1 billion Global Income Fund, £200 million Aviva Investors UK Growth OEIC and £100 million UK Smaller Companies OEIC.

Before joining Norwich Union (now Aviva) in 1997, David Lis spent a number of years as Head of Investor Relations at Ludgate Communications, advising a number of major UK and international companies on their financial communications.

Earlier in his career, he co-founded Windsor Investment Management, and also spent a number of years as a fund manager at both Morgan Grenfell and J Rothschild Investment Management.

David Lis was appointed as a Director on 26 May 2016. David Lis is Chairman of the Remuneration Committee.

Roger Perkin

Roger 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 Tullett Prebon plc, and previously served as a director of Nationwide Building Society, Friends Life Group plc and Evolution Group plc.

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

Linda Wilding

Linda Wilding has extensive experience in the private equity investment and healthcare sectors. Having qualified as a chartered accountant with Ernst & Young, she worked in the private equity division of Mercury Asset Management from 1989 to 2001, rising to the position of Managing Director. She has served as a non-executive director (including as Chairman) on the boards of a number of companies. She is currently a non-executive director of Imperial Innovations Group plc and UDG Healthcare plc. She is currently Chairman of the HgCapital Private Equity Valuation Committee, from which she intends to stand down in January 2017. She was a non-executive director and latterly Chair of Corin plc from 2006 to 2012.

Linda Wilding was appointed a Director on 1 December 2016.

Dr John McAdam

Dr John McAdam will be appointed a Director with effect from 1 January 2017. Dr McAdam will also be appointed as the Senior Independent Director, in place of Roger Perkin.

John McAdam has extensive experience of senior leadership of global businesses in a wide range of industry sectors gained from his career with ICI and Unilever over more than 30 years and his other Board and advisor appointments. John McAdam joined Unilever PLC as a management trainee in 1974 and went on to hold a number of senior positions in Birds Eye Walls, Quest and Unichema before joining ICI plc, where he was Chief Executive until 2007. He is Chairman of Rentokil Initial plc and United Utilities plc and also a Non-Executive Director of Rolls-Royce Group plc. He was Senior Independent Director of J Sainsbury PLC until July 2016 and a Non-Executive Director of Sara Lee Corp (2008-14) and Severn Trent plc (2000-05).

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, Epiris Managers 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 supplemental 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's Report sections of the Company's 30 September 2016 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 2016 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 which 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 Capital Structure, Distribution Policy and Management Fees on 10 February 2015 (the "Management Agreement").

On 26 May 2016, the Board of the Company announced an interim update on the review of the Company's investment strategy and policy and its structure which was announced on 25 January 2016 with the objective of maximising long-term shareholder value (the "Review"). As part of this, the Board announced that, in order to provide the Board with the flexibility to put in place any potential changes as an outcome of the Review without any undue delay, it had served notice of termination of the Management and Investment Guideline Agreement ("MIG") and the related limited partnership agreement under which management of the Company's operations and investments is wholly outsourced to the Manager. The Board stated that it continued to explore a range of options including retaining the services of the Manager as investment manager under a mutually acceptable agreement. The MIG provides for a notice period of 12 months (the "Notice Period") during which time the Manager has continued to provide the same administrative and investment management services as previously, although there have been some constraints on the rate of new investments.

On 14 October 2016, the Board announced that termination of the contracts with the Manager would become effective on 31 May 2017 and that the Board would return control of all executive and investment functions to the Board with the migration to a corporate structure and related consolidated financial reporting.

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, with power to give guarantees and 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, partner or employee of them or any of their Associates or Nominated Director ("Indemnified Persons") 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, No 1 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 Depositary 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 for the year ended 30 September 2016 were PricewaterhouseCoopers LLP. During the year to 30 September 2016 the Company put the audit contract out to tender and, on the recommendation of the Audit Committee, the Board agreed to appoint Deloitte LLP as auditors of the Company's accounts with effect from the audit of the Company's accounts for the year ending 30 September 2017, subject to approval by the members at the forthcoming Annual General Meeting to be held on 23 March 2017.

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 103 to 104 of the Notes to the Financial Statements in the 30 September 2016 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 142 of the Corporate Governance section of the Annual Report.

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

Under the terms of the Management Agreement with the Company, the Manager's annual priority profit share is set at 1.5% per annum on the gross value of the Company's investment portfolio, except that there is no fee payable on cash and the annual priority profit share on Non-Core Listed and Primary Fund Investments is 1% per annum.

The terms of the Management Agreement between the Company and the Manager are that the agreement may be terminated by either party giving notice of not less than 12 months. Since the Company has terminated the Management Agreement, the Manager is entitled to receive additional compensation equivalent to 12 months' priority profit share (determined by reference to the previous 12 months' priority profit share).

As part of the Board Review which was announced in February 2015, it was agreed that by way of a transitional arrangement, on 12 months' notice being given up to and including 31 May 2017, compensation payable to the Manager under the termination provisions would be calculated on the basis of the fee structure existing prior to 1 April 2015. These arrangements will apply up to the date of termination at 31 May 2017.

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 21 and 22 of the Notes to the Financial Statements in the 30 September 2016 Annual Report of the Company.

The finance costs in respect of the Company's multi-currency revolving credit facility, Convertible Bond costs and Zero Dividend Preference Share costs are contained in Note 7 of the Notes to the Financial Statements in the 30 September 2016 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 2016 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 liquidity, 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 the requirements of the 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 risk management and internal controls.

The principal risks of the Company are set out in the Strategic Report and in Note 18 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 18 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 18 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 2016 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 2016 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.

In the course of the year ended 30 September 2016 the Company's multi-currency revolving credit facility was cancelled and the Company exercised its right to a mandatory conversion of all the outstanding Convertible Bonds in issue into new ordinary shares of the Company. In addition on 12 August 2016 a general meeting of Electra Private Equity Investments Plc was held at which a special resolution was passed to wind up Electra Private Equity Investments Plc voluntarily. On 19 August 2016 the Final Capital Entitlement was paid in full to those ZDP Shareholders on the ZDP Share register at 6.00pm on 11 August 2016. The ZDP Shares were cancelled from trading on the London Stock Exchange on 19 August 2016.

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 2016. The Company's leverage calculated at 30 September 2016 under the methods stipulated by AIFMD was 86% under the Gross Method and 118% under the Commitment Method.

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Information for Shareholders

Financial Calendar for 2017

Annual General Meeting	23 March 2017
Half-year Results announced	May 2017
Annual Results announced	December 2017

Website and Electra News via Email

For further information on share 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 165 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 (UK time) 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

In February 2015 a distribution policy was announced whereby Electra proposes 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 the Company's distribution policy a final dividend of 78p per ordinary share in respect of the year ended 30 September 2015 was paid on 26 February 2016 and an interim dividend of 44p per ordinary share in respect of the year to 30 September 2016 was paid to shareholders on 24 June 2016.

The Board has declared a second interim dividend of 110p per ordinary share in respect of the year ended 30 September 2016, which will be paid on 19 January 2017 to shareholders on the Register of Members at the close of business on 16 December 2016.

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).

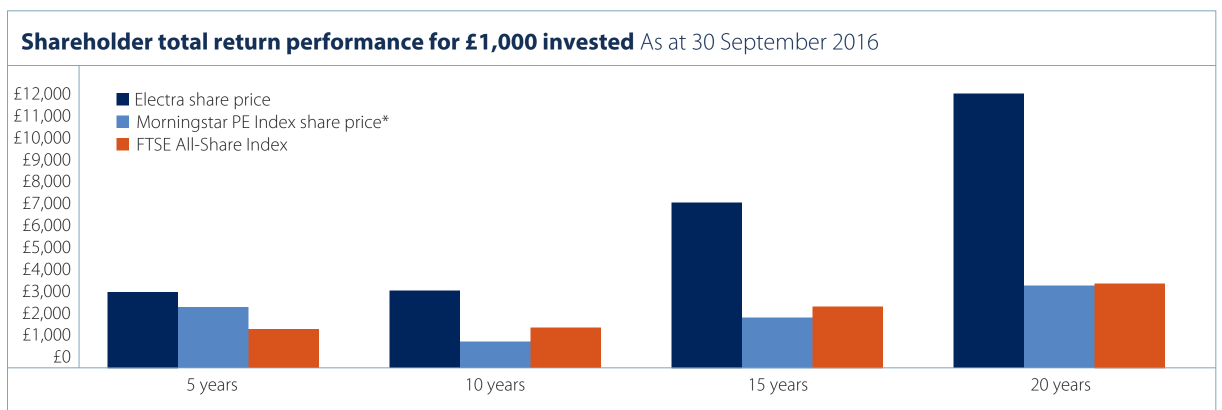
*Lines open 8.30am to 5.30pm (UK time), Monday to Friday, excluding UK bank holidays.

Dividends paid/declared since the distribution policy was revised in February 2015

Description	Dividend amount (pence per ordinary share)	Ex. dividend date	Record date	Payment date
Interim dividend 2015	38.0	04/06/2015	05/06/2015	24/07/2015
Final dividend 2015	78.0	21/01/2016	22/01/2016	26/02/2016
Interim dividend 2016	44.0	12/05/2016	13/05/2016	24/06/2016
Declared second interim dividend 2016*	110.0	15/12/2016	16/12/2016	19/01/2017

*Please note that the Dividend Reinvestment Plan ("DRIP") option will not apply to the second interim dividend due to be paid on 19 January 2017.

Shareholder total return performance for £1,000 invested As at 30 September 2016



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

Trading Information – Ordinary Shares

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

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@epiris.co.uk.

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
2007	[2] 745,506	2,001.21	–	24.60	[3] 17.00	1,605.00	1,680.00
2008	[4] 640,949	1,800.64	–	(13.98)	[5] 25.00	1,570.00	1,235.00
2009	[6] 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
2016	2,073,564	5,149.09	12.80	13.12	122.00	3,482.00	4,310.00

Notes

The net asset values 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 2007 1,470,000 shares were repurchased for cancellation (cost: £22,304,000).
3. Includes special dividend of 17.00p per share paid in March 2007.
4. During the year ended 30 September 2008 1,657,000 shares were repurchased for cancellation (cost: £26,492,000).
5. Includes special dividend of 25.00p per share paid in March 2008.
6. During the year ended 30 September 2009 257,000 shares were repurchased for cancellation (cost: £2,096,000).

Glossary

AIF
Alternative Investment Fund. Electra Private Equity PLC is an AIF.

AIFM
Alternative Investment Fund Manager. Epiris Managers LLP is the AIFM for Electra Private Equity PLC.

AIFMD
Alternative Investment Fund Managers Directive 2011/61/EU of the European Parliament.

Carried Interest
The incentive arrangements, which are similar to arrangements found elsewhere in the private equity industry, are designed to align Epiris' interests with those of Electra's shareholders. These arrangements are typically referred to as "carried interest".

The carried interest payable to the members of Epiris 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 Epiris 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 Epiris 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	500	Amount invested and priority profit share
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 carry	90	18%
Electra	410	82%

At 31 May 2017, when the contract with Epiris terminates, any provision on post 2006 Pools, which is unpaid at that date and any future uplift to it will be reduced by 20% which will revert back to the Company.

CLO
A Collateralised Loan Obligation, or "CLO", is a securitisation vehicle which invests in a portfolio of corporate loans and is funded with a number of tranches of rated debt and a small (typically around 10% of the capital structure) equity tranche. The equity tranche benefits from the yield arbitrage between the return on the loan portfolio and the cost of the capital structure.

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.

Distributions to Paid-In Capital (DPI)
DPI, or realisation multiple, is defined by the Global Investment Performance Standards published by the CFA Institute and is the ratio of Distributions to Paid-In capital. It measures, since inception, the cash received by a fund's investors relative to the amount contributed to the fund by those investors. DPI below and on page 19 comprises cumulative realisations net of investment management fees (PPS and carried interest) in the numerator and original investment cost in the denominator in respect of each fund.

	2006 Pool	2009 Pool	2012 Pool
Amount distributed (£m)	763	380	809
Notional PPS (£m)	(32)	(24)	(35)
Carried interest paid (£m)	(53)	–	–
	678	356	774
Amount invested (£m)	436	359	785
DPI	1.6x	1.0x	1.0x

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.

Epiris LLP
On 5 December 2016 Electra Partners LLP announced that it had changed its name to Epiris Managers LLP.

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.

Investment Return
This is the aggregate of income and capital profits and losses from the Investment Portfolio. This is sometimes disclosed as portfolio return. This is a common measure used by investment companies.

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. Where an IRR is stated to be net, this denotes that it has been calculated net of investment management fees (PPS and carried interest).

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'.

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. This is a common measure used by investment companies.

NAV 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. It can be expressed as a percentage of the opening position. This is a common measure used by investment companies.

	2016	2015
NAV at 30 September (pence)	5,149	3,914
Dividends paid in year ended 30 September (pence)	122	38
	5,271	3,952
Opening NAV (pence)	3,914	3,174
NAV total return	35%	25%

Calculation of NAV

At 30 September 2016

The issue of the Convertible Bonds in December 2010 necessitated the need to report a diluted NAV per share from the date of issue to the date of final conversion in December 2015. The calculation of the audited diluted NAV at 30 September 2015 was affected by the issue of the Bonds. Electra is required to prepare Financial Statements 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 were a compound financial instrument which contained 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.

Diluted and Basic NAV

During the year to 30 September 2016, 85,369 Convertible Bonds ("Bonds") were converted into 4,215,593 ordinary shares in the Company. Prior to this a total of 14,631 Bonds had been converted into 716,251 ordinary shares and, accordingly, the audited NAV per share at 30 September 2016 is calculated on the basis of the 40,270,531 ordinary shares in issue at 30 September 2016.

At 5 December 2016

The unaudited NAV per share at 5 December 2016 was calculated on the basis of the NAV at 30 September 2016 adjusted to reflect purchases and sales of investments, currency movements and bid values on that day in respect of listed investments.

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 and 1% of the gross value of the Company's Non-Core Listed and Primary Fund Investments, no fee is paid on cash. Following the Board's decision to serve notice of termination of the management agreement in May 2016, the management fee reverts back to the structure in place prior to 1 April 2015, whereby the Company pays the Manager 1.5% on assets held in cash (rather than nil) and 1.5% is paid on non-core investments (rather than 1%) as well as 1.5% on core assets.

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 NAV per share and adding back dividends paid per share. This is a common measure used by investment companies.

Share Price Total Return

This is expressed as a percentage and is calculated by dividing the sum of the closing share price and dividends paid in the year by the opening share price. This is a common measure used by investment companies.

	2016	2015
Share price at 30 September (pence)	4,310	3,265
Dividends paid in year ended 30 September (pence)	122	38
	4,432	3,303
Opening share price (pence)	3,265	2,650
Share price total return	36%	25%

Termination Payment

On 26 May 2016 the Company served notice of termination of the Management and Investment Guideline Agreement on Epiris. This termination becomes effective on 31 May 2017. Under the terms of their contract Epiris are entitled to compensation based on priority profit share received in the year to 31 May 2017.

Total Value to Paid-In Capital (TVPI)

TVPI, or investment multiple, is defined by the Global Investment Performance Standards published by the CFA Institute and is the ratio of Total Value to Paid-In capital. It measures, since inception, the aggregate of the cash received by and the residual value attributable to a fund's investors relative to the amount contributed to the fund by those investors. TVPI below and on page 19 comprises cumulative realisations and fair value net of investment management fees (PPS and carried interest) in the numerator and original investment cost in the denominator in respect of each pool.

	2006 Pool	2009 Pool	2012 Pool
Amount distributed (£m)	763	380	809
Remaining valuation (£m)	46	461	795
Notional PPS (£m)	(32)	(24)	(35)
Carried interest paid and provision (£m)	(61)	(82)	(141)
	716	735	1,428
Amount invested (£m)	436	359	785
TVPI	**1.6x**	**2.0x**	**1.8x**

Unlisted Company

Any company whose shares are not listed or traded on a recognised stock exchange.

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