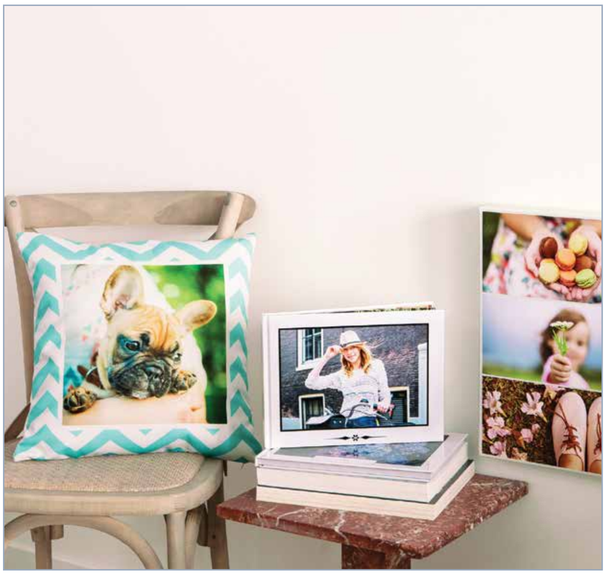
Electra Private Equity PLC

Annual Report and Accounts



30th September 2017

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

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 30th September 2017 its net assets were £758 million or 1,981p per share.

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.

On 31st May 2017, the termination period of Electra's contract with its former external manager came to an end and from 1st June 2017 all investment portfolio and operational responsibilities became the responsibility of the Company's newly formed executive team.

The Company's allocation policy prioritises the return of capital to shareholders when prospective returns are low. Since 1st October 2016, including the recent December 2017 dividend, the Company has distributed £1.8 billion (approximately 4,796p per share).

Chairman's Statement

"I am pleased to report on a year that has seen the Company take great strides in defining and implementing its future strategy whilst continuing to deliver excellent financial returns for our shareholders.

The transition from our former external manager is complete and we now have operating and governance structures in place that give the executive team the ability to manage the delivery of our strategy, with full accountability to the Board.

Following the second phase of our strategic review, we have been able to add more clarity around the future capital deployment and corporate structure of the Company, focused on optimising investment returns. We will make continued progress in the coming year and look forward with confidence to working with the management teams of our portfolio companies to deliver continued shareholder value.

On behalf of the Board, I would like to thank Edward Bramson for his commitment and dedication during his tenure as interim CEO and look forward to continuing to work with him in his Non-Executive role from March."

Overview

The period since my first statement as Chairman in last year's Annual Report has been one of significant positive change for the Company, whilst we have continued to deliver returns to shareholders well in excess of our FTSE 250 benchmark.

With the transition of management functions from the former third-party provider to our executive team with effect from 1st June 2017, the Board now has an appropriate level of control over the strategy and management of the Company.

Since gaining direct access to the Company's investments for the first time in June 2017, we have conducted the anticipated review of our portfolio and announced the conclusions on 23rd October 2017.

The portfolio simplification is now virtually complete and will allow us to focus on our existing corporate investments. The Company is also considering the migration from a closed-ended investment trust to a corporate structure in due course.

Our Total Shareholder Return in the year was 21%, well ahead of the FTSE 250 at 14%, and including the third Special Dividend announced on 23rd October 2017 we have returned £1.8 billion to shareholders since 1st October 2016.

Strategic Review – Phase II

The outcome of the first phase of the strategic review, announced in October 2016, confirmed the Board's intention to proceed with the termination of the Management and Investment Guideline Agreement ("MIG") with Electra Partners (now renamed Epiris LLP or "Epiris"). The Company's executive team completed the internalisation of management in June 2017. This transition to a cost-effective structure appropriate for the nature of the business is already realising material cost savings, and has facilitated the implementation of a robust corporate governance structure to support the Company's future direction.

On gaining access to our portfolio companies in June 2017, the Board conducted the second phase of its strategic review comprising an evaluation of the investment portfolio, the corporate structure and the capital allocation policy of the Company. The findings of this process were announced on 23rd October 2017. The Board considered current market conditions to be unsuitable for new investments and in line with its policy of returning excess cash to shareholders, a third Special Dividend of £350 million, or 914p per share, was announced. In prioritising existing corporate investments, the Company expects to make further non-core realisations. The Board will consider the appropriate utilisation of excess cash proceeds based on the circumstances at that time.

The strategic review also confirmed the Board's view that a listed closed-ended fund structure is not optimal for private equity investment and as such the Company is engaging with the United Kingdom Listing Authority ("UKLA") to consider reclassification as a corporate group. Shareholders will be given the opportunity to vote on the implementation of the Board's recommendations in due course.

Further details are in the Strategic Report on pages 5 to 10.

Board Changes

In the year under review we completed the restructuring of the Non-Executive Board with the appointment of Linda Wilding on 1st December 2016 and of John McAdam, who joined on 1st January 2017 as Senior Independent Director. We also welcomed our Chief Financial Officer, Gavin Manson to the Board with effect from 23rd March 2017.

With the Board having been in place for close to a year, I am delighted with the progress that has been made. The executive team that has been established is proving to be highly effective in meeting the needs of the Board and of the Company in a cost effective way.

With our strategic review complete, we are now in the implementation phase of our strategy. As such with effect from our Annual General Meeting in March, and following shareholder consultation, Edward Bramson will step back into his prior Non-Executive role and I will assume the role of Executive Chairman. In addition, Gavin Manson will take on certain executive activities previously conducted by Edward.

Investment Policy and Activity

Through the combination of historically high market multiples and the substantial amount of private equity capital currently waiting to be deployed globally, the Board considers that market conditions are not conducive to significant numbers of attractive new investment opportunities. As such, investment activity in the short term is likely to be focused on the existing portfolio, as reflected by a £35 million additional investment made in TGI Fridays during the period.

Remuneration Policy

At our Annual General Meeting in March 2017, shareholders approved our first remuneration policy that allowed Executive Directors to be remunerated for their services. This policy (pages 91 to 97) remains in force, however the Remuneration Committee is reviewing the policy in light of the outcome of our strategic review and the changes of responsibilities mentioned above. It is our intention to put an updated policy to the Annual General Meeting in 2018.

Balance Sheet

The balance sheet of the Company continues to be strong and appropriate for its activities. As at 30th September 2017 and before payment of a third Special Dividend of £350 million, the Company held cash of £54 million and money market fund investments of £380 million.

Dividends

Due to the exceptional level of special dividends paid to shareholders over the past 12 months, the Board has elected not to pay an ordinary dividend for the year ended 30th September 2017.

Outlook

With our strategy defined and the resources required for implementation in place, we can look forward with confidence to working with the management teams of our portfolio companies to deliver shareholder value.

Neil Johnson
Chairman
6th December 2017

Strategic Report

The Strategic Report provides a review of the Company's business, the operating performance during the year to 30th September 2017, and its strategy going forward. It also considers the principal risks and uncertainties facing the Company. References to other sections of this Annual Report and Accounts are provided where appropriate.

Strategy in the year to 30th September 2017 and Strategic Review

Throughout the year under review the Company continued to operate as an approved investment trust, following its investment strategy and policy which is intended 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.

In the period to 31st May 2017, the business and affairs of the Company were managed on an exclusive and fully discretionary basis by Epiris. From 1st June 2017, the Board and a newly developed internal executive function assumed all strategic and administrative activities, working closely with G10 Capital LLP ("G10"), who were appointed as the Company's Alternative Investment Fund Manager ("AIFM") from 1st June 2017 to fulfil relevant regulated activities such as risk management.

Throughout the period to 31st May 2017, a combination of favourable market conditions and structural incentives for Epiris resulted in a significant number of asset realisations and the accumulation of substantial cash balances. Subsequently, the Board initiated a number of actions to return excess cash to shareholders. These comprised:

- £94 million tender offer initiated on 8th November 2016
- £1 billion Special Dividend announced on 24th March 2017
- £350 million second Special Dividend announced on 25th May 2017
- £350 million third Special Dividend announced on 23rd October 2017

On 23rd October 2017, the Company announced the key outcomes of activity undertaken since Phase I of the review. The Company has:

- Completed the handover of the investment portfolio and operational responsibilities from its former external manager
- Developed the requisite resources to pursue its new corporate strategy
- Reduced recurring annual management expenses from approximately £33 million to approximately £5 million
- Agreed or completed the disposal of all of its Funds, Secondaries, Debt, and Listed assets
- Created a focused corporate investment portfolio
- Implemented a robust and sustainable corporate governance structure with the Board responsible for continued delivery for shareholders

At the same time the Company announced the key outcomes of Phase II of the strategic review to be:

- Focus on the existing corporate portfolio, in the belief that current market conditions do not support new investments outside the existing portfolio. However, should conditions change, the Board will consider new investments
- In line with a capital allocation strategy that optimises returns on shareholder capital, the Board declared a further Special Dividend of £350 million, or 914p per share. This was paid on 1st December 2017
- Subject to shareholder and regulatory approval, the Company will in due course update its investment policy to reflect a focus on shareholder returns
- Actions will be taken to further simplify the Group's corporate and underlying partnership structures, realising further cost and efficiency benefits
- The Company's intention to change its name to remove the words "Private Equity" to better reflect its revised strategic focus

Subsequent to the 23rd October 2017 announcement, the Company has engaged in discussion with the UKLA in relation to reclassification of its listing category. Subject to the necessary shareholder approvals, the Company intends seeking reclassification from Listing Rule 15 (closed-ended investment funds) in due course. Until that time, the Company will continue to operate as an investment trust company under its existing Investment Policy.

The Board will convene a General Meeting of shareholders when appropriate in order to consider the relevant proposed changes.

The Company continues to create value and optimise returns for shareholders through maximising the benefits at each stage of the 'buy, improve and sell' model for investment holdings. As announced, the Company will consider investments in new holdings when market conditions are conducive.

Each of these steps drives improvements in the Company's key performance metrics, which are Return On Equity, Net Asset Value per share total return and Total Shareholder Return.

Principal Risks and Risk Management

The Board considers that the risks detailed below are the principal risks facing the Company currently, along with the risks detailed in Note 19 of the Notes to the Financial Statements. These are the risks that could affect the ability of the Company to deliver its recently announced strategy.

The Board 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 30th September 2017, and that processes are in place to continue this assessment. Further detail of Risk Management processes that are in place can be found in the Directors' Report on pages 76 to 88.

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 could be influenced by the outcomes of the Brexit negotiations, and all have an impact on the Company's ability to realise a return from its investment portfolio and cannot be directly controlled by the Company. The Board does not consider the level of these risks to be significantly higher or lower than at the same time last year.

Strategy Implementation 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 has undertaken a thorough review of the Company's investment strategy and policy and its structure, with the objective of maximising long-term shareholder value. One of the aims of this review was to mitigate this risk and put in place appropriate procedures.

A robust and sustainable corporate governance structure has been implemented with the Board responsible for continued delivery for shareholders. An executive team and operational infrastructure have been established in order to deliver the strategy.

The key outcomes of the second phase of the strategic review were announced on 23rd October 2017. The Board announced its intention to continue its strategy of optimising return on shareholder capital. Options for reclassifying the current listing category are being explored and, subject to shareholder and regulatory approval in due course, the Investment Policy will then be updated to reflect a focus on shareholder returns.

The Board also considers that current market conditions do not support new investment. If these conditions remain for a prolonged period or the Board does not see good investment opportunities, the Company will be reliant upon the existing portfolio to generate long-term shareholder value.

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) reliance on co-investment parties; (iii) the quality of the management team of each underlying portfolio company and the ability of that team to successfully implement its business strategy; (iv) the success of the executive team in building an effective working relationship with each team in order to agree and implement value-creation strategies; (v) changes in the market or competitive environment in which each portfolio company operates; and (vi) 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.

The executive team has put 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, by way of Board representation. This level of risk is considered broadly similar year on year.

Portfolio Diversification Risk

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

Electra attempts to mitigate this risk by making investments in accordance with the Objective and Investment Policy. In addition, the Board has conducted a thorough review of the portfolio companies as part of the strategic review to maximise long-term shareholder value. This has sought to mitigate risk in this area.

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. This risk is managed through the return of capital to shareholders, in line with the Investment Policy, and mitigated as much as possible through the investment of liquid resources in money market funds. The distributions to shareholders over the course of the year have reduced this risk.

Valuation Risk

The valuation of investments in accordance with IFRS 13 and International Private Equity and Venture Capital Valuation ("IPEV") guidelines requires considerable judgement and is explained on pages 59 to 61. This risk has not materially changed in impact from the prior year.

Operational Risk

The Company is exposed to a range of operational risks including those relating to human resources, legal and regulatory matters, financial reporting, information technology systems, business disruption or shortcomings in internal controls. The Company's investment management, custody of assets, control systems and many administrative systems are overseen by the new executive management team. Appropriately qualified and experienced staff have been recruited for this, and reviews of the implemented controls were carried out by independent parties. Given the recent transition from Epiris, the risk in this area remains more elevated than in other similar businesses.

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.

Gearing is actively monitored across the investment portfolio, including working closely with management teams to ensure that the terms of any borrowing facilities are being forecast, and through maintaining relationships with the lenders who make facilities available. Given the smaller size of portfolio this year, the levels of cash held and the lack of borrowing at the Company level, this risk is considered to be lower than in the past.

Foreign Currency Risks

A small proportion of the Company's assets are denominated in currencies other than Sterling. Movements in foreign exchange rates may therefore affect the Company's net assets, as detailed in Note 19 of the Financial Statements.

The Board regularly reviews the Company's foreign exchange exposure together with the most cost-effective approach to hedging such exposure. At the year end the risk is considered lower than at the prior year end and 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 executive team works with the Company's investment portfolio to make use of natural, financing and derivative hedges to mitigate these exposures.

Viability Statement

The Directors have carefully assessed the Company's current position and prospects 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 is expected to be three years as a minimum
- 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 Directors' Report, the Valuations Committee oversees the valuation process. Typically, the medium-term prospects of each portfolio company form an important part of the valuation process
- A thorough review of the Company's investment strategy, investment policy and structure with the objective of maximising long-term shareholder return has recently been undertaken

Taking account of the above factors of anticipated investment holding periods, the term periods of gearing facilities of the portfolio companies, the liquidity of the Company and the valuations and medium-term prospects of its portfolio companies, 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, the Group's investment process ensures that social, environmental and ethical issues are taken into account and best practice is encouraged.

Diversity

There are currently eight 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.

Not including Directors, the Company employs ten people, six women and four men. The senior management team comprises one woman and two men, excluding Directors.

Performance and Prospects

Performance

The summary of performance of results can be seen on the Income Statement on page 25.

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

- **Return On Equity ("ROE") over the long term**

  ROE is calculated as the total return divided by opening shareholder funds. Electra's ROE has been calculated by taking the annualised percentage change in diluted NAV per share after adding back dividends paid per share.

  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 30th September 2017 the Company's annualised ROE was 11%.

- **The Net Asset Value ("NAV") per ordinary share total return**

  This is the aggregate of income and capital profits of the investment portfolio for the period less all costs. It is expressed as a percentage of the opening NAV. Electra compares its NAV per ordinary share total return over 12 months and 10 years to the Morningstar Private Equity Index.

  The Company's NAV per share total return was 9% over the 12 months and 190% over the 10 years to 30th September 2017. These compared with 15% and 20% respectively by the Morningstar Private Equity Index.

- **The Total Shareholder Return ("TSR")**

  This is expressed as a percentage and is calculated by dividing the sum of the closing share price and adjusted for dividends paid in the period by the opening share price. Electra compares its TSR to the FTSE 250 Index over 12 months and 10 years.

  The Company's share price total return was 21% over the 12 months and 230% over the 10 years to 30th September 2017. These compared with 14% and 139% respectively by the FTSE 250 Index.

A detailed reconciliation from IFRS values to ROE, the NAV per ordinary share total return and the TSR can be found on pages 118 and 119 of the Glossary.

Prospects

The Company's current position and prospects are described in the Chairman's Statement (pages 2 to 4), the Portfolio Highlights (pages 11 and 12), the Portfolio Review (pages 13 to 21) and the CFO Review (pages 22 and 23) sections of this Annual Report and Accounts.

This report was approved by the Board of Directors on 6th December 2017 and signed on its behalf by:

Neil Johnson

Neil Johnson
Chairman
6th December 2017

Portfolio Highlights

Portfolio Overview
At 30th September 2017, Electra's investment portfolio was valued at £358 million. The investment portfolio consists of Buyouts and Co-investments, Secondaries, listed securities and funds. These investments are held on the balance sheet as £321 million non-current investments and £37 million assets held for sale.

Electra also holds money market funds of £380 million. These are short-term liquidity investments held for cash management purposes and are therefore not included as part of the Portfolio Review.

Portfolio Breakdown

Investment Portfolio	**2017 £m**	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Buyouts and Co-investments	**321**	1,461	1,418	1,052	620	600
Secondaries	**2**	82	92	105	126	34
Debt	**–**	51	17	7	97	80
Fund investments	**35**	102	103	108	125	154
Investment portfolio	**358**	1,696	1,630	1,272	968	868

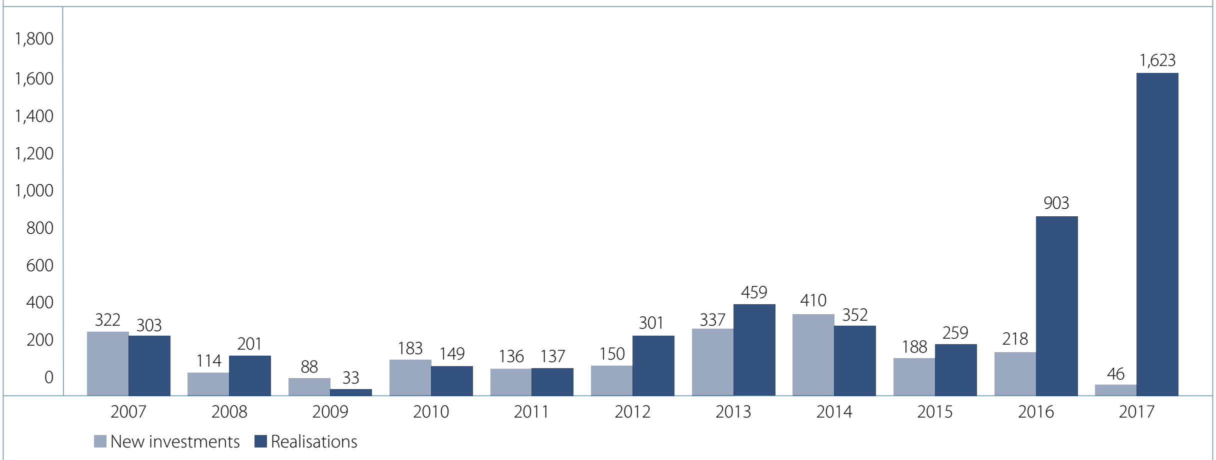
Buyouts and Co-investments
Buyouts and Co-investments form the major part of Electra's portfolio and consist of direct equity investments in nine private companies with an aggregate value of £321 million. Three of these are controlled by third parties; Photobox through co-investment with Exponent, and both Knight Square and Sentinel through management by Epiris as a result of co-investment.

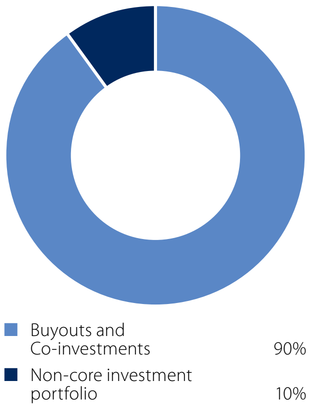
Secondaries
Secondary investments consist of limited partnership interests in third-party private equity funds purchased from investors exiting their positions prior to the end of the fund's life. As a result of their relative maturity, secondary investments typically produce faster cash returns than Buyouts and Co-investments. At 30th September 2017, Electra held investments in five secondary portfolios with an aggregate value of £2 million.

Debt
Debt investments consisted of loans to UK or international borrowers acquired in either the primary or the secondary market as either individual or portfolios of assets.

Fund Investments
Fund investments consist of limited partnership interests in third party private equity funds, where Electra made a primary commitment to that fund. No new primary commitments have been made since 2011. At 30th September 2017, Electra held investments in fifteen funds with an aggregate value of £35 million. The sales have been agreed post year end on the majority of these assets with only nominal value remaining.

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

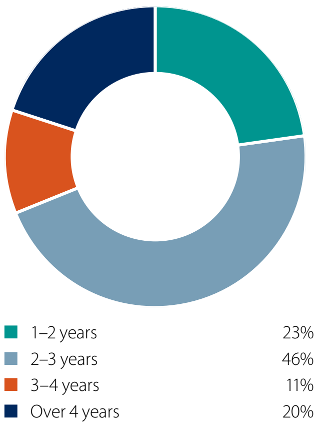




Investment Portfolio Breakdown

At 30th September	2017 %	2016 %
Buyouts and Co-investments	90	86
Secondaries	–	5
Debt	–	3
Non-core investment portfolio	10	6

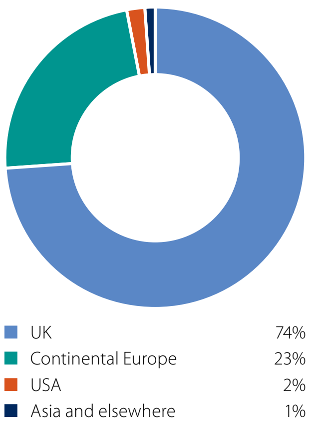
The 2016 breakdown is based on the portfolio at the prior year end.



Investment Portfolio – Age Analysis

At 30th September	2017 %	2016 %
Less than 1 year old	–	10
1 - 2 years	23	6
2 - 3 years	46	21
3 - 4 years	11	23
Over 4 years	20	40

The 2016 breakdown is based on the portfolio at the prior year end.



Buyouts and Co-investments – Geographic Breakdown of Revenue

At 30th September	2017 %	2016 %
UK	74	75
Continental Europe	23	22
USA	2	2
Asia and elsewhere	1	1

In the prior year the geographical split was based on location of investment. In the current year it is based on revenue generated by the portfolio companies, as the Directors feel this is a better representation of the risk within the portfolio. The 2016 numbers above are calculated as described for the current year, but based upon the existing portfolio.

Portfolio Review

Portfolio Movement

Electra's investment portfolio decreased from £1,696 million to £358 million during the 12 months to 30th September 2017. The decrease resulted from net investments and realisations of £1,577 million in part offset by portfolio return of £239 million.

Year ended 30th September	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Opening investment portfolio	1,696	1,630	1,272	968	868	883
Investments	46	218	188	410	337	150
Realisations	(1,623)	(903)	(259)	(352)	(459)	(301)
Investment return	239	751	429	246	222	136
Closing investment portfolio	358	1,696	1,630	1,272	968	868

	Fair value of holding at 30th September 2016 £m	Net investments/ (realisations) £m	Investment return £m	Fair value of holding at 30th September 2017 £m
Buyouts and Co-investments				
TGI Fridays	90	37	35	162
Photobox Group	102	1	(19)	84
Knight Square	25	–	3	28
Hotter Shoes	31	1	6	38
Sentinel Performance Solutions	2	–	1	3
Special Products	–	(1)	3	2
Other	5	–	(1)	4
	255	38	28	321
Parkdean Resorts	380	(406)	26	–
Audiotonix	141	(203)	62	–
Innovia Security	80	(108)	28	–
Allflex Corporation	69	(70)	1	–
Davies Group	43	(45)	2	–
AXIO Data Group	220	(263)	43	–
Treetops Nurseries	49	(94)	45	–
Retirement Bridge Group	47	(48)	1	–
CALA Group	47	(46)	(1)	–
PINE	40	(51)	11	–
Hollywood Bowl	44	(40)	(4)	–
Premier Asset Management	46	(45)	(1)	–
Total Buyouts and Co-investments	1,461	(1,381)	241	321
Secondaries				
EP1 Secondary Portfolio	70	(57)	(13)	–
Other	12	(10)	–	2
Total Secondaries	82	(67)	(13)	2
Debt				
Cordatus VI	22	(27)	5	–
Tymon Park	16	(18)	2	–
Other	13	(16)	3	–
Total Debt	51	(61)	10	–
Fund Investments				
Listed	10	(3)	2	9
Funds	92	(65)	(1)	26
Total Non-core Investments	102	(68)	1	35
TOTAL INVESTMENT PORTFOLIO	1,696	(1,577)	239	358

Key Investments Background

TGI FRIDAYS

Date of initial investment:	Dec 2014
Type of deal:	Buyout
Equity ownership:	78%
Cost:	£136m
Valuation:	£162m
Valuation:	Based on multiple of earnings
Multiple of cost:	1.2x
Location:	UK
Website:	www.tgifridays.co.uk
Management:	Karen Forrester, CEO; Murray Hennessy, Non-Executive Chairman

TGI FRiDAYS

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

Year ended 31st December	2016 £m	2015 £m
Sales	211.0	190.3
Operating Profit	21.0	20.4
EBITDA	31.0	29.6

In December 2014, Electra invested £99 million in the management buyout of the UK franchise of TGI Fridays ("TGIF") from its American parent. In July 2017, Epiris's 1% interest in the investment was purchased for £2 million. In August, Electra invested a further £35 million as part of a refinancing which reduced third party debt and interest payments.

TGIF, which has the exclusive UK rights to operate under the TGI Fridays brand, has 81 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. It demonstrates attractive financial characteristics, outperforming its peers across a range of key performance indicators and offering a high return on capital expenditure.

The company's differentiated product, with wide consumer appeal and a focus on experience rather than heavy discounting, leaves it in a strong position for growth. The intention is to continue to grow through new restaurant openings as well as improving yield management through pricing and marketing initiatives.

In the year ended December 2016, new stores led to good growth for the business which flowed through to the EBITDA performance. In a difficult market for casual dining where a number of competitors are struggling, the company has maintained like-for-like sales and continued to grow through carefully selected new restaurant locations.

HOTTER SHOES

Date of initial investment:	Jan 2014
Type of deal:	Buyout
Equity ownership:	61%
Cost:	£85m
Valuation:	£38m
Valuation:	Based on multiple of earnings
Multiple of cost:	0.4x
Location:	International
Website:	www.hotter.com
Management:	Sara Prowse, CEO; Alan White, Chairman

hotter®

THE QUEEN'S AWARDS FOR ENTERPRISE: 2015

Year ended 31st January	2017 £m	2016 £m
Sales	98.0	101.3
Operating Profit	4.3	3.4
EBITDA	9.0	8.3

In January 2014, Electra invested £84 million in the management buyout of Hotter Shoes from the company's founder and Gresham LLP. In July 2017, as part of a wider transaction to acquire their interest in a number of portfolio companies, £1 million was paid to Epiris for their 1% interest in the company.

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. 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.

Since her appointment in 2016, after a difficult trading period for the company, the new Chief Executive strengthened the leadership team and commenced implementation of a turnaround plan focused on cash, inventory and cost management as well as retail performance improvement. A large investment is underway to improve IT systems across the business which will help to support future growth.

In the financial year ending January 2017, Hotter reported a slight decrease in sales but improved EBITDA due to lower discounting and tighter control of overheads. The sales decline was driven by continued difficult consumer conditions in UK retail, partially offset by strong growth in the US direct market. These trends have continued into the new year.

KNIGHT SQUARE

Date of initial investment:	Mar 2012
Type of deal:	Buyout
Equity ownership:	50%
Cost:	£22m
Amount realised:	£14m
Valuation:	£28m
Valuation:	Based on multiple of earnings
Multiple of cost:	1.9x
Location:	UK
Website:	www.knightsquare.com
Management:	Paul Lester CBE, Chairman

Year ended 31st December	2016 £m	2015 £m
Sales	75.4	74.4
Operating Profit	5.6	9.5
EBITDA	11.3	14.3

In 2012, Electra made a £22 million 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. In July 2017, Epiris's 1% interest in Knight Square was purchased.

The business has two divisions; FirstPort, which provides general management services to almost 4,000 retirement and other residential developments across the UK; and Appello, which provides telecare and telehealth installation and monitoring services that allow people to live independently.

Since the initial investment, process and service improvement initiatives have been undertaken. The company is now in a strong position to take advantage of its nationwide coverage and economies of scale, and opportunities arising from industry consolidation and continued demographic change.

Group revenue growth was 1% in the audited financial year to December 2016, reflecting a number of positive developments during the year. FirstPort is demonstrating greater success in its new business development activities as well as increasing customer retention as a result of its improved service levels. Appello is less advanced in its turnaround in comparison, but investment in operational technology will provide growth opportunities as the market shifts from analogue to digital systems.

PHOTOBOX GROUP

Date of initial investment:	Jan 2016
Type of deal:	Buyout
Equity ownership:	37%
Cost:	£90m
Valuation:	£84m
Valuation:	Based on multiple of earnings
Multiple of cost:	0.9x
Location:	Europe
Website:	www.group.photobox.com
Management:	Jody Ford, CEO; Douglas McCallum, Chairman

photoboxgroup

Year ended 30th April	2017 £m	2016 £m
Sales	326.0	295.9
Operating Profit	40.5	41.6
EBITDA	47.9	47.4

In January 2016, Electra invested £89 million in the acquisition of Photobox alongside Exponent Private Equity. In July 2017, the Epiris's 1% interest in the investment was purchased for £1 million.

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 across five production facilities and sold across Europe through the PhotoBox, Moonpig, Hofmann and posterXXL brands.

There has been significant investment in the management team over the last 12 months, following the appointment of a new CEO, Jody Ford in July 2016. This has led to a number of product and pricing initiatives, which are designed to improve the group's operating margins. Combined with technology related projects on both the front end, to improve customer experience, and operationally on the back-end systems, these initiatives will fuel long-term growth. Due to its scale, Photobox is well placed to capture a greater share of a growing market as a result of the expansion in digital photography and the increased propensity to purchase personalised products. The strategy is to accelerate this through improving the rate and economics of customer acquisition as well as through product innovation.

Photobox saw strong sales performance in the financial year to April 2017, with 10% growth, but market conditions and the internal issues now being addressed reduced the flow through to earnings.

SENTINEL PERFORMANCE SOLUTIONS

Date of initial investment:	Feb 2011
Type of deal:	Buyout
Equity ownership:	50%
Cost:	£17m
Valuation:	£3m
Valuation:	Based on multiple of earnings
Multiple of cost:	0.2x
Location:	Europe
Website:	www.sentinelprotects.com
Management:	Steve Goodwin, CEO; Nick Brayshaw, Chairman

Year ended 31st March	2017 £m	2016 £m
Sales	18.0	16.1
Operating Profit	1.7	0.3
EBITDA	3.0	2.2

In February 2011, Electra invested £16 million in the buyout of Sentinel. The business subsequently encountered difficult trading conditions, and in December 2015, Sentinel agreed terms with its existing lender (HSBC) to amend and extend its debt facilities until March 2020 on improved terms. At this point Electra invested a further £1 million. In July 2017, the previous manager's 1% interest in the investment was purchased.

Sentinel is a leading manufacturer of chemicals and physical devices to improve the performance and efficiency of residential heating and hot water systems. Sentinel's products achieve a premium price which reflects its strong brand, quality products and well-established relationships with key influencers in the sales process such as boiler manufacturers and RMI/construction project specifiers.

The markets in which Sentinel operates have become increasingly competitive in recent years, with a new entrant taking a significant share shortly after the 2011 transaction. Demand for Sentinel's products is supported by legislation (use is mandatory in the UK), energy efficiency targets and the resilience of the underlying boiler market with consumers worried about increasing energy costs.

Revenue increased by 12% for the financial year ended March 2017, driven by good performance internationally. Profits also grew as a direct result of sales volumes.

Knight Square
Property management services group

Realisations

Total realisations for the year came to £1,623 million compared to £903 million in the previous year.

Realisations	£m
Parkdean Resorts	406
AXIO Data Group	265
Audiotonix	203
Innovia Security	108
Treetops Nurseries	94
Allflex Corporation	70
PINE	51
Retirement Bridge Group	48
Cala Group	46
Davies Group	45
Hollywood Bowl	40
Premier Asset Management	45
Other buyouts and co-investments	2
Other Buyouts and Co-investments	1,423
Secondaries	68
Debt	61
Fund Investments	71
Total Realisations	1,623

Realisations

£1,623m

"Total realisations for the year came to £1,623 million compared to £903 million in the previous year."

The most significant realisations based on total cumulative proceeds are profiled below.

PARKDEAN RESORTS

Dates of investment:	Jan 2012 – Mar 2017
Type of deal:	Buyout
Original cost:	£132m
Cumulative proceeds:	£516m
Multiple of cost:	3.9x

In 2012, Electra acquired senior debt in Park Resorts for £70 million and after a number of transactions rebranded it as Parkdean Resorts. Parkdean Resorts is now a leading UK operator of caravan holiday parks with 35,000 pitches across 73 sites nationwide with EBITDA in excess of £100 million. In March, Electra received proceeds of £406 million as part of a £1.35 billion sale.

AXIO DATA GROUP

Dates of investment:	Apr 2013 – May 2017
Type of deal:	Buyout
Original cost:	£91m
Cumulative proceeds:	£460m
Multiple of cost:	5.0x

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.
All seven divisions have now been disposed of resulting in a total realisation of £460 million with £265 million falling in the year.

AUDIOTONIX

Dates of investment:	Aug 2014 – Mar 2017
Type of deal:	Buyout
Original cost:	£64m
Cumulative proceeds:	£207m
Multiple of cost:	3.2x

In 2013, Electra acquired Allen & Heath. In 2014, following a number of transactions, a new group was created and re-branded as Audiotonix in which Electra retained a 58% interest for a £64 million investment. Audiotonix's divisions design and manufacture audio mixing consoles used to manage live sound in settings ranging from concert venues and houses of worship to live television broadcasts. Electra's investment in Audiotonix was sold to a financial buyer with proceeds of £203 million.

INNOVIA SECURITY

Dates of investment:	Apr 2014 – Mar 2017
Type of deal:	Co-investment
Original cost:	£33m
Cumulative proceeds:	£108m
Multiple of cost:	3.3x

In April 2014, Electra made a €40 million (£33 million) equity investment in the €498 million buyout of Innovia Group. Innovia's Security division produces polymer banknote substrate for central banks. Its Films division manufactures speciality films primarily used in packaging applications for the food and tobacco industries. Growth and repositioning of the business enabled Innovia's sale with Electra receiving proceeds of £108 million.

TREETOPS NURSERIES

Dates of investment:	Feb 2012 – Apr 2017
Type of deal:	Buyout
Original cost:	£26m
Cumulative proceeds:	£97m
Multiple of cost:	4.1x

In April 2012, Electra spun Treetops out of its PINE investment as part of a refinancing exercise. Through acquisitions the group became the fourth largest nursery school operator in the UK, providing childcare to over 6,000 children and employing over 1,300 people. Electra agreed to sell Treetops to Busy Bees, with the transaction completing in April 2017 for £94 million.

ALLFLEX CORPORATION

Dates of investment:	Jul 2013 – Mar 2017
Type of deal:	Co-investment
Original cost:	£68m
Cumulative proceeds:	£127m
Multiple of cost:	1.9x

A legacy Allflex investment was sold to a private equity buyer in 2013 and at the same time Electra made a new minority equity investment of £57 million. In January 2015 Electra made a further investment of £11 million to support Allflex's $250 million acquisition of SCR (Engineers) Ltd. Allflex is the global leader in animal intelligence and monitoring technologies for livestock, pets, fish and other species. In 2015 the company acquired SCR, a manufacturer of smart tags for monitoring cow fertility and health as well as electronic milk metering equipment. Electra's investment in Allflex was sold in two stages, receiving £57 million in July 2016 and a further £70 million in March 2017.

CFO Review

"After returning £1.5 billion to shareholders in the year, the balance sheet and prospects for the Company remain strong. We have a focused portfolio, no gearing, a low level of liabilities and further realised reserves after the dividend paid on 1st December 2017. With the resources we require in place and a much reduced cost base, this puts us on a stable footing to push forward with our recently announced strategy."

Total Shareholder Return and Analysis of Movement in Net Asset Value per share

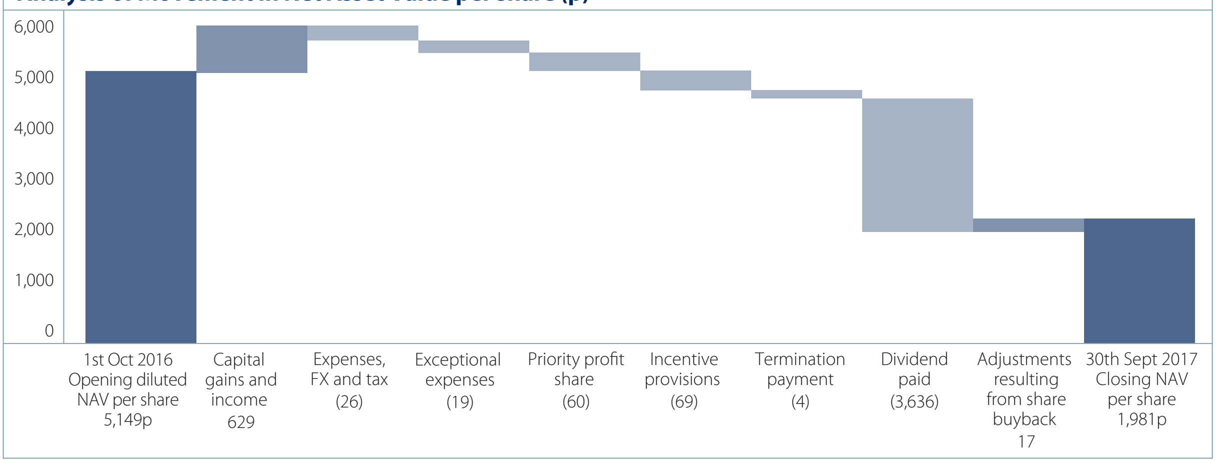
TSR for the year was 21%, representing a significant out-performance of the FTSE 250 TSR of 14%. NAV per share total return was 9% for the year to 30th September 2017 (2016: 35%). The Consolidated Income Statement on page 25 of the Report shows the total return for the year and, together with dividends of 3,636p per ordinary share paid during the year, and a share buyback of £94 million, explains the movement in NAV per share for the year to 30th September 2017.

The notable change in the investment portfolio this year is the high level of realisations which generated a significant gain and contributed 629p per share, 12% of the opening NAV per share. Deducted from this, as shown below, were exceptional costs (including termination payments) relating to the change in strategy and manager of 19p per share, operating costs and tax, which together totalled 45p per share; the priority profit share paid to Epiris for managing the portfolio amounted to 60p per share; and the charge for incentive schemes amounted to 69p per share (see further detail below). Dividends of 3,636p per share were paid in the year. This resulted in a net decrease in net assets of 3,168p per share and a total return (adding back the dividends paid) of 9% for the year.

	p
1st October 2016 Opening diluted NAV per share	5,149
Capital gains and income	629
Expenses, FX and tax	(26)
Exceptional expenses	(19)
Priority profit share	(60)
Incentive provisions	(69)
Termination payment	(4)
Dividend paid	(3,636)
Adjustments resulting from share buyback	17
30th September 2017 Closing NAV per share	**1,981**

Next year, as announced in our strategy, the changes we have implemented will result in a significant saving in operating costs.

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



Incentive Schemes

The carried interest provision relating to the former external manager Epiris decreased from £243 million to £29 million in the year to 30th September 2017 principally due to the payment to Epiris of £248 million. In addition, the provision remaining on termination of the Epiris contract on 31st May 2017 was contractually reduced by 20% for all post 2006 asset Pools.

Following the termination of the Epiris contract, there are no new carried interest schemes in operation. The impact of the Long Term Incentive Plan approved at the March Annual General Meeting and described in the Remuneration Report is reflected in the Statement of Changes in Equity on pages 26 and 27 and is charged through the Income Statement in accordance with IFRS 2.

Net Liquid Resources

The Consolidated Cash Flow Statement on page 30 analyses the movement in the Group's cash for the year. Cash on the Balance Sheet has decreased by £605 million to £54 million, reflecting our revised strategy regarding surplus cash. Where we have no near-term requirement for funds, our variable capital model sees us returning cash to shareholders (£1.4 billion in dividends and £94 million as a share buyback in the year) and for other cash balances, we have invested in money market funds in the last four months of the year to mitigate the cash drag effect.

Cash inflows were mainly related to sales of investments and investment income, which yielded approximately £1,976 million in cash. After distributions, the next largest constituent of the cash outflow related to cash paid for investments of £774 million, of which £730 million was investing in money market funds. In addition, there were incentive scheme costs of £248 million and operating and tax costs of approximately £68 million in the year.

Post year end, Electra has committed to pay a third Special Dividend of 914p per ordinary share (£350 million), as declared by the Board, and significant cash inflows were expected relating to the proceeds (net of carried interests) from sales of non-core assets either agreed but not completed or in a sales process.

Gearing

At 30th September 2017, Electra was ungeared at the Group level. Certain companies of the portfolio are funded in part by third party debt. In line with our strategy to focus on long-term shareholder value, where we see a benefit from reducing third party debt and we have the capital, we will invest further in debt instruments in the portfolio companies.

Foreign Exchange

At 30th September 2017, the estimated foreign currency exposure in the balance sheet was €52 million and $27 million based on the currency of underlying securities in the investment portfolio. The Euro has strengthened against Sterling by 2% while the US Dollar has weakened by 3% during the year, resulting in a small gain in respect of the investment portfolio.

The geographical locations of revenue within the portfolio companies as at 30th September is reflected in the chart on page 12.

Gavin Manson

Gavin Manson
Chief Financial Officer
6th December 2017


Hotter Shoes
Britain's largest shoe manufacturer

Consolidated Income Statement

Note	For the year ended 30th September	2017 Revenue £m	2017 Capital £m	2017 Total £m	2016 Revenue £m	2016 Capital £m	2016 Total £m
2, 13	Investment income/net gain	54	193	247	91	665	756
	Loss on revaluation of foreign currencies	–	(1)	(1)	–	(12)	(12)
17, 23	Incentive schemes	–	(26)	(26)	–	(122)	(122)
23	Priority profit share	(23)	–	(23)	(29)	–	(29)
23	Termination payment	(2)	–	(2)	(32)	–	(32)
3	Income reversal	(6)	–	(6)	(8)	–	(8)
4	Other expenses	(13)	–	(13)	(6)	–	(6)
	Net Profit before Finance Costs and Taxation	10	166	176	16	531	547
8	Finance costs	–	–	–	(7)	(4)	(11)
	Profit on Ordinary Activities before Taxation	10	166	176	9	527	536
9	Taxation expenses	(3)	(1)	(4)	(4)	–	(4)
	Profit on Ordinary Activities after Taxation attributable to owners of the Group	7	165	172	5	527	532
11	**Basic Earnings per Ordinary Share (pence)**	18.80	427.03	445.83	13.12	1,341.03	1,354.15
11	**Diluted Earnings per Ordinary Share (pence)**	18.80	427.03	445.83	12.80	1,308.83	1,321.63

The 'Total' columns of this statement represent the Group's Consolidated 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 24.

Consolidated Statement of Comprehensive Income

For the year ended 30th September	2017 £m	2016 £m
Profit for the year	172	532
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on consolidation	1	15
Total Comprehensive Income attributable to owners of the Group	173	547

Consolidated Statement of Changes in Equity

For the year ended 30th September 2017 for the Group

Note		Called up share capital £m	Share premium £m	Capital redemption reserve £m	Own Shares Held £m	Translation reserve £m	Realised capital reserve £m	Unrealised capital reserve £m	Revenue reserves £m	Total Equity £m
	Opening balance at 1st October 2016	10	123	34	–	11	1,508	311	77	2,074
	Net revenue profit added to the reserves	–	–	–	–	–	–	–	7	7
13	Net profits on realisation of investments during the year	–	–	–	–	–	214	–	–	214
13	Decrease in value of non-current investments	–	–	–	–	–	–	(22)	–	(22)
17	Increase in incentive provisions	–	–	–	–	–	–	(26)	–	(26)
13	Investments sold during the year	–	–	–	–	–	383	(383)	–	–
	Loss on foreign currencies	–	–	–	–	–	(1)	–	–	(1)
	Other comprehensive income – foreign currency translation differences	–	–	–	–	1	–	–	–	1
	Total comprehensive income/(loss)	–	–	–	–	1	596	(431)	7	173
20	Ordinary shares held under employee share option plan	–	–	–	(1)	–	–	–	–	(1)
20	Buyback of ordinary shares	(1)	–	1	–	–	(94)	–	–	(94)
10	Dividends	–	–	–	–	–	(1,394)	–	–	(1,394)
	At 30th September 2017	9	123	35	(1)	12	616	(120)	84	758

For the year ended 30th September 2016 for the Group

Note		Called up share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Translation reserve £m	Realised capital reserve £m	Unrealised capital reserve £m	Revenue reserves £m	Total Equity £m
	Opening balance at 1st October 2015	9	39	34	20	(4)	1,029	312	64	1,503
	Net revenue profit added to the reserves	–	–	–	–	–	–	–	5	5
13	Net profits on realisation of investments during the year	–	–	–	–	–	162	–	–	162
8	Finance costs	–	–	–	–	–	(4)	–	–	(4)
13	Increase in value of non-current investments	–	–	–	–	–	–	503	–	503
17	Increase in incentive provisions	–	–	–	–	–	–	(122)	–	(122)
13	Investments sold during the year	–	–	–	–	–	382	(382)	–	–
	Loss on foreign currencies	–	–	–	–	–	(12)	–	–	(12)
	Other comprehensive income – foreign currency translation differences	–	–	–	–	15	–	–	–	15
	Total comprehensive income/(loss)	–	–	–	–	15	528	(1)	5	547
20	Conversion of Convertible Bond	1	84	–	(20)	–	–	–	8	73
10	Dividends	–	–	–	–	–	(49)	–	–	(49)
	At 30th September 2016	10	123	34	–	11	1,508	311	77	2,074

Company Statement of Changes in Equity

For the year ended 30th September 2017 for the Company

Note		Called up share capital £m	Share premium £m	Capital redemption reserve £m	Own Shares Held £m	Realised capital reserves £m	Unrealised capital reserves £m	Revenue reserves £m	Total Equity £m
	Opening balance at 1st October 2016	10	123	34	–	1,604	385	(82)	2,074
	Net revenue profit added to the reserves	–	–	–	–	–	–	(20)	(20)
13	Net profits on realisation of investments during the year	–	–	–	–	214	–	–	214
13	Increase in value of non-current investments	–	–	–	–	–	(33)	–	(33)
17	Increase in incentive provisions	–	–	–	–	–	(26)	–	(26)
	Loss on foreign currencies	–	–	–	–	(2)	–	–	(2)
13	Investments sold during the year	–	–	–	–	383	(383)	–	–
	Revaluation of subsidiaries	–	–	–	–	–	40	–	40
	Total comprehensive income	–	–	–	–	595	(402)	(20)	173
20	Issue of ordinary shares under employee share option plan	–	–	–	(1)	–	–	–	(1)
20	Buyback of ordinary shares	(1)	–	1	–	(94)	–	–	(94)
10	Dividends	–	–	–	–	(1,394)	–	–	(1,394)
	At 30th September 2017	9	123	35	(1)	711	(17)	(102)	758

For the year ended 30th September 2015 for the Company

Note		Called up share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Realised capital reserves £m	Unrealised capital reserves £m	Revenue reserves £m	Total Equity £m
	Opening balance at 1st October 2015	9	39	34	20	1,103	358	(60)	1,503
	Net revenue profit added to the reserves	–	–	–	–	–	–	(30)	(30)
13	Net profits on realisation of investments during the year	–	–	–	–	166	–	–	166
13	Increase in value of non-current investments	–	–	–	–	–	542	–	542
17	Increase in incentive provisions	–	–	–	–	–	(122)	–	(122)
	Profit on foreign currencies	–	–	–	–	2	–	–	2
13	Investments sold during the year	–	–	–	–	382	(382)	–	–
	Revaluation of subsidiaries	–	–	–	–	–	(11)	–	(11)
	Total comprehensive loss	–	–	–	–	550	27	(30)	547
20	Conversion of Convertible Bond	1	84	–	(20)	–	–	8	73
10	Dividends	–	–	–	–	(49)	–	–	(49)
	At 30th September 2016	10	123	34	–	1,604	385	(82)	2,074

Consolidated Balance Sheet

Note	As at 30th September	2017 £m	2016 £m
	Non-Current Assets		
13	Investments held at fair value	321	1,696
		321	1,696
	Current Assets		
13	Investments held at fair value	380	–
14	Assets held for sale	37	–
15	Trade and other receivables	1	4
	Current tax asset	–	1
	Cash and cash equivalents	54	659
		472	664
	Current Liabilities		
16	Trade and other payables	(4)	(11)
16	Termination payment	–	(32)
	Total Current Liabilities	(4)	(43)
	Total Assets less Current Liabilities	789	2,317
	Non-Current Liabilities		
17	Provisions for liabilities and charges	(29)	(243)
18	Deferred tax liability	(2)	–
	Non-Current Liabilities	(31)	(243)
	Net Assets	758	2,074
	Capital and Reserves		
20	Called up share capital	9	10
	Share premium	123	123
	Capital redemption reserve	35	34
20	Own shares held	(1)	–
	Translation reserve	12	11
20	Realised capital reserve	616	1,508
20	Unrealised capital reserve	(120)	311
20	Revenue reserve	84	77
	Total Equity	758	2,074
12	**Basic NAV per Ordinary Share (pence)**	1,980.96	5,149.09
12	**Diluted NAV per Ordinary Share (pence)**	1,980.96	5,149.09
12	**Ordinary Shares in issue at 30th September**	38,282,763	40,270,531

These Financial Statements were approved by the Directors on 6th December 2017 and were signed on their behalf by:

Neil Johnson, Chairman
Electra Private Equity PLC
Company Number: 00303062

Company Balance Sheet

Note	As at 30th September	2017 £m	2016 £m
	Non-Current Assets		
13	Investments held at fair value	3	118
13	Investment in subsidiary undertakings	142	1,075
		145	1,193
	Current Assets		
13	Investments held at fair value	380	–
14	Assets held for sale	11	–
15	Trade and other receivables	208	480
	Cash and cash equivalents	54	659
		653	1,139
	Current Liabilities		
16	Trade and other payables	(9)	(15)
	Total Current Liabilities	(9)	(15)
	Total Assets less Current Liabilities	789	2,317
	Non-Current Liabilities		
17	Provisions for liabilities and charges	(29)	(243)
18	Deferred tax liability	(2)	–
	Non-Current Liabilities	(31)	(243)
	Net Assets	758	2,074
	Capital and Reserves		
20	Called up share capital	9	10
	Share premium	123	123
	Capital redemption reserve	35	34
20	Own shares held	(1)	–
20	Realised capital reserve profits	711	1,604
20	Unrealised capital reserve (losses)/profits	(17)	385
20	Revenue reserve	(102)	(82)
	Total Equity	758	2,074

The Company profit is £173 million (2016: £547 million).

These Financial Statements were approved by the Directors on 6th December 2017 and were signed on their behalf by:

Neil Johnson, Chairman
Electra Private Equity PLC
Company Number: 00303062

Consolidated Cash Flow Statement

For the year ended 30th September	2017 £m	2016 £m
Operating activities		
Purchase of trading investments	(774)	(218)
Amounts paid under incentive schemes	(248)	(3)
Sales of trading investments	1,902	826
Dividends and distributions received	3	41
Interest income received	71	26
Other income received	–	5
Expenses paid	(34)	(37)
Termination payment	(34)	–
Cash generated from operations	886	640
Taxation paid	(1)	(3)
Net cash inflow from operating activities	885	637
Financing activities		
Dividends paid	(1,394)	(49)
Repayment of Zero Dividend Preference share	–	(73)
Repurchase of own shares	(94)	–
Purchase of shares held under incentive scheme	(1)	–
Finance costs	–	(2)
Interest paid	–	(2)
Net cash used in financing activities	(1,489)	(126)
Net (decrease)/increase cash and cash equivalents	(604)	511
Cash and cash equivalents at beginning of year	659	147
Effect of foreign exchange rate changes	(1)	1
Cash and cash equivalents at end of year	54	659

Notes to the Financial Statements

1 Segmental Analysis

The Group operates a single business segment for reporting purposes and is managed as a single investment company, with multiple investment categories including Buyouts and Co-investments, Secondaries and Funds. Reporting provided to the Board of Directors is on an aggregated basis. These investments are located across multiple geographic regions and revenues are allocated as follows:

Geographic Information

Investment income/(loss) for the year ended 30th September	2017 £m
United Kingdom	236
Continental Europe	7
US	6
Asia and elsewhere	(2)
Total investment income/net gain	**247**

2 Investment Income

For the year ended 30th September	2017 £m	2016 £m
Interest income	52	65
Dividend income	1	20
Other investment income	1	6
Total investment income	**54**	**91**

3 Income Reversal

Accrued income is recognised when the value of investment is greater than the value of any loan note associated with the investment. Income reversal is the reversal of accrued income recognised in previous periods arising from changes in valuation of certain investments.

4 Other Expenses

For the year ended 30th September	2017 £m	2016 £m
Administrative expenses	5	4
Directors' remuneration (see Note 5)	1	–
Exceptional expenses (see below)	7	1
Auditor's remuneration (see below)	–	1
Total operating expenses	**13**	**6**

Exceptional expenses (included in the above)

For the year ended 30th September	2017 £m	2016 £m
Strategic review	5	1
Office establishment	1	–
Enterprise Resource Planning ("ERP") systems implementation	1	–
Total exceptional expenses	**7**	**1**

4 Other Expenses (continued)

Exceptional expenses for 2017 relate to costs incurred on the strategic review, which includes completing the handover of the investment portfolio and operational responsibilities from the former external manager and building a robust and sustainable corporate governance structure, establishing a new office and implementing ERP systems appropriate for reporting.

For the purpose of tax computation, £2 million of the total exceptional expenses are treated as disallowable. £6 million of the total exceptional expenses have been settled in cash during the year.

Auditor's Remuneration – Deloitte LLP

For the year ended 30th September	2017 Group £'000	2017 Company £'000	2016 Group £'000	2016 Company £'000
Audit of Group accounts pursuant to legislation	204	204	–	–
Audit of subsidiaries accounts pursuant to legislation	60	–	–	–
Sub total	264	204	–	–
Other assurance services*	126	126	–	–
Total auditor's remuneration	390	330	–	–

* Of the other assurance services, £90,000 are transaction related services associated with the strategic review of the Company and these costs are included in exceptional expenses. £36,000 of the other assurance services relate to the Half Year review.

Non-audit services

It is the Group's practice to employ Deloitte LLP on assignments additional to their statutory audit duties only when their expertise and experience with the Group are important or where they have been awarded assignments on a competitive basis. Details of the Group's process for safeguarding and supporting the independence and objectivity of the external auditors are given in the Report of the Audit and Risk Committee on pages 104 and 105.

Auditor's Remuneration – PricewaterhouseCoopers LLP

For the year ended 30th September	2017 Group £'000	2017 Company £'000	2016 Group £'000	2016 Company £'000
Audit of Group accounts pursuant to legislation	83	83	170	170
Audit of subsidiaries accounts pursuant to legislation	21	–	72	–
Sub total	104	83	242	170
Other assurance services**	–	–	25	25
Total audit fees and other assurance services	104	83	267	195
Other services	–	–	30	30
Other services relating to taxation	–	–	295	295
Total auditor's remuneration	104	83	592	520

** These are professional services in relation to agreed upon procedures performed in respect of the Group's Internal Controls Monitoring Report.

The 2017 costs relate to the part of the prior year audit fees not recognised in the 2016 Financial Statements.

5 Directors' Remuneration

For the year ended 30th September	Salary £'000	Taxable benefits £'000	2017 Total £'000	Salary £'000	Taxable benefits £'000	2016 Total £'000
Chairman's remuneration (Neil Johnson)	200	3	203	103	2	105
Chairman's remuneration (Roger Yates)	–	–	–	10	30	40
Chairman's remuneration (Dame Kate Barker)	–	–	–	62	–	62
Other Directors	459	267	726	162	66	228
	659	270	929	337	98	435
Emoluments						
CFO and highest paid Director (2016: Chairman and highest paid Director)	158	202	360	103	2	105

Taxable benefits relate to Directors' expenses and the bonus of the first Executive Director appointed in the year.

Dame Kate Barker held the position of Chairman for the period from 5th November 2015 until she stepped down as Chairman on 12th May 2016 at which date Neil Johnson was appointed Chairman.

During the year 1 Director (2016: 1) waived remuneration.

The Board of Directors are considered to be the Key Management Personnel. See further breakdown in the Directors' Remuneration Report and Remuneration Policy on pages 89 to 103.

6 Employees Costs

The average number of employees for Group and Company during the year was 7 (2016: 2). All employees are within the Head Office function.

	2017 £m	2016 £m
Wages and salaries	1	–
	1	–

Wages and salaries shown above include salaries, benefits and social security costs in the year for the Group and Company. These costs are included in the other expenses.

Pension contributions of £70,351 were charged in the Consolidated Income Statement during the year (2016: £nil).

7 Operating Leases

The Company, on behalf of the Group, entered into an operating lease agreement for its Head Office property. Operating lease expenses are included in other expenses in the Consolidated Income Statement.

The future minimum lease payments payable under operating leases are as follows:

As at 30th September	2017 Land and Buildings £m	2016 Land and Buildings £m
Within 1 year	1	–
Between 2 and 5 years	3	–
After 5 years	–	–
	4	–

8 Finance Costs

For the year ended 30th September	Revenue £m	Capital £m	2017 Total £m	Revenue £m	Capital £m	2016 Total £m
Loans Repayable in Less Than One Year						
Zero Dividend Preference Share costs	–	–	–	–	4	4
	–	–	–	–	4	4
Loans Repayable After More Than One Year						
Bank facility	–	–	–	5	–	5
Convertible Bond costs	–	–	–	2	–	2
	–	–	–	7	–	7
Total	–	–	–	7	4	11

On 14th June 2016 the Company's multi-currency revolving credit facility was cancelled. The unamortised issue cost of £4 million and non-utilisation fees of £2 million were charged to the Consolidated Income Statement for 2016.

The Final Capital Entitlement was paid in full on 19th August 2016 to the holders of the Zero Dividend Preference Shares, which exhibited characteristics of debt. The unamortised cost of £4 million was charged to the Consolidated Income Statement for 2016.

On 29th December 2015, all of the outstanding 5% Subordinated Convertible Bonds were mandatorily converted into new ordinary shares.

9 Taxation Expenses

For the year ended 30th September	Revenue £m	Capital £m	2017 Total £m	Revenue £m	Capital £m	2016 Total £m
Current tax:						
UK corporate tax on profits for the period	3	(1)	2	4	–	4
Deferred tax:						
Origination and reversal of timing differences	–	2	2	–	–	–
Income tax expense	3	1	4	4	–	4

The difference between the income tax expense shown above and the amount calculated by applying the effective rate of UK corporation tax, currently 19.5% pro-rata (2016: 20% pro-rata) to the profit before tax is as follows:

For the year ended 30th September	Revenue £m	Capital £m	2017 Total £m	Revenue £m	Capital £m	2016 Total £m
Profit on ordinary activities before taxation	10	166	176	9	527	536
Profit before tax multiplied by the effective rate of: UK corporation tax of 19.5% pro-rata (2016: 20% pro-rata)	2	32	34	2	105	107
Effects of:						
Dividend income	–	–	–	(4)	–	(4)
Priority profit share of partnership income appropriated by General Partner	4	(4)	–	12	(12)	–
Capital profits not chargeable due to Investment Trust status	–	(27)	(27)	–	(93)	(93)
Non-taxable income	(4)	–	(4)	(6)	–	(6)
Disallowed expense	1	–	1	–	–	–
Total Tax Charge	3	1	4	4	–	4

9 Taxation Expenses (continued)

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

10 Dividends

For the year ended 30th September	2017 £m	2016 £m
Special Dividend (2,612p per share)	1,000	–
Second Special Dividend (914p per share)	350	–
Second 2016 Interim Dividend (110p per share)	44	–
First 2016 Interim Dividend (44p per share)	–	18
Final 2015 Dividend (78p per share)	–	31
	1,394	49

A third Special Dividend of £350 million (914p per share) has been declared since 30th September 2017.

Distributable reserves

The distributable reserves approximate to the sum of the Realised Capital Reserve and the Revenue Reserve on the Company Balance Sheet which net to £609 million at 30th September 2017 (as disclosed in the Company Balance Sheet on page 29), or £259 million after allowing for the post year dividend paid. The Board does not consider the Unrealised Capital Reserve to be distributable.

11 Earnings per share

For the year ended 30th September	2017	2016
Net revenue profit attributable to ordinary shareholders (£m)	7	5
Net capital return attributable to ordinary shareholders (£m)	165	527
Net revenue profit on which diluted earnings per share calculated with finance charge net of taxation of £nil (2016: £nil) added back	7	5
Net capital return on which diluted earnings per share calculated (£m)	165	527
Total Diluted Return (£m)	172	532
Weighted average number of ordinary shares in issue during the year on which the undiluted profit per ordinary share was calculated	38,740,222	39,303,381
Effect of dilutive potential ordinary shares: Convertible Bond Shares Issues	–	967,150
Weighted average number of ordinary shares in issue during the year on which the diluted profit per ordinary share was calculated	38,740,222	40,270,531

Net revenue profit was £7,281,438 (2016: profit of £5,154,998) and net capital return was £165,432,114 (2016: £527,071,329).

	Basic earnings per share 2017 p	Basic earnings per share 2016 p	Diluted earnings per share 2017 p	Diluted earnings per share 2016 p
Revenue profit per ordinary share	18.80	13.12	18.80	12.80
Capital return per ordinary share	427.03	1,341.03	427.03	1,308.83
Earnings per ordinary share	445.83	1,354.15	445.83	1,321.63

12 Net Asset Value per Ordinary Share

The basic NAV per share is calculated by dividing the NAV of £758,366,568 (2016: 2,073,564,000) by the number of ordinary shares in issue amounting to 38,282,763 (2016: 40,270,531).

The diluted NAV per share is calculated by dividing the NAV of £758,366,568 (2016: £2,073,564,000) by the number of ordinary shares amounting to 38,282,763 (2016: 40,270,531) after taking into account dilutive potential shares.

13 Investments Held at Fair Value

Non-current Investments Held at Fair Value

As at 30th September	2017 Group £m	2017 Company £m	2016 Group £m	2016 Company £m
Unlisted at fair value	321	3	1,642	118
Listed at fair value	–	–	54	–
Subsidiary undertakings at fair value	–	142	–	1,075
	321	145	1,696	1,193

Current Investments Held at Fair Value

As at 30th September	2017 Group £m	2017 Company £m	2016 Group £m	2016 Company £m
Liquidity funds	380	380	–	–

Reconciliation of movements on investments held at fair value are as follows:

			Group			Company
	Non-Current £m	Current £m	Total £m	Non-Current £m	Current £m	Total £m
Valuation						
Valuation at 1st October 2016	1,696	–	1,696	1,193	–	1,193
Purchases*	46	730	776	8	730	738
Disposals*	(1,623)	(350)	(1,973)	(1,296)	(350)	(1,646)
Increase in valuation	239	–	239	251	–	251
Transferred to held for sale	(37)	–	(37)	(11)	–	(11)
Valuation at 30th September 2017	321	380	701	145	380	525

* Purchases and disposals of current investments were made during the year in line with cash requirements and surplus funds.

			Group			Company
	Non-Current £m	Current £m	Total £m	Non-Current £m	Current £m	Total £m
Valuation						
Valuation at 1st 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 30th September 2016	1,696	–	1,696	1,193	–	1,193

14 Assets Held for Sale

In October 2017, the Group entered into an agreement to dispose of a portfolio of secondary and fund investments, consistent with previous strategy announcements. Fair values of the investments are based on sale prices less associated costs. Disposal of secondary and fund investments are expected to complete by December 2017. In addition, the Group has given notice to dispose of 1 remaining listed fund on 31st December 2017, and the sale is expected to complete in the following month. The categories of investments held for sale are:

As at 30th September	2017 Group £m	2017 Company £m	2016 Group £m	2016 Company £m
Funds	26	11	–	–
Listed Funds	9	–	–	–
Secondaries	2	–	–	–
	37	11	–	–

15 Trade and Other Receivables

As at 30th September	2017 Group £m	2017 Company £m	2016 Group £m	2016 Company £m
Amounts owed by subsidiary undertakings	–	208	–	476
Sales for future settlement	–	–	4	4
Other receivables	1	–	–	–
	1	208	4	480

16 Trade and Other Payables

As at 30th September	2017 Group £m	2017 Company £m	2016 Group £m	2016 Company £m
Amounts owed to subsidiary undertakings	–	6	–	5
Carried interest payable (Note 23)	–	–	8	8
Other payables	4	3	3	2
Termination payment (Note 23)	–	–	32	–
	4	9	43	15

Other payables include accrued expenses, including bonuses.

17 Provision for Liabilities and Charges

The incentive provision will be paid when sufficient proceeds are received from the disposal of investment included in the Incentive pools. The cash is expected to be paid when investments are realised. The timing of this is uncertain but as at 30th September 2017 there was no existing condition suggesting this is a current liability.

Also included in the provision is the portion of Directors' bonuses deferred into shares over the next 3 years. Details are disclosed in the Directors' Remuneration Report on pages 89 and 90.

Incentive Scheme	2017 Group £m	2017 Company £m	2016 Group £m	2016 Company £m
At 1st October 2016	243	243	132	132
Amounts paid	(240)	(240)	(3)	(3)
Amounts payable	–	–	(8)	(8)
	3	3	121	121
Increase in provision	26	26	122	122
At 30th September 2017	29	29	243	243

18 Deferred Tax Liability

The following are the deferred tax liabilities recognised by the Group and Company and movements thereon during the current and prior periods.

Deferred Tax	2017 Revaluation of financial assets Group £m	2017 Revaluation of financial assets Company £m	2016 Revaluation of financial assets Group £m	2016 Revaluation of financial assets Company £m
At 1st October	–	–	–	–
Charge during the period	2	2	–	–
At 30th September	2	2	–	–

19 Financial Instruments

(i) Management of Risk

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

The Group's financial instruments comprise securities in unlisted and listed companies, partnership interests, trade receivables, trade payables, money market funds 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. The policies for managing each of these risks are summarised below. These policies have remained constant throughout the year under review and the preceding year. The financial risks of the Company are aligned to the Group's financial risks.

Market Price Risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Group's operations. It represents the potential loss the Group might suffer through holding market positions in the face of price movements, mitigated by stock selection.

19 Financial Instruments (continued)

The Group is exposed to the risk of the change in value of its fund investments, listed and unlisted equity, non-equity shares, fixed and floating rate 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 (vi) of this note.

Foreign Currency Risk

The Group's total return and net assets are affected by foreign exchange translation movements as a 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 Board monitors the Group's exposure to foreign currencies on a regular basis and assesses the risks by considering the effect of currency movements on the Group's NAV and income.

The impact on profit after tax and on shareholders' equity due to 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 to the extent they have not been distributed. The Company had no gearing at 30th September 2017.

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

Liquidity Risk

The Group's assets comprise listed and unlisted equity and non-equity shares, fixed income securities, liquidity funds and secondaries. Whilst unlisted equity is illiquid, short-term flexibility is achieved through cash which is available on demand and liquidity funds which are available within 24 hours.

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 £54 million (2016: £659 million).

Bank Credit Ratings at 30th September 2017	Moody's
HSBC	Aa3 (negative)
Royal Bank of Scotland	A3 (negative)

Capital Risk Management

The Group's capital comprised:

	2017 £m	2016 £m
Equity		
Equity share capital	9	10
Retained earnings and other reserves	749	2,064
Total capital	758	2,074

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19 Financial Instruments (continued)

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 £1,394 million (2016: £49 million).

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 £94 million, including transaction fees, (2016: £nil) were utilised to repurchase shares for cancellation.

(ii) Market Price Exposure

The table below shows the Group's exposure to market price risks. In determining a reasonable possible price movement, the Group observed historical price changes on a bi-annual frequency over the preceding 10-year period.

	2017 Increase in variable £m	2017 Decrease in variable £m	2016 Increase in variable £m	2016 Decrease in variable £m
10% movement in price of listed investments				
Impact on profit after tax	1	(1)	5	(5)
Impact as a percentage of profit after tax	–	–	1%	(1)%
Impact on shareholders' equity	1	(1)	5	(5)
Impact as a percentage of shareholders' equity	–	–	–	–

No financial assets held by the Company are subject to market price risks.

(iii) Foreign Currency Exposures

The table below shows the Group's exposure to foreign currency risks. In determining reasonably possible currency movements, the Group analysed observable market rates for Euro and US Dollar for the preceding ten-year period. The 10% movement is determined using the historic average of absolute changes.

Currency

	2017 Sterling appreciation £m	2017 Sterling depreciation £m	2016 Sterling appreciation £m	2016 Sterling depreciation £m
10% Movement in Euro				
Impact on profit after tax	(7)	9	(18)	20
Impact as a percentage of profit after tax	(4)%	5%	(3)%	4%
Impact on shareholders' equity	(7)	9	(18)	20
Impact as a percentage of shareholders' equity	(1)%	1%	(1)%	1%

	2017 Sterling appreciation £m	2017 Sterling depreciation £m	2016 Sterling appreciation £m	2016 Sterling depreciation £m
10% Movement in US Dollar				
Impact on profit after tax	(3)	4	(10)	11
Impact as a percentage of profit after tax	(2)%	2%	(2)%	2%
Impact on shareholders' equity	(5)	6	(10)	11
Impact as a percentage of shareholders' equity	(1)%	1%	(1)%	1%

19 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 floating interest securities. The financial instruments shown below are separated into the type of income they generated as at 30th September 2017. Base interest rate in the UK has been close to 0% for a number of years and for the purpose of sensitivity analysis, the Group analysed a 1% rate change scenario, which is considered to be a reasonable movement in light of the recent rise in benchmark interest rate.

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

				Group				Company
As at 30th September 2017	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Financial Assets								
Cash and cash equivalent	–	6	48	54	–	6	48	54
Investments held at fair value through profit and loss	308	380	13	701	–	380	145	525
Held for sale investments	–	–	37	37	–	–	11	11
Loans and receivables	–	–	1	1	–	208	–	208
	308	386	99	793	–	594	204	798
Financial Liabilities								
Held at amortised costs	–	–	(4)	(4)	–	–	(9)	(9)
	–	–	(4)	(4)	–	–	(9)	(9)
Total	308	386	95	789	–	594	195	789

				Group				Company
As at 30th September 2016	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Financial Assets								
Cash and cash equivalent	–	435	224	659	–	435	224	659
Investments held at fair value through profit and loss	622	10	1,064	1,696	–	–	1,193	1,193
Loans and receivables	–	–	4	4	–	480	–	480
	622	445	1,292	2,359	–	915	1,417	2,332
Financial Liabilities								
Held at amortised costs	–	–	(43)	(43)	–	–	(15)	(15)
	–	–	(43)	(43)	–	–	(15)	(15)
Total	622	445	1,249	2,316	–	915	1,402	2,317

19 Financial Instruments (continued)

Weighted average interest rate and period to maturity of the Group's investments are as follows:

Currency As at 30th September	Fixed rate financial assets weighted average interest rate 2017 %	 2016 %	Fixed rate financial assets weighted average period until maturity 2017 years	 2016 years
Sterling	11	5	3	3
US Dollars	–	7	–	2
Euro	5	7	1	2

The Company held no fixed rate financial assets.

Impacts of the Group's results after tax and shareholders' equity due to a 1% movement in interest rate are as follows:

	2017 Increase in variable £m	2017 Decrease in variable £m	2016 Increase in variable £m	2016 Decrease in variable £m
1% movement in interest rates				
Impact on interest income from cash	4	(4)	6	(6)
Total impact on profit/(loss) after tax and shareholders' equity	4	(4)	6	(6)
Impact as a percentage of total profit/(loss) after tax	2%	(2)%	1%	(1)%
Impact as a percentage of shareholders' equity	1%	(1)%	–	–

(v) Financial Assets and Liabilities

As at 30th September	Group Fair value 2017 £m	 Fair value 2016 £m	Company Fair value 2017 £m	 Fair value 2016 £m
Financial Assets				
Equity shares	46	1,029	97	43
Non-equity shares	1	36	59	1,150
Fixed interest securities	308	622	–	–
Floating rate securities	383	9	588	480
Cash at bank and in hand	54	659	54	659
Other assets	1	4	–	–
Financial Liabilities				
Other payables	4	43	9	15

Cash and other receivables and payables are measured at amortised cost and the rest of the financial assets 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 and Significant Accounting Policies (Note 24).

19 Financial Instruments (continued)

(vi) 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 which any significant input to the valuation is not based on observable market data (unobservable inputs).

The determination of what constitutes 'observable' requires significant judgement by the Directors. 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 tables represent the Group's and Company's assets by hierarchy levels, and all fair value measurements disclosed are recurring fair value measurements.

Financial assets and liabilities at fair value through profit or loss

Group

As at 30th September 2017	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Unlisted and listed investments	738	389	–	349

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

Company

As at 30th September 2017	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Unlisted and listed investments	536	380	–	156

As at 30th September 2016	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Unlisted and listed investments	1,193	–	–	1,193

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. Investments classified within Level 1 are liquidity funds and a listed investment.

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.

19 Financial Instruments (continued)

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

The main inputs into the Group's valuation models for private equity investments are EBITDA multiples (based on the budgeted EBITDA or most recent EBITDA achieved or a rolling 12 months basis of the issuer and equivalent corresponding EBITDA multiples of comparable listed companies), quality of earnings assessments, assessments of third party external debt, 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 for the Group's equity instruments, comparable trading multiples are used in arriving at the valuation for private equity. In accordance with the Group's policy, appropriate comparable public companies based on industry, size, developmental stage, revenue generation and strategy are determined and a trading multiple for each comparable company identified is then calculated. 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, marketability 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 24.

As at 30th September 2017, 8% (2016: 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 24. 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 tables present the movement of assets measured at fair value, based on fair value measurement levels.

		Group		Company
	Level 1 2017 £m	Level 1 2016 £m	**Level 1 2017 £m**	Level 1 2016 £m
Opening balance	**54**	101	**–**	–
Purchases	**730**	49	**730**	–
Realisations	**(392)**	(239)	**(350)**	–
Transfer to Level 1	**–**	44	**–**	–
Increases in valuation	**(3)**	99	**–**	–
Closing balance as at 30th September	**389**	54	**380**	–

		Group		Company
	Level 3 2017 £m	Level 3 2016 £m	**Level 3 2017 £m**	Level 3 2016 £m
Opening balance	**1,642**	1,529	**1,193**	1,132
Purchases	**46**	218	**8**	108
Realisations	**(1,581)**	(805)	**(1,296)**	(599)
Transfer to Level 1	**–**	(44)	**–**	–
Increases in valuation	**242**	744	**251**	552
Closing balance as at 30th September	**349**	1,642	**156**	1,193

Total gains on assets measured at Level 3 are recognised as part of the investment income/net gain balance in the Consolidated Income Statement, and no other comprehensive income has been recognised on these assets.

19 Financial Instruments (continued)

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 1 or more of those assumptions behind the valuation techniques adopted based on reasonable possible alternative assumptions.

Group

Description	Fair value 2017 £m	Valuation technique	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value/%)	Change in valuation +/- £m
UK						
Consumer goods	286	Comparable trading multiples	EBITDA multiple	9.9x	1x	47/(47)
			Comparability difference adjustment	33%	5%	(31)/31
Property	2	Yield	Yield %	n/a	1%	–
Business services	31	Comparable trading multiples	EBITDA multiple	12.6x	1x	4/(4)
			Comparability difference adjustment	48%	5%	(5)5
Continental Europe						
Private equity funds	15	NAV valuation	NAV	n/a	5%	3/(3)
Property	2	Yield	Yield %	n/a	1%	–
USA						
Private equity funds	2	NAV valuation	NAV	n/a	5%	–
Asia and elsewhere						
Private equity funds	11	NAV valuation	NAV	n/a	5%	1/(1)
Total	349					

19 Financial Instruments (continued)

Group

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)
Total	1,642					

Company

Description	Fair value 2017 £m	Valuation technique	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value/%)	Change in valuation +/- £m
UK						
Investment in subsidiaries	**137**	NAV valuation	NAV	n/a	5%	6/(6)
Property	**3**	Yield	Yield %	n/a	1%	–
Continental Europe						
Private equity funds	**13**	NAV valuation	NAV	n/a	5%	1/(1)
USA						
Investment in subsidiaries	**2**	NAV valuation	NAV	n/a	5%	–
Private equity funds	**1**	NAV valuation	NAV	n/a	5%	–
Total	**156**					

19 Financial Instruments (continued)

Company

Description	Fair value 2016 £m	Valuation technique	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value/%)	Change in valuation +/- £m
UK						
Investment in subsidiaries	1,047	NAV valuation	NAV	n/a	5%	52/(52)
Property	4	Yield	Yield %	7.5%	1%	1/(1)
Private equity funds	69	NAV valuation	NAV	n/a	5%	3/(3)
Continental Europe						
Private equity funds	42	NAV valuation	NAV	n/a	5%	2/(2)
USA						
Investment in subsidiaries	15	NAV valuation	NAV	n/a	5%	1/(1)
Private equity funds	2	NAV valuation	NAV	n/a	5%	–
Asia and elsewhere						
Investment in subsidiaries	2	NAV valuation	NAV	n/a	5%	–
Private equity funds	12	NAV valuation	NAV	n/a	5%	1/(1)
Total	1,193					

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 include 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 or Company's valuation of its Level 3 equity investments have been identified.

There has been no transfer between levels for assets held by the Group during the year, and the following table presents the transfers between levels for the year ended 30th September 2016.

Transfers between Level 1 and 3:	Level 1 £m	Level 2 £m	Level 3 £m
UK			
Business services	44	–	(44)

No transfer between levels took place on assets held by the Company during the year ended 30th September 2017 (2016: £nil).

19 Financial Instruments (continued)

The following table presents the movement in Level 3 instruments by sector of financial instrument:

	Consumer goods £m	Property £m	Business services £m	Fund positions £m	Total £m
Opening balance at 1st October 2016	650	46	772	174	1,642
Purchases	39	–	3	4	46
Realisations	(453)	(52)	(939)	(137)	(1,581)
Transfers to Level 1	–	–	–	–	–
Increase in valuation	50	10	195	(13)	242
Closing balance at 30th September 2017	286	4	31	28	349

	Consumer goods £m	Property £m	Business services £m	Fund positions £m	Total £m
Opening balance at 1st 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 30th September 2016	650	46	772	174	1,642

20 Called up Share Capital and Reserves

Share Capital

	2017 £m	2016 £m
Opening allotted, called-up and fully paid 40,270,531 (2015: 36,054,938) ordinary shares of 25p each	10	9
Convertible bonds converted to ordinary shares nil (2016: 4,215,593)	–	1
Ordinary shares purchased by the Company 1,987,768 (2016: nil)	(1)	–
Closing allotted, called-up and fully paid 38,282,763 (2016: 40,270,531) ordinary shares of 25p each	9	10

During the year ended 30th September 2017, Electra repurchased 1,987,768 (5%) of its ordinary shares for £94 million or 4,650p per share. The expenses directly relating to the acquisition of £2 million have been charged against realised profit.

85,369 Subordinated Convertible Bonds were fully converted into 4,215,593 ordinary shares during 2016.

Own Shares Held
As a result of the new Long-Term Incentive Plan introduced by the Group (Note 21), 47,783 shares were purchased at a market value of £795,102 by the Group's Employee Benefit Trust, and held as Own Shares Held as at 30th September 2017.

Realised Capital Reserves
The realised capital reserve is the gains and losses on the realisation of investments.

Unrealised Capital Reserves
The unrealised capital reserve is the changes in the value of financial instruments measured at fair value which have been taken through profit and loss.

Revenue Reserves
Revenue reserves is the net revenue profit and losses of the Group and Company.

Other Reserves
Other reserves included Subordinated Convertible Bonds that were converted into new ordinary shares of Electra. The share based payment reserve of £44,482 was also included in the other reserve balance as at 30th September 2017 (see Note 21).

21 Share Based Payments

During the year, a new Long-Term Incentive Plan ("LTIP") was introduced in compensation to the executives of the Group. The LTIP is an equity settled share based payment scheme. However, awards can be settled in cash equivalents at the discretion of the Group Remuneration Committee. For the purpose of classification, the share based payment scheme is recognised as equity settled on the basis that the Group has no present obligation for settling awards in cash, contractually or constructively i.e. past practices.

The cost of share based payment is recognised as an expense with a corresponding increase in share based payment reserves. Expenses are borne by the Group and recognised over the period in which vesting conditions are fulfilled. No expense is recognised for awards that do not ultimately vest. The total charge in the Consolidated Income Statement for the year was £44,482 (2016: £nil).

Details of the share based payment scheme are as follows:

<table>
<tr><td>Grant Date</td><td colspan="2">13th July 2017</td></tr>
<tr><td>Number of shares granted</td><td colspan="2">47,783</td></tr>
<tr><td>Market Price on Grant Date</td><td colspan="2">£795,102</td></tr>
<tr><td>Performance period</td><td colspan="2">3 years</td></tr>
<tr><td rowspan="3">Vesting conditions</td><td colspan="2">1. Continued services over the vesting period.
2. The Group's TSR performance relative to that of a comparator group of companies, comprised of the constituents of the FTSE 250 index (excluding investment trusts) over the vesting period. Vesting percentage of the award are as follows:</td></tr>
<tr><td>TSR against comparator group over performance period</td><td>Percentage of award that vests</td></tr>
<tr><td>Below median
Median
Between median and upper quartile
Upper quartile or more</td><td>0%
20%
Between 20% and 100% straight-line
100%</td></tr>
<tr><td>Change in corporate control and other corporate events</td><td colspan="2">All unvested awards shall vest on date of such event.</td></tr>
<tr><td>Settlement method</td><td colspan="2">Equity settled, with option of cash alternative determined by the Group Remuneration Committee.</td></tr>
</table>

The Directors consider that the market value of shares at grant date materially reflects the variable inputs in the fair valuation of the nil-cost options granted. Assumptions that may result in changes to the share based payment expense and reserves in the Group Financial Statements will be reassessed at all future reporting dates.

Analysis of movements in the number of options is set out below:

Number of outstanding options	Group	2017 Company
As at 30th September 2016	–	–
Granted	47,783	47,783
As at 30th September 2017	**47,783**	**47,783**

22 Particulars of Holdings

Subsidiary Undertakings

The results and balances of the following subsidiaries are included in the Consolidated Financial Statements of the Group.

Electra Investments Limited (Investment Holding Company)
87,000 ordinary shares of £10 (par value). Paid-in capital £1,027,389.
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
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)
50,000 ordinary shares of £1.00 (par value). Paid-in capital £50,000.
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Incorporated in England and Wales.
The subsidiary is 100% owned and held directly by the Company.

Electra General Partner Number One Limited (General Partner to Kingsway Equity Partners LP)
100 ordinary shares of £1 per share. Paid-in capital £100.
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Incorporated in England and Wales.
The subsidiary is 100% owned and held directly by the Company.

Albion (Electra) Limited (Non-Trading Company)
4,995 ordinary shares of US$1.00 (par value). Paid-in capital US$11,565,002.
Registered Office: Dehands House, 2nd Terrace West, Centreville Nassau, Bahamas
Incorporated in the Commonwealth of the Bahamas.
The subsidiary is 100% owned and held directly by the Company.

Electra E.B.T. Limited (Historic Employee Benefit Trust)
100 ordinary shares of £1 per share. Paid-in capital £100.
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Incorporated in England and Wales.
The subsidiary is 100% owned and held directly by the Company.
The subsidiary's individual accounts are exempt from audit requirements by virtue of Section 479A of the Companies Act 2006.

Electra Investment Trust Limited (in liquidation)
250,000 ordinary shares of £1 per share. Paid-in capital £250,000.
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Incorporated in England and Wales.
The subsidiary is 100% owned and held directly by the Company.

Electra Aviation (Spares) Limited (Non-Trading Company)
1 'A' ordinary shares of £1 per share. Paid-in capital £1.
1 'B' ordinary shares of £1 per share. Paid-in capital £1.
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Incorporated in England and Wales.
The subsidiary is 100% owned and held directly by the Company.

22 Particulars of Holdings (continued)

Electra Securities Limited (Non-Trading Company)
100,000 ordinary shares of £1 per share. Paid-in capital £100,000
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Incorporated in England and Wales.
The subsidiary is 100% owned and held directly by the Company.

Electra Holdings Inc. (Non-Trading Company)
10,000 common stock of US$1.
Registered Office: 229 South State Street, Dover, Delaware, United States of America
Incorporated in Delaware (United States of America).
The subsidiary is 100% owned and held directly by the Company.

Electra Property Inc. (Non-Trading Company)
1,000 common stock of US$1.
Registered Office: 229 South State Street, Dover, Delaware, United States of America
Incorporated in Delaware (United States of America).
The subsidiary is 100% owned and held directly by the Company.

Electra Partners Advisers (Asia) Limited (Non-Trading Company)
1 ordinary share of £1 (par value). Paid-in capital £1.
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Incorporated in England and Wales.
The subsidiary is 100% owned and held through Electra Far East LP.

Electra Partners Mauritius Limited (Investment Holding Company)
100,000 ordinary shares of $0.10. Paid-in capital $10,000.
Registered Office: 33, Edith Cavell Street, Port-Louis, Mauritius
Incorporated in Mauritius.
The subsidiary is 100% owned and held through Electra Far East LP.

Kingsway Nominees Limited (Nominee Company)
1,000 ordinary shares of £1 per share. Paid-in capital £1,000.
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Incorporated in England and Wales.
The subsidiary is 100% owned and held through Kingsway Equity Partners LP.

New Kingsway Nominees Limited (Nominee Company)
2 ordinary shares of £1 per share. Paid-in capital £2.
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Incorporated in England and Wales.
The subsidiary is 100% owned and held through Kingsway Equity Partners LP.

EPEP Syndications Limited (Non-Trading Company)
100,000 ordinary shares of £1 per share. Paid-in capital £100,000
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Incorporated in England and Wales.
The subsidiary is 76.1% owned and held through Kingsway Equity Partners LP and Electra Private Equity PLC.
The subsidiary's individual accounts are exempt from audit requirements by virtue of
Section 479A of the Companies Act 2006.

22 Particulars of Holdings (continued)

EFPEP Syndications Limited (Non-Trading Company)
100 ordinary shares of £1 per share. Paid-in capital £100.
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Incorporated in England and Wales.
The subsidiary is 100% owned and held through Kingsway Equity Partners LP.

Partnership Undertakings
The results and balances of the following partnerships are included in the Consolidated Financial Statements of the Group. Each partnership is 100% owned by the Group, subject to the other partners' rights to participate in distributions.

Kingsway Equity Partners LP (Investment Holding Partnership)
Capital contributions of £10,705,000. Incorporated in Scotland.
Registered Office: 50 Lothian Road, Edinburgh, EH3 9BY

Electra Private Equity Partners 1995 LP (Investment Holding Partnership)
Capital contributions of £9,500. Incorporated in England and Wales.
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT

Electra Quoted Partners 1995 LP (Investment Holding Partnership)
Capital contributions of £120,277,699. Incorporated in England and Wales.
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT

EF Private Equity Partners (Americas) LP (Investment Holding Partnership)
Capital contributions of $2,500. Incorporated in England and Wales.
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT

Electra Far East LP (Investment Holding Partnership)
Capital contributions of $5,640. Incorporated in England and Wales.
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT

Electra Private Equity Partners (Scotland) LP (Investment Holding Partnership)
Capital contributions of £17,500,000. Incorporated in Scotland.
Registered Office: Quartermile One, 15 Lauriston Place, Edinburgh, EH3 9EP

Electra Private Equity Partners 2001 - 2006 Scottish LP (Investment Holding Partnership)
Capital contributions of £20. Incorporated in Scotland.
Registered Office: 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ

Electra Private Equity Partners 2006 Scottish LP (Investment Holding Partnership)
Capital contributions of £20. Incorporated in Scotland.
Registered Office: 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ

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.

22 Particulars of Holdings (continued)

Significant Interests in Investee Undertakings

The fair value of the undertakings shown below each represent by value more than 5% of the non-current asset investments of the Group:

As at 30th September	2017 Carrying value £m	2017 Cost £m	2016 Carrying value £m	2016 Cost £m
HOTTER SHOES A Ordinary shares 61.3% 10% Secured red PIK loan notes 2022 72.9%	38	85	31	84
KNIGHT SQUARE Ordinary shares 50.8% C Ordinary shares Senior loan notes 66.7% Junior loan notes 55.5%	28	8	25	8
PHOTOBOX GROUP Ordinary A shares Loan notes	84	90	102	89
TGI FRIDAYS A Ordinary shares 78.7% Unsecured Loan Notes 100%	162	136	90	99

23 Related Party Transactions

Balances and transactions between the Company and its subsidiaries for Group are eliminated on consolidation. Details of transactions between the Group and Company and other related parties are disclosed below.

Termination Payment

On 26th May 2016, the Company served notice of termination of the Management and Investment Guideline Agreement on Epiris effective on 31st May 2017. Under the terms of their contract, Epiris were paid £34 million compensation based on the Priority Profit Share received in the year to 31st May 2017. £32 million was recognised during the year ended 30th September 2016 with the remaining £2 million being recognised during the current year.

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 31st March 1995, subject to Electra having received total proceeds equal to the valuation of those investments as at 31st March 1995 plus a preferred return.

The Initial Pool

This relates to a pool of investments valued at £160 million at 31st 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 3 year period. At the reporting date, such arrangements are in operation in relation to the 3 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.

23 Related Party Transactions (continued)

Summary of carried interest pools

As at 30th September 2017	Initial Pool £m	2006 Pool £m	2009 Pool £m	2012 Pool £m	2015 Pool £m
Amount invested	(236)	(436)	(359)	(785)	(176)
Amount realised	688	808	841	1,601	109
Valuation of remaining investments	6	–	30	165	83
Pool profit	458	372	512	981	16
Multiple of cost	2.9	1.9	2.4	2.2	1.1
Priority Profit Share	(7)	(32)	(26)	(41)	(4)
Net profit	**451**	**340**	**486**	**940**	**12**

As at 30th September 2017	LTI £m	Initial Pool £m	2006 Pool £m	2009 Pool £m	2012 Pool £m	2015 Pool £m	Total £m
Provisional Entitlement	–	1	–	4	24	–	29
Outstanding Entitlement	–	–	–	–	–	–	–
Total Amount Outstanding	–	1	–	4	24	–	29
Amount Paid in Year	17	1	8	82	140	–	248

As at 30th 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

As at 30th September 2016	LTI £m	1995 LTI £m	Initial Pool £m	2006 Pool £m	2009 Pool £m	2012 Pool £m	2015 Pool £m	Total £m
Provisional Entitlement	7	–	1	8	82	141	4	243
Outstanding Entitlement	7	–	1	–	–	–	–	8
Total Amount Outstanding	14	–	2	8	82	141	4	251
Amount Paid in Year	1	–	1	1	–	–	–	3

Participants Investment

During the year, the participants exercised their option to sell their remaining Participants Investments to the Group at a cost of £4 million and therefore no investments are held by the participants at 30th September 2017.

23 Related Party Transactions (continued)

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 30th September 2017 was £23 million (2016: £29 million).

Year to September	2017 £m	2016 £m
Fee at 1.5%	23	26
Fee at 1%	–	1
	23	27
Adjustment for deal fees net of abort costs	–	2
Total	23	29

Priority Profit Share paid to Epiris 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 30th September 2017 no deal fees (2016: £5 million) were charged 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 £nil (2016: £2 million). This is achieved by increasing the Priority Profit Share for the year by the relevant amount. These amounts are shown in the table above.

Sherborne

Sherborne Investors Management LP ("Sherborne") was appointed as adviser to the Group on 22nd December 2015. Their role was to advise the Group in connection with research and the formulation and making of proposals to the Board of Directors of the Group, 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 30th September 2017 the Group paid Sherborne £127,981 (2016: £88,000) as reimbursement for travel and subsistence costs. Edward Bramson, a Director of Electra, is the managing member of Sherborne Investors Management LP.

Remuneration Disclosure

Total remuneration of the Alternative Investment Fund Managers ("AIFM") during the year were:

	Year ended 30th September 2017 £m
Remuneration paid by Epiris to its partners (to 31st May 2017)	4
Carried Interest paid to the partners of Epiris (to 31st May 2017)	103
Total	107

The remuneration paid by Epiris in the year were fixed with no variable remuneration being paid and the number of beneficiaries was 8 for the year ended 30th September 2017.

23 Related Party Transactions (continued)

Beneficiaries of remuneration paid by Epiris are its partners who are senior management. Following successful disposals made during the year, the same individuals received aggregate profit distributions as set out above in respect of their carried interest in partnerships through which the Group invests.

G10 Capital Ltd was appointed AIFM to manage the Company under an investment management agreement with effect from 1st June 2017. G10 is a multi-asset investment manager platform and manages a number of different AIFs. Electra remunerates G10 by way of a fixed monthly fee for providing full scope AIFM services, a further fixed monthly fee for each subsidiary entity which requires manager and operator services and at agreed hourly rates for any other services provided. The AIFM and its staff receive no remuneration through profit share, carried interest, co-investment or other schemes related to Electra's performance.

G10 has reviewed its remuneration policies and procedures to ensure incentives are aligned with the requirements of AIFMD. It includes measures to avoid conflicts of interest such as providing staff with a fixed monthly salary and determining discretionary payments by the performance of G10 as a whole and not linked to any one AIF in particular.

24 Basis of Accounting and Significant Accounting Policies

The Group Financial Statements for the year ended 30th September 2017 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 30th September 2017.

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 November 2014 (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 Consolidated 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 Consolidated Income Statement. The total of the revenue column of the Consolidated 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 Consolidated 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 as revenue item for the year ended 30th September 2017

The separate Financial Statements of the Company have been prepared in accordance with Financial Reporting Standard 101 (FRS 101) and the Companies Act 2006. The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 and accordingly has not presented a separate Company Income Statement. In preparing these Financial Statements, the Company applies recognition, measurement and disclosure requirements of FRS 101 and the following exemptions have been applied:

- Cash Flow Statement and related notes
- Related party disclosures in respect of transactions with wholly owned subsidiaries
- The effects of new but not yet effective IFRSs
- IFRS 2 Share Based Payments in respect of Group settled share based payment schemes

24 Basis of Accounting and Significant Accounting Policies (continued)

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.

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 is measured and evaluated on a fair value basis

Electra Private Equity PLC does not consolidate the portfolio companies 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.

Application of New Standards

The following new IFRSs have been issued by the IASB, effective for annual periods beginning on or after 1st January 2018. The Group has not early adopted these standards for the year ended 30th September 2017, however full impact assessments on IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been completed.

IFRS 9 Financial Instruments

Financial assets within the Group are measured either at fair value or amortised cost. Those measured at amortised cost are held wholly for the purpose of collecting contractual cash flows and so will remain valued in this way. Therefore the new requirements on initial recognition and subsequent measurement of financial assets under IFRS 9 are not expected to have any impact on the Group.

There are currently no hedging arrangements in the Group. Therefore requirements on hedging and hedge accounting under IFRS 9 is considered to be not applicable. Should hedging arrangements be put in place in future, the provisions of IFRS 9 will be considered.

As at 30th September 2017, the Group held a loans and receivables balance of £1 million in total. The Group will implement a 12-month expected credit loss model on adoption of IFRS 9. This is not expected to be materially different to the current incurred credit loss model.

24 Basis of Accounting and Significant Accounting Policies (continued)

IFRS 15 Revenue from Contracts with Customers

The main revenue generating assets held by the Group are classified as financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement and will be within the scope of IFRS 9 Financial Instruments when it becomes effective. On this basis, the Group's main revenue stream will be outside the scope of IFRS 15. Sundry revenue generated by the Group during 2017 amounted to less than £0.2million and is expected to stay at similar levels in future periods.

IFRS 16 Leases

An impact assessment of IFRS 16 is ongoing and the Group will publish the results of the assessment and details of implementation in the Financial Statements for the year ending 30th September 2018. While there will be an impact of implementing this standard, this is not expected to be material.

The following amended standards became effective for accounting period commencing on or after 1st January 2017 and will be adopted by the Group from 1st October 2017. No material impact is expected on the Consolidated Financial Statements of the Group following the adoption.

- IFRS 2 (amendments) – Classification and Measurement of Share-based Payment Transactions
- IAS 7 (amendments) – Disclosure Initiative
- IAS 12 (amendments) – Recognition of Deferred Tax Assets for Unrealised Losses
- IFRS 10 and IAS 28 (amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Investments

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.

Principles of Valuation of Investments

On 26th May 2016 the Company served notice of termination of the Management and Investment Guideline Agreement on Epiris effective on 31st May 2017, and appointed G10 Capital Limited ("G10") as its AIFM as at 1st June 2017.

(i) General

The Group 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 Group 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.

24 Basis of Accounting and Significant Accounting Policies (continued)

In general, the Group 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 Equity Investments

In respect of each unlisted investment the Group 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
- A replacement cost approach valuing the net assets of the portfolio company

In assessing whether a methodology is appropriate the Group 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.

Multiple

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

The Group 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, and any other reason the quality of earnings may differ.

In respect of maintainable earnings, the Group usually uses earnings for the most recent 12 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 Group 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 Group 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.

24 Basis of Accounting and Significant Accounting Policies (continued)

(iii) Listed Investments
The fair value of financial instruments traded in active markets is based on quoted market prices at the 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 the NAV of the fund as reported by the manager is used as the starting point. The Group may make adjustments to the reported NAV 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) Money Market
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.

Cash and Cash Equivalents
Cash comprises cash at bank and short-term deposits with an original maturity of less than 3 months.

Foreign Currencies
The Group's and Company's presentational and functional 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. Foreign currency revenue and expenses are translated into the functional currencies of the Group's respective entities at the month end rate for the period the transaction occurred. Exchange differences arising are recognised through the Consolidated 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 Consolidated 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.

Other income
Interest income received from money market funds are accounted for as the interest is accrued on an effective interest rate basis.

24 Basis of Accounting and Significant Accounting Policies (continued)

Expenses

Expenses are charged through the revenue column of the Consolidated Income Statement.

Exceptional Expenses

Exceptional expenses are those items that are material either because of their size or their nature and are presented within their relevant Consolidated Income Statement category, disclosed separately in the Notes to the Financial Statements.

Lease Expense

Payments made under operating leases are recognised in the Consolidated Income Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Consolidated Income Statements as an integral part of the total lease expense and are therefore also recognised on a straight-line basis over the term of the lease.

Defined Contribution Plan

The Group operates a defined contribution pension plan under which the Group pays fixed contributions. Pension contributions are recognised as expenses in the Consolidated Income Statement, as incurred.

Finance Costs

Costs of borrowings are expensed as revenue items through the Consolidated 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 Group and Company through investment holding limited partnerships. 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 years 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 year. In all instances, the cash amount paid to the general partner in each year is equivalent to the Priority Profit Share.

The Priority Profit Share is charged wholly to the revenue column of the Consolidated Income Statement.

Taxation

The tax effect of different items of income/gain and expense/loss is allocated between capital and revenue on the same basis as the particular item to which it relates, using the Company's effective rate of tax for the accounting year.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred Tax

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 bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable 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. Deferred tax is not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

24 Basis of Accounting and Significant Accounting Policies (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting year, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Zero Dividend Preference Shares

Zero Dividend Preference Shares which exhibit the characteristics of debt were recognised as liabilities in the Consolidated Balance Sheet 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 Association of Investment Companies ("AIC") Statement of Recommended Practice ("SORP") this interest expense was allocated to the capital column of the Consolidated 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 make 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 Consolidated Balance Sheet into its constituent parts of debt and equity in accordance with the requirement of IFRS.

Finance costs were taken to the Consolidated 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.

24 Basis of Accounting and Significant Accounting Policies (continued)

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 Consolidated 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 Consolidated Income Statement as a direct cost.

Revenue and Capital Reserves

Net Capital return is added to the Capital Reserve in the Consolidated Statement of Changes in Equity, while the net revenue return is added to the Revenue Reserve.

Receivables and Payables

Receivables and payables are typically settled in a short time frame and are carried at the amount due to be settled. As a result, the fair value of these balances is considered to be materially equal to the carrying value, after taking into account potential impairment losses.

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.

Share Based Payments

Some employees have been granted nil value options in the Company. In the Consolidated Financial Statements the fair value of the shares acquired is recognised as an employee expense with corresponding increase in equity in accordance with IFRS 2. The fair value is measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the fair value of the shares. Where vesting is conditional upon a market condition being met, the scheme is treated as vesting irrespective of market conditions being met, provided that all other performance and/or service conditions are satisfied.

Going Concern

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

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical accounting judgements and key sources of estimation uncertainty 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 judgements and estimates will, by definition, seldom equal the related actual results.

In the course of preparing the Financial Statements, no judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations that have had a significant effect on the amounts recognised in the Financial Statements.

24 Basis of Accounting and Significant Accounting Policies (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty in the reporting year, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. Sensitivity analysis on key sources of estimation has been disclosed in Note 19.

Fair value measurements and valuation processes

Unquoted assets are measured at fair value in accordance with IFRS 13 and the IPEV Guidelines for financial reporting purposes. Judgement is required in order to determine the appropriate valuation methodology 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. The Board of Directors of the Company has set up a Valuations Committee, which is chaired by a Non-Executive Director, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses internal experts to perform the valuation. The Valuations Committee works closely with the internal expert and G10 Capital Limited to establish the appropriate valuation techniques and inputs to the model. The Chairman of the Valuations Committee reports its findings to the Board of Directors of the Group every 6 months to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed on pages 59 to 61.

Independent Auditor's Report to the Members of Electra Private Equity PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- The Financial Statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30th September 2017 and of the Group's profit 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 parent company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework" 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

We have audited the Financial Statements of Electra Private Equity PLC (the 'Company') and its subsidiaries (together the 'Group') which comprise:

- The Consolidated Income Statement
- The Consolidated Statement of Comprehensive Income
- The Consolidated and Company Statements of Changes in Equity
- The Consolidated and Company Balance Sheets
- The Consolidated Cash Flow Statement
- The related Notes 1 to 24

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: ■ Valuation of unquoted investments ■ Accuracy and occurrence of realised gains on disposal ■ Accuracy, cut off and occurrence of incentive scheme expense and provisions Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with .
Materiality	The materiality that we used in the current year was £7.6 million which was determined on the basis of 1% of NAV.
Scoping	Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing risks of material misstatement at the Group and subsidiary level. Our Group audit scope included the audit of the Company and Electra Investments Limited, an investment holding company that is 100% owned by Electra Private Equity PLC. These were both subject to a full scope audit for the year ended 30th September 2017.
Significant changes in our approach	This is the first year that the audit has been performed by Deloitte LLP for Electra Private Equity PLC and its subsidiaries. Through our risk assessment we identified that the key audit matters discussed below are consistent with the previous auditor's key areas of focus, except for the key audit matter titled: Accuracy and occurrence of realised gains on disposal.

Conclusions relating to principal risks, going concern and viability statement

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within Note 24 to the Financial Statements and the report of the Directors on the longer-term viability of the Group contained within the Strategic Report, on page 9.

We are required to state whether we have anything material to add or draw attention to in relation to:

- The disclosures on pages 6 to 8 that describe the principal risks and explain how they are being managed or mitigated
- The Directors' confirmation on page 6 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
- The Directors' statement in Note 24 to the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group and the parent company's ability to continue to do so over a period of at least 12 months from the date of approval of the Financial Statements
- The Directors' explanation on page 9 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; or
- Whether the Directors' statements relating to going concern and the prospects of the Company required in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of unquoted investments	
Key audit matter description	The valuation of unquoted investments of £321 million (2016: £1,696 million) held by the Group involves the use of a significant degree of judgement in estimating fair value and applying the International Private Equity and Venture Capital Valuation ("IPEV") guidelines, including the judgement required in deciding on the valuation method. We have therefore identified a potential risk of fraud in this key audit matter. The valuation method used included an earnings multiple approach where an appropriate and reasonable multiple is applied to earnings. It is often calculated by taking a discount to the multiple of comparable, listed companies. The discount reflects points of difference between the listed companies and the Company being valued. Such points of difference discounts could reflect differences in size, geographical footprint or end markets, for instance. Key inputs to the valuation include the selection of comparable listed companies, the maintainable earnings of the Company and the discounts applied to take account of points of difference to the multiples of the comparable listed companies. Determining both the valuation methodologies to be used and the key inputs to the valuations are subjective judgements, and this along with the significance of the unquoted investments to the balance sheet of the Group made this a key area of focus for our audit. See pages 64 and 65 to the Financial Statements for the Directors' disclosures of the related accounting policies, judgements and estimates and the financial instruments Note 19 on pages 45 to 47 for further information.
How the scope of our audit responded to the key audit matter	■ We evaluated the design and implementation of key controls around the valuation of unquoted investments at both Epiris Managers LLP (the previous investment manager) in respect of the period up to 31st May 2017 and the Group for the period 1st June to 30th September 2017. The relevant control identified is the valuation committee approval which includes a three stage review process with subsequent sign off and is performed twice a year. ■ We tested the valuations of the unquoted investments by critically assessing the methodology applied and the reasonableness of the underlying assumptions and judgements. We evaluated significant inputs to the valuations and agreed these to supporting documentation such as earnings, revenue and capital structure information provided by the underlying businesses, and the market multiples, comparable companies and points of difference used by the Company in the valuations, analysing year on year movements and testing their arithmetical accuracy.

How the scope of our audit responded to the key audit matter continued	■ Five of these unquoted investments were valued by applying a discounted multiple to maintainable earnings and as such the key assumptions influencing the valuations are: 1. The basket of comparable listed companies selected. We examined management's choice of comparables and assessed them for reasonableness. In addition, we tested the completeness of the basket by compiling an alternative list of potential comparable companies and challenged management's rationale for not including these. 2. We challenged management's rationale for the points of difference discounts applied to the multiple and assessed the discounts for reasonableness. 3. The earnings amounts to which the multiple is applied to arrive at the enterprise value has been analysed for indications of bias and potential adjustable items that are not considered maintainable in the future. ■ We reviewed whether the valuations were carried out in accordance with the IPEV guidelines.
Key observations	Based on the audit work performed no material misstatements or significant deficiencies have been identified.

Accuracy and occurrence of realised gains on disposal	
Key audit matter description	Realised gains of £193 million (2016: £665 million) have been recognised in relation to disposals of investments during the year. There is a risk that the realised gains on disposal are not accurately recorded. We consider this to be a key audit matter because these balances are used to calculate the investment returns that have been made by the Group. In addition, there is the theoretical incentive for management to overstate these balances in order to improve the calculated investment returns. See page 45 to 47 of the Financial Statements for the Directors' disclosures of the related accounting policies, judgements and estimates and the investments held at fair value Note 13 on page 36 for further information.
How the scope of our audit responded to the key audit matter	■ We assessed the design and implementation of the key controls over recognition of realised gains on disposal and any allocation between the revenue and capital columns in the Financial Statements. ■ We tested 99% of the gains on disposal by agreeing the proceeds receivable on disposal of investments to supporting documentation such as sale agreements and bank statements and we recalculated the gain on disposal based on the carrying value of the investment as at the date of disposal.
Key observations	Based on the audit work performed no material misstatements or significant deficiencies have been identified.

Accuracy and occurrence of incentive scheme expense and provisions	
Key audit matter description	Incentive scheme provisions comprise amounts payable to certain members of Epiris Managers LLP by way of remuneration for investment management services provided. They are recorded in the Financial Statements as follow: ■ Carried interest – charge to the income statement for the year £26 million (2016: £122 million), provision as at the year end £29 million (2016: £243 million); and ■ Priority Profit Share ("PPS") – charge to the income statement for the year £23 million (2016: £29 million), provision as at year end £nil (2016: £nil). The incentive scheme provisions are calculated based on: ■ The gross value of investments held by the Group; and ■ Total investment returns including realised gains on disposal and investment income. In some instances, the percentages are variable based on when certain returns are achieved. In addition, the amounts to be provided for these schemes rely, in part, on the valuation of unlisted investments which is inherently judgemental. As a result there is an increased risk of error in the calculation of the provision for incentive scheme costs. The risk is also increased by the fact that the calculations are performed 'in house' and also by the fact that the investment management and finance functions transferred to Electra Private Equity from 1st June 2017. See pages 62 to 64 of the Financial Statements for the Directors' disclosures of the related accounting policies and Note 23 for further information.
How the scope of our audit responded to the key audit matter	We have recalculated 100% of carried interest and priority profit share expense and accruals (together "incentive schemes") by performing the following tests: ■ Assessed the design and implementation of key controls over the calculation of incentive scheme costs and provisions. ■ Recalculated the amounts due to Epiris and its representatives using the methodology and fee rates set out in the underlying agreements. ■ Agreed the key inputs to the calculations relating to gains on investments to our audit work in relation to the disposal of and valuation of investments (both discussed above). ■ Agreed the payments made under incentive schemes to bank statements.
Key observations	Based on the audit work performed no material misstatements or significant deficiencies have been identified.

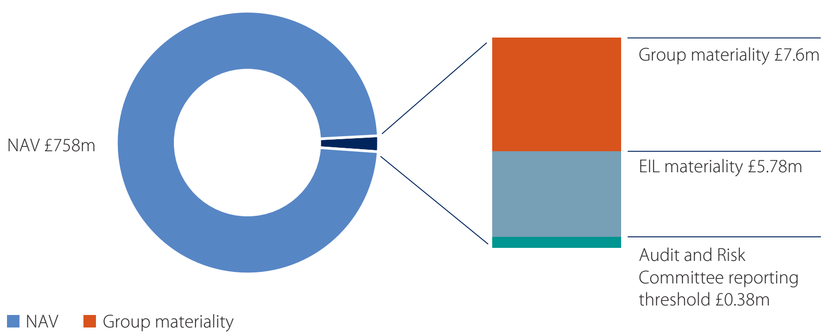
Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Group materiality	£7.6 million (2016: £36 million)
Basis for determining materiality	1% of NAV The prior year materiality of £36 million was determined by the previous auditor on the basis of 1.75% of NAV. The Group materiality figure has reduced significantly in the current year due to the significant reduction in the investments held by the Group as at year end following the return of capital to Shareholders in the period. A benchmark percentage of 1% of NAV is standard for the audits of investment trusts and is in line with Deloitte LLP methodology.
Rationale for the benchmark applied	We used NAV as the basis for our materiality calculation because we consider that the net asset position is a key consideration in the evaluation of the Group's performance because it is significantly impacted by the valuation of investments. In addition, the NAV is a generally accepted benchmark used for the calculation of materiality by the auditors of investment companies.

Materiality



We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.38 million (2016 predecessor auditor: £1.8 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. This threshold is calculated at 5% of materiality by both Deloitte LLP and the predecessor auditor, and therefore the decrease is a result of the reduction of materiality as noted above. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Our Group audit scope included the audit of the Company and Electra Investments Limited, an investment holding Company that is 100% owned by Electra Private Equity PLC. These were both subject to a full scope audit for the year ended 30th September 2017. Electra Investments Limited also requires an audit of its own statutory financial statements, which was performed at the same time as the audit of the Group, and this was performed at a local materiality level of £5.78 million.

The audit work we have carried out includes the review of the Limited Partnerships and the audit of Electra Investments Limited, along with our work auditing the consolidation, provided sufficient audit evidence for our opinion on the Group Financial Statements as a whole.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit or
- *Audit and Risk Committee reporting* – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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 are not in agreement with the accounting records and returns

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by Audit and Risk Committee on 22nd January 2017 to audit the Financial Statements for the Group and Electra Investments Limited for the year ending 30th September 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 1 year, being the year from 1st October 2016 to 30th September 2017.

Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

David Barnes (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
6th December 2017

Sentinel Performance Solutions

Improving the performance and efficiency of residential heating and hot water systems

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.

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.

The investment focus is principally on Western Europe, with the majority of investments made in the United Kingdom.

The Company 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.

Directors' Report

To the Members of Electra Private Equity PLC

The Directors present the audited Financial Statements of the Group for the year ended 30th September 2017 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 30th September 2017, the following information is set out in the Strategic Report on pages 5 to 10: a review of the business of the Company including details about its objective, strategy and business model, future developments, details of the principal risks and uncertainties associated with the Company's activities (including the Company's financial risk management objectives and policies), 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 is included within the Annual Report in the Remuneration section of the Directors' Remuneration Report on pages 89 to 103.

Results and Dividends

A revenue profit attributable to shareholders of £7,281,438 (2016: profit of £5,154,998) was transferred to Revenue Reserves.

A second Interim Dividend of 110p per ordinary share in respect of the year ended 30th September 2016 (2015: nil), making a total payment for the year ended 30th September 2016 of 154p per ordinary share (2015: 116p), was paid on 19th January 2017 to shareholders on the Register of Members at the close of business on 16th December 2016.

Three Special Dividends of 2,612p, 914p and 914p were paid on 5th May 2017, 14th July 2017 and 1st December 2017 respectively to shareholders on the Register of Members at the close of business on 7th April 2017, 9th June 2017 and 3rd November 2017 respectively. The 914p dividend paid on 1st December 2017 was declared post year end.

Given the high level of special dividends the Directors do not intend to declare a final dividend in respect of the year ended 30th September 2017.

Management Arrangements

Since 1st June 2017, the Company has been managed by an internal team of employees, led by Edward Bramson, the CEO, and Gavin Manson, the CFO. G10 Capital Limited was appointed as the AIFM on 1st June 2017.

Under the terms of the Management Agreement with the Company, the AIFM is entitled to a fee of £20,000 per month for full scope AIFM services to the Company, and a further £750 per month for management and operator's services to investment holding subsidiaries of the Company.

The terms of the Management Agreement between the Company and the AIFM are that the agreement may be terminated by the Company giving 30 days' notice to expire on the final date of any calendar quarter (being 31st March, 30th June, 30th September and 31st December in any year) and by the AIFM giving notice of not less than 6 months.

Epiris was previously appointed as the Manager of the Company under an agreement dated 12th October 2006 and amended on 11th 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 10th February 2015 (Management and Investment Guideline Agreement "MIG"). The agreement was terminated with effect from 31st May 2017 as explained below.

On 26th May 2016, the Board announced an interim update on the review of the Company's investment strategy and policy and its structure, which had been announced on 25th 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 MIG and the related limited partnership agreement under which management of the Company's operations and investments was 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 provided for a notice period of 12 months (the "Notice Period") during which time Epiris continued to provide the same administrative and investment management services as previously, although there were some constraints on the rate of new investments.

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

Under the MIG, Epiris received a management fee equal to 1.5% per annum on the gross value of Electra's investment portfolio, except that there was no management fee payable on cash and the management fee on Non-Core Listed and Primary Fund Investments was 1% per annum. In addition, members of Epiris received 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 Note 23 of the Financial Statements.

The terms of the agreement with Epiris were that the agreement could be terminated by either party giving notice of not less than 12 months. Since the Company gave notice to terminate the MIG, Epiris was 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 31st May 2017, compensation payable to Epiris under the termination provisions would be calculated on the basis of the fee structure existing prior to 1st April 2015. These arrangements applied up to the date of termination at 31st 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 Note 23 of the Financial Statements.

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

Share Capital

At 30th September 2017, there were 38,282,763 (2016: 40,270,531) ordinary shares of 25 pence each in issue. The shares are in registered form.

On 8th 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 to be sought at a General Meeting on 2nd December 2016. A circular was sent to shareholders in November 2016 with full details of the tender offer and the General Meeting. The proposal was approved by shareholders at the General Meeting on 2nd December 2016 and 1,987,768 ordinary shares were bought back and cancelled on 28th December 2016.

During the year, the Company did not purchase any shares for cancellation, other than the shares bought back under the tender offer referred to above.

Directors

The current Directors of the Company are listed on pages 108 and 109.

Neil Johnson, Edward Bramson, Ian Brindle, Paul Goodson, David Lis and Roger Perkin served as Directors throughout the year ended 30th September 2017.

Linda Wilding was appointed as a Non-Executive Director of the Company with effect from 1st December 2016 and John McAdam was appointed as a Non-Executive Director and the Senior Independent Director with effect from 1st January 2017.

Gavin Manson, who was appointed as Chief Financial Officer on 8th August 2016, was appointed as a Director of the Company at the Annual General Meeting ("AGM") on 23rd March 2017.

No other person was a Director of the Company during any part of the year to signing on 6th December 2017.

All of the Directors intend to retire at the AGM in 2018 and, being eligible, offer themselves for election or re-election as appropriate.

Directors' Conflicts of Interest

Directors report on actual or potential conflicts of interest at each Board meeting. The Board has agreed that the Nominations 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 Nominations Committee would subsequently make a recommendation to the Board of Directors.

Directors' Indemnity

Directors' and Officers' qualifying third party 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 year under review, up to and including the date of the Financial Statements.

Substantial Interests

At 30th September 2017, the Company had 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	–	11,446,086	–	29.90
Prudential PLC Group of Companies	–	3,628,754	–	9.47
Fidelity International	–	1,970,041	–	5.15
Witan Investment Trust plc	1,566,733	–	4.09	–

* Percentage shown as a percentage of 38,282,763 ordinary shares, being the number of shares in issue at 30th September 2017 and 6th December 2017.

As at 6th December 2017, the latest practicable date before the publication of this Directors' Report, the following notifications had been received.

Prudential PLC Group of Companies now holds 3,830,188 ordinary shares (10.00%) and 1,000 ordinary shares through a financial instrument.

Witan Investment Trust plc now holds 1,928,429 ordinary shares (5.04%).

Global Greenhouse Gas Emissions for the Year Ended 30th September 2017

At the date of this report, Electra has a staff of 11 individuals, operating from small office premises. Accordingly, it does not have any significant 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 reported in the Report of the Audit and Risk Committee in the Annual Report for the year ended 30th September 2016, the Company put the audit contract out to tender during 2016 and, on the recommendation of the Audit and Risk 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 ended 30th September 2017. The appointment was approved by the members at the AGM held on 23rd March 2017.

Resolutions to reappoint Deloitte LLP as the Company's Auditor and authorising the Directors to determine the remuneration of the Auditors will be proposed at the AGM to be held on 1st March 2018.

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 page 9.

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 below.

Annual General Meeting
The AGM will be held on Thursday 1st March 2018 at 2.00pm. The formal notice of the AGM is set out in a separate circular, which will be posted to shareholders with the Report and Financial Statements for the year ended 30th September 2017.

Authority to Purchase Own Shares
As at 30th September 2017, the Company had authority to purchase for cancellation up to 5,738,586 shares. This authority will lapse at the 2018 AGM.

It is intended that a special resolution will be proposed to renew the Board's authority to purchase its own shares, so as to permit the purchase of up to 5,738,586 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 NAV 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 and Accounts 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 89 to 103.

(ii) details of Directors' fees waived by Mr Bramson are set out in the Remuneration Policy on pages 89 to 103.

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.

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 Own Shares Held), 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 Own Shares Held). At an adjourned meeting, the quorum shall be two persons holding shares of the class in question (other than Own Shares Held) 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 3 nor more than 15.

At the AGM in every year all Directors who held office at the time of each of the two preceding AGMs 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 9 years or more shall retire from office at each AGM and shall be eligible for reappointment.
A Director who retires at an AGM 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 6 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 and (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.

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 July 2016. 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 April 2016, 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 30th September 2017 except as set out below.

The UK Corporate Governance Code includes a provision relating to the need for an internal audit function. The Board has considered and concluded that an internal audit function in not required given the size of the Company.

The Board of Directors

The Board comprised 9 Directors as at 30th September 2017, all of whom were Non-Executive apart from Gavin Manson, the Chief Financial Officer, who was appointed as an Executive Director on 23rd March 2017.

Linda Wilding was appointed as a Non-Executive Director on 1st December 2016 and John McAdam was appointed as a Non-Executive Director on 1st January 2017.

The other Directors were in office throughout the year.

Neil Johnson has been Chairman and Director of the Company since 12th May 2016.

Roger Perkin was nominated by the Board as the Senior Independent Director until 1st January 2017, when John McAdam was appointed to the role.

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 G10 Capital Limited with effect from 1st June 2017 (Epiris until 31st May 2017).

Management Agreements between the Company and G10 Capital Limited (formerly Epiris until 31st May 2017) set out the matters for which the Manager is responsible and those over which the Manager 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 2017 AGM.

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

	Board	Audit and Risk Committee	Valuations Committee	Remuneration Committee	Nominations Committee
Number of meetings	***8**	**3**	**2**	**2**	**1**
N Johnson	8	–	–	–	1
E Bramson	8	–	–	–	–
I Brindle	8	–	–	–	–
D Lis	8	–	2	2	1
P Goodson	8	3	2	–	–
R Perkin	8	3	2	–	–
L Wilding	7/7	3	1/1	2	–
J McAdam	6/6	–	–	1/1	1
G Manson	5/5	–	–	–	–

* 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 tender offer in December 2016.

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 108 and 109.

Independence of the Board

Edward Bramson is a managing member of Sherborne Investors and Ian Brindle has held Non-Executive Directorships in a number of companies in which Sherborne Investors has had an interest. Ian Brindle was appointed as a Non-Executive Director of Sherborne Investors (Guernsey) C Limited, a Guernsey domiciled investment fund that is managed by Sherborne Investors, on 12th July 2017. 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.

The Board has carefully considered the independence of each Director under the provisions of the AIC Code and has concluded that, apart from Edward Bramson, Gavin Manson (Executive Director) and Ian Brindle, each Director is wholly independent. 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 3 years, as required by the Code. During the year, the Board 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 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.

In the years in which there is not an externally-facilitated review, the Board carries out an annual evaluation of its operations and performance and those of its Committees through questionnaires which are completed by Directors, the results of which are discussed by the Board. The Board completed this process during the Autumn of 2017. In addition, the Chairman has regular meetings with each Director individually which allows them to discuss any matters of concern. The Board also meets informally on a number of occasions during the year, which facilitates more general discussions about the Company, the Board and its effectiveness. Together, these processes are considered by the Board to be constructive in identifying areas for improving the functioning and performance of the Board and its Committees.

Korn Ferry Report

In line with the provisions of the UK Corporate Governance Code, the Board conducted an external evaluation of its performance during the year ended 30th September 2017. 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 and
- 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 the recent evaluation of the Board 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 AGM to be held in 2018, 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 AGM 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 9 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 elected or re-elected at the AGM held in March 2017.

Re-election of Directors
In accordance with the Board's policy on Directors' Terms of Appointment, all the Directors intend to retire at the AGM to be held in 2018 and to offer themselves for election or for re-election. Biographical details of the Directors are set out on pages 108 and 109.

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 and Risk Committee
The Board is supported by the Audit and Risk Committee, which was established on 1st June 2017 in place of the Audit Committee, to reflect the increased responsibility of the Board for risk management following the termination of the agreement with Epiris. The members of the Committee are Roger Perkin (Chairman), Paul Goodson and Linda Wilding. The Committee met three times in the year under review and the report of its activities is contained in the Report of the Audit and Risk Committee on pages 104 and 105. The Committee has written terms of reference which are available on the Company's website.

Refer to Note 4 in the Notes to the Financial Statements for details of auditor's remuneration.

The Remuneration and Nominations Committees

The Board agreed that separate Remuneration and Nominations Committees should be established with effect from 2nd December 2016.

Remuneration Committee

The Committee members are David Lis (Chairman), John McAdam (from 1st January 2017) and Linda Wilding. Roger Perkin, the Chairman of the Audit and Risk Committee, attends once a year to discuss the possible clawback of bonuses. The Committee has written terms of reference which are available on the Company's website.

The Committee's duties 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 met twice in the year, including meetings to determine the Company's remuneration policy and to set up the LTIP. A report on its activities is contained in the Directors' Remuneration Report on pages 89 to 103.

Nominations Committee

The Committee members are Neil Johnson (Chairman), David Lis, John McAdam (from 1st January 2017) and Roger Perkin. The Committee has written terms of reference which are available on the Company's website.

The Committee's duties 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 Committee met once during the year. It reviewed the current composition of the Board and its Committees and concluded that no changes were required at present, particularly given the fact that almost all the Directors were appointed recently and in light of the Board's discussions regarding the future of the Company.

The Valuations Committee

The Valuations Committee adds a further level of oversight to the valuation process carried out by G10 Capital Limited under its contractual arrangements with the Company. With effect from 2nd December 2016, the members of the Committee have been Paul Goodson (Chairman), David Lis, Roger Perkin and Linda Wilding. The Committee met twice to review the valuation of investments as at 31st March 2017 and 30th September 2017.

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, CEO, CFO 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 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.

All shareholders are welcome to attend the AGM and have the opportunity to put questions to the Board.

The notice of the AGM 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, Nominations and Valuations Committees are normally available to answer questions at the AGM each year.

The Chairman and the Senior Independent Director can be contacted either at the Company's registered office, First Floor, 50 Grosvenor Hill, London, England, W1K 3QT or through the Company Secretary, Frostrow Capital LLP, at 25 Southampton Buildings, London WC2A 1AL.

Risk Management and Internal Controls

The Board maintains responsibility for the Company's risk management and internal control systems. It has established an Audit and Risk Committee, to oversee risk management, monitoring and reporting. The Audit and Risk Committee is also supported by the work of the executive management team.

From 1st June 2017, the Company has put in place an Investment Management Agreement with G10 Capital Limited ("G10" or "the Manager") for the provision of risk management services as required by the AIFMD rules. The Manager has oversight of risk management and the ongoing process of identifying, evaluating, monitoring and managing the risks facing the Company in accordance with AIFMD. Prior to 1st June 2017, the responsibility for risk management was delegated to Epiris, the former AIFM of the Company, under the supervision of the Board.

The year under review has been one of transition from the arrangements which were in place with Epiris to the arrangements which are now in place. For the year ended 30th September 2017 the processes which have been in place accord with the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published in September 2014. The Board has kept the performance of these responsibilities under review as part of its overall responsibility for the Company's risk management and internal control processes.

Executive management commissioned an external review of the operating effectiveness of the internal controls related to the financial reporting process and has reported the findings of this review to the Audit and Risk Committee, which has delegated authority for oversight of the internal controls system.

The current risk management and internal control processes were developed as part of the transitional arrangements and implemented with effect from 1st June 2017. Prior to 1st June 2017, Epiris was responsible for the majority of the internal controls. The Board's role was in respect of its oversight of the Manager, which included reviewing the performance of the Manager and the effectiveness of the controls being operated. The Board received reports confirming the operating effectiveness of documented controls in place under Epiris's control.

Risk Appetite

During 2017, the Board has been undertaking a strategic review, the objectives of which are to maximise long-term shareholder value by assessing the Company's investment strategy and policy, as well as the structure of the Company. On 23rd October 2017, the Board announced its intention to update the investment policy to reflect the Company's focus on shareholder returns.

The Board's view is that the current market conditions do not support new investments. However, the Board and its Investment Committee will continue to monitor the market and should conditions change then the Board will consider this further. In addition, new opportunities and investment needs across the existing portfolio will also continue to be considered. The strategy to optimise returns on shareholder capital will be a key consideration in any investment decisions made.

When investments are made, the risk of each investment is assessed before any commitment is made. New investments, including additions to existing investments, in accordance with Company Investment Procedures, are reviewed and approved by the Board.

Operation of Risk Management and Internal Controls

As detailed in the Strategic Report, the Principal Risks facing the Company are considered by the Board to be Macroeconomic Risks, Strategy Implementation Risks, Investment Risks, Portfolio Diversification Risk, Cash Drag Risk, Valuation Risk, Operational Risk, Gearing Risks, and Foreign Currency Risks and along with the risks detailed in Note 19 of the Notes to the Financial Statements.

The Board regularly reviews the Principal Risks faced by the Company. In particular, consideration is given to any 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. Mitigating actions and controls are in place to manage the Company's exposure to risk.

The valuations of investments are carried out in accordance with the Company's Principles of Valuation of Investments as detailed on pages 59 to 61. The Valuations Committee of the Company provides oversight of the valuation process undertaken by the Valuations Working Group and G10's Electra Valuations Committee.

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.

During the year, G10 performed its initial review of compliance procedures and regulatory documentation as part of its ongoing monitoring programme. The findings of this review were reported and noted by the Board.

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 Electra has complete discretion in relation to all voting issues in respect of the Company's investments.

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

By order of the Board of Directors
Frostrow Capital LLP, Company Secretary
6th December 2017

Directors' Remuneration Report

Statement by Chairman of the Remuneration Committee

Dear Shareholders

On behalf of the Board, I am pleased to present my report as Chairman of the Remuneration Committee. This report sets out Electra's policy in relation to Directors' remuneration, as approved by shareholders at the AGM in March 2017. This policy, which is set out below on pages 91 to 97 currently remains in place. However, as noted in the Chairman's Statement, the Committee is reviewing this policy in light of the outcome of the strategic review and intends to submit an updated policy for approval by shareholders at the forthcoming AGM on 1st March 2018. Details of the proposed revised policy will be sent to shareholders with the notice of AGM in January 2018 and, if approved by shareholders, implemented with effect from 1st January 2018.

Changes to Company Structure

Prior to the current year, Electra Private Equity PLC (the Company) did not employ any Executive Directors and, as an investment trust, the Board consisted of Non-Executive Directors only. As a result, payments to Directors in 2015/16 comprised Non-Executive base fees and benefits only.

I reported last year on the Board's intentions to appoint one or more Executive Directors to the Board in 2017, as a result of the proposed changes to the corporate structure. In preparation for this, the Committee recruited Gavin Manson as Chief Financial Officer in August 2016 and agreed a proposed Directors' Remuneration Policy that was designed to ensure that Electra is capable of attracting, rewarding and retaining high calibre candidates for the newly created roles. This is summarised below and set out in full on pages 91 to 97 of this report. The Policy was approved by shareholders at the AGM in March 2017.

Following shareholder approval of the Remuneration Policy, Gavin Manson was appointed as a Director with effect from 23rd March 2017.

Remuneration Policy

As noted, a revised Remuneration Policy was approved by shareholders in March 2017. The Remuneration Policy is designed 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 3 years
- A Performance Share Plan measuring performance over 3 years with an additional 2 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 was in a transitional stage as it assumed all operating responsibilities from Epiris. This took effect from 1st June 2017. As noted above, Gavin Manson was appointed as a Director with effect from 23rd March 2017.

Performance Measures for Annual Bonus Plan and Long-term Incentives

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

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

We have employed a mixture of financial and non-financial measures to reflect the Company's particular focus over the coming year. The Committee has consulted 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 believed that this would 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 were based on relative TSR verses the FTSE 250 Index.

The Committee agreed at its meeting on 1st December 2017 that Gavin Manson should receive a bonus of £299,687 in respect of 2016/17 of which £171,249 will be paid in cash and £128,438 deferred into shares for a period of 3 years.

The Committee proposes that the annual bonus plan measures for the year ending 30th September 2018 will be addressed following the Committee's review of the Remuneration Policy.

Electra Private Equity PLC 2017 Long Term Incentive Plan (the "Long-Term Incentive Plan" or "LTIP")

In accordance with the Remuneration Policy approved by shareholders, the Company has established a Long-Term Incentive Plan, the terms of which are set out on page 49. On 14th July 2017, the Committee granted to Gavin Manson a nil cost option award under the LTIP in respect of 35,671 ordinary shares. The award will ordinarily become exercisable 3 years from the date of grant, subject to continued service and to the extent to which the TSR performance condition is met, and may be exercised for a period of 10 years from the date of grant. Gavin Manson is required to hold the shares for at least 24 months from the date of vesting.

Following the declaration of the third Special Dividend which was paid on 1st December 2017, the Committee agreed to adjust the award by increasing the number of ordinary shares within the award by a factor representing the proportionate increase in the awardholder's holding which would have occurred if the special dividend had been invested in more shares on the first day on which the shares were traded ex-dividend. This has resulted in the number of shares under the award being increased by 34,211 shares.

I believe that our proposed policy as set out in the Notice of AGM 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 2018 AGM.

David Lis

David Lis
Chairman of the Remuneration Committee
6th December 2017

Remuneration Policy

The Company's current Remuneration Policy was approved by the Company's members at the AGM in March 2017, in accordance with the Large and Medium-sized Companies and Group (Accounts and Reports) (Amendment) Regulations 2013 (Regulations). As noted above, the Committee intends to submit a revised Remuneration Policy for the approval of shareholders at the forthcoming AGM in March 2018. If approved, the policy will be effective from 1st January 2018.

1. Key objectives of the Electra Remuneration Policy

The Remuneration Policy aims to deliver 2 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:

- Rewards the achievement of Electra's strategic objectives
- Captures emerging corporate governance best practices, wherever feasible
- Delivers 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 3 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 clawback 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 clawback provisions will operate for a 3 year period following the date on which the bonus is paid i.e. for the full deferral period until the share component vests

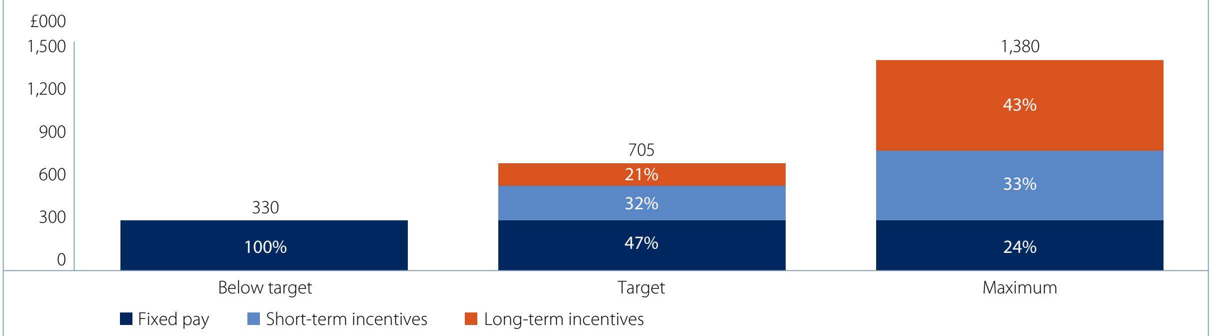
Long-Term Incentive Plan Awards	
Purpose and link to strategy	To drive superior long-term financial performance and shareholder returns, aid retention, and align the interests of Executive Directors with shareholders
Operation	■ The LTIP comprises annual awards of free shares (i.e. either conditional shares or nil-cost options) based on a percentage of salary which vest after 3 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 3 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 clawback 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 clawback provisions will operate for a 2 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 5 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 does not receive any 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 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.

Remuneration packages



Level of performance	Fixed pay	Short-term incentives	Long-term incentives	Total pay
Below target	100%	–	–	£330,000
Target	47%	32%	21%	£705,000
Maximum	24%	33%	43%	£1,380,000

Notes:

- Short-term incentive includes deferred shares. Target performance assumes pay-out at 50% of maximum
- Long-term incentives are based on 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 6 months' notice. A summary of the way in which each element of remuneration is treated on loss of office is included in the table on page 96.

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 passes away 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 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 2016 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 AGM in March 2018. While we have attempted to comply with the disclosure requirements, during the financial year the Company had just 11 remunerated employees and an interim unpaid Chief Executive Officer. It has therefore not been possible to comply with all elements in full (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 Nominations Committees

The Board established separate Remuneration and Nominations Committees with effect from 2nd December 2016, in place of the joint Remuneration and Nominations Committee which had existed prior to that date.

The Remuneration Committee members are David Lis (Chairman), John McAdam (from 1st January 2017) and Linda Wilding. Roger Perkin, the Chairman of the Audit and Risk Committee, attends once a year to discuss the possible clawback of bonuses.

The Remuneration Committee met twice during the year to determine the Company's Remuneration Policy and to set up the LTIP. It also met on 1st December 2017 to approve Gavin Manson's bonus for 2016/17 and adjustments to the LTIP award as a result of the Special Dividend paid on 1st December 2017.

The Remuneration Committee appointed Aon Hewitt to advise it during the year on the implementation of the Company's Remuneration Policy and the establishment of the LTIP. Aon Hewitt did not provide the Company with any other services during the year and has no other connection with the Company, on which basis the Committee considered that their advice would be objective and independent. Aon Hewitt received a fee of £140,612 for the provision of their advice.

Remuneration paid in 2016/17

Executive Directors

Gavin Manson was appointed as an Executive Director on 23rd March 2017, having been appointed as Chief Financial Officer in August 2016. Gavin Manson receives a base salary of £300,000 with maximum annual bonus and long-term incentive opportunities of 125% and 200% of salary respectively.

Single Total Figure Table for the Year (Audited)

Director	Salary £000	Taxable benefits £000	Bonus £000	Pension contributions £000	Long-term incentives £000	Total £000
G M Manson	158	13	135	15	39	360

There were no other Executive Directors during the 2016/17 financial year; there are therefore no comparative figures to disclose in relation to the remuneration of Executive Directors.

During the year, a new Long-Term Incentive Plan ("LTIP") was introduced in compensation to the executives of the Group. The total charge in the Consolidated Income Statement for the year was £44,482 (2016: £nil). Refer to Note 21 on page 49 for further details.

During the year Gavin Manson achieved 90% of individual performance objectives and 47% of corporate performance objectives. This resulted in an award of 68.5% of maximum bonus opportunity.

Executive Directors' taxable benefits relate to medical insurance, gym membership and holiday cancellation. Annual bonus is split by 57% cash and 43% deferred into shares over a 3 year period.

Gavin Manson is the only Director during the 2016/17 financial year to receive a pension contribution. Pension related benefits include pension contributions and cash in lieu of retirement benefits. Gavin Manson is entitled to have pension contributions of 10% of salary (£30,000) paid into the Company pension scheme but due to HMRC limits on the amount of contributions that he can make each year, the actual amount paid into the scheme is £12,000 and the balance is paid to him in cash.

The Company has a money purchase scheme through Aviva. There is no normal retirement date under the scheme and no additional benefits that would be payable in the event that Gavin Manson retired early.

Scheme Interests

As reported above, on 14th July 2017, the Committee granted to Gavin Manson a nil cost option award under the LTIP in respect of 35,671 ordinary shares, equivalent to 200% of salary at the date of grant. The award will ordinarily become exercisable 3 years from the date of grant, subject to continued service and to the extent to which the total shareholder return performance condition is met, and may be exercised for a period of 10 years from the date of grant. Gavin Manson is required to hold the shares for at least 24 months from the date of vesting.

Non-Executive Director Fees

Directors' fees were increased with effect from 1st January 2017 following shareholder approval at the AGM on 23rd March 2017 of an increase in the aggregate amount that may be paid to Directors. The fees are currently as follows:

Role	2017 Fees	2016 Fees
Chairman of the Company	£200,000	£200,000
Base fee for Non-Executive Directors	£50,000	£35,000
Additional fees:		
Chairman of the Audit and Risk, Valuations or Remuneration Committee	£10,000	£6,000
Chairman of the Nominations Committee	–	–
Chairman of the Remuneration and Nominations Committee	–	£3,000
Senior Independent Director fee	£10,000	£6,000

No fees are paid for membership of a committee.

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 30th September 2017 (2016: £nil).

Variable Pay

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

This resulted in the following total remuneration:

Single Total Figure Table for the Year (Audited)

Director	Fees 2017 £000	Taxable benefits 2017 £000	Total 2017 £000	Fees 2016 £000	Taxable benefits 2016 £000	Total 2016 £000
N Johnson[1] (appointed Chairman 12th May 2016)	200	3	203	103	2	105
E Bramson[2] (appointed 5th November 2015)	–	59	59	–	64	64
I Brindle (appointed 5th November 2015)	46	–	46	32	–	32
P Goodson (appointed 26th May 2016)	57	–	57	11.75	0.25	12
D Lis (appointed 26th May 2016)	55	5	60	12	1	13
R Perkin[3]	58	–	58	45.5	0.5	46
L Wilding (appointed 1st December 2016)	40	1	41	–	–	–
J McAdam (appointed 1st January 2017)	45	–	45	–	–	–
R Yates[4] (resigned 5th November 2015)	–	–	–	10	30	40
Dame Kate Barker[5] (resigned 20th June 2016)	–	–	–	62	–	62
F Barnes (resigned 20th June 2016)	–	–	–	29.75	0.25	30
G Cullinan (resigned 23rd November 2015)	–	–	–	7	–	7
J Gold (resigned 2nd June 2016)	–	–	–	24	–	24
Total	501	68	569	337	98	435

1 In the case of Neil Johnson, the 2016 fee includes payments made of £26,000 to C1 International Consulting Ltd of which he is a Director and shareholder.

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

3 Roger Perkin served as Senior Independent Director during the period 5th November 2015 to 12th May 2016 and from 20th June 2016 to 31st December 2016.

4 Roger Yates received reimbursement for a cancelled holiday of £30,000 in 2016. This payment is gross of tax paid on his behalf.

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

Scheme Interests

The Company did not operate any schemes under which shares, or rights to acquire shares, were awarded to Non-Executive Directors of the Company during the year ended 30th September 2017, and no Non-Executive Director was otherwise awarded any interest in shares in the Company.

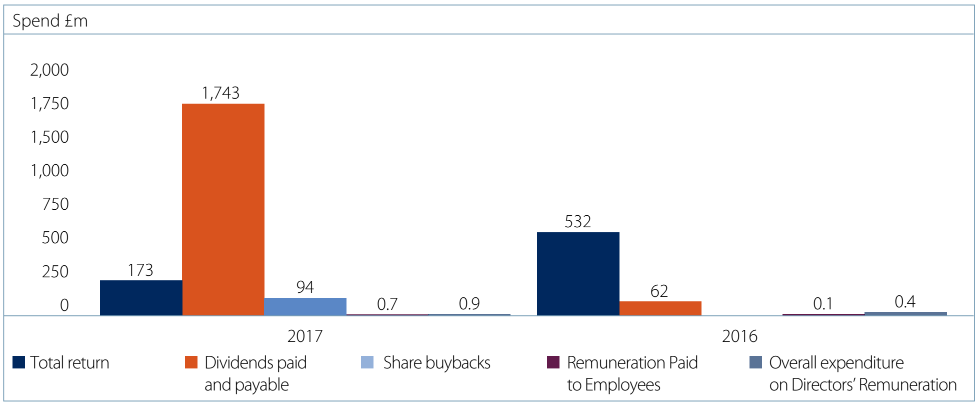
Payments for Loss of Office and Payments to Former Directors (Audited)

No loss of office payments was made to any person who served as a Director of the Company at any time during the year ended 30th September 2017 (2016: £nil).

No payments were made to any person who was not a Director of the Company at the time the award was made but had previously been a Director of the Company at any time during the year ended 30th September 2017 (2016: £nil).

Relative Importance of Spend on Pay

Spend	2017 £000	2016 £000	Change %
Total return	172,714	532,226	(68%)
Dividends paid and payable	1,743,287	62,207	2,702%
Share buybacks	94,296	–	100%
Remuneration Paid to Employees	675	56	1,105%
Overall expenditure on Directors' Remuneration	929	435	125%

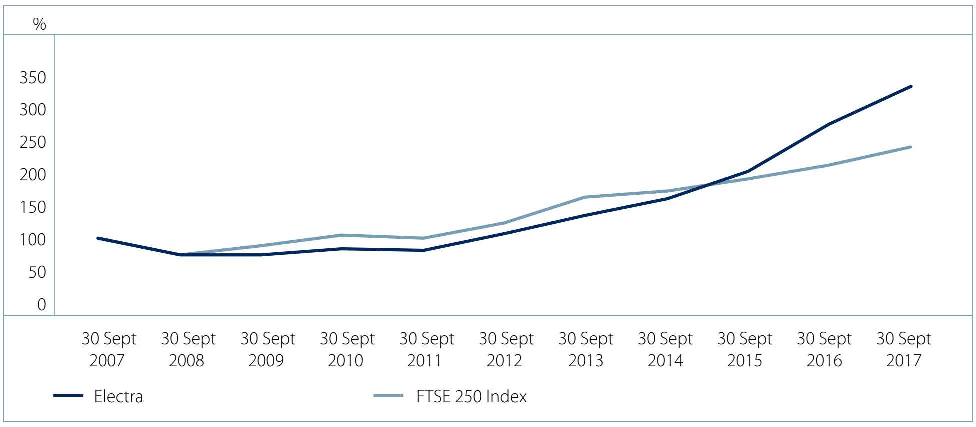


We consider it appropriate to compare the overall expenditure on Directors' remuneration, remuneration paid to employees, dividends paid and payable and share buybacks with the total return to demonstrate the relative scale of these figures to each other.

Total Shareholder Return

We consider that, since the Company invests in a broad range of commercial sectors, the FTSE 250 Index is the most appropriate index against which to compare the Company's performance. This is displayed in the graph below.

Electra Private Equity Total Shareholder Return versus FTSE 250 Index



Statement of Directors' Shareholdings and Share Interests (Audited):

The interests of the Directors (including connected persons) in the ordinary shares are shown below. There is no requirement for the Directors to own securities of the Company. No share options or other share scheme interests, with or without performance conditions, are awarded to the Non-Executive 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 1st October 2016 and 6th December 2017.

	30th Sept 2017 Shares	30th Sept 2016 Shares
N Johnson	2,500	–
E Bramson*	11,446,086	11,426,086
I Brindle	797	697
D Lis	18,500	4,700
P Goodson	–	–
G Manson**	764	–
J McAdam**	–	–
R Perkin	2,074	2,074
L Wilding**	–	–

* These shares are held by Sherborne Investors Management LP (Guernsey) of which Edward Bramson is the managing member.

** Upon appointment, none of Linda Wilding, John McAdam or Gavin Manson had an interest in the ordinary shares of the Company.

Statement of Shareholder Voting

At the AGM held on 23rd March 2017 Ordinary Resolutions to approve the Annual Report on Remuneration and the Remuneration Policy were passed on a poll with the following votes cast:

	Votes for	Votes against	Votes withheld
To approve the Directors' Remuneration Report	28,693,164 (99.69%)	88,317 (0.31%)	187,239
To approve the Directors' Remuneration Policy	27,703,041 (98.92%)	301,448 (1.08%)	964,231

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

Implementation of policy during 2017/18

Chief Financial Officer

Mr Manson's salary for 2017/18 will be addressed as part of the Committee's review of the Remuneration Policy, which will be submitted to shareholders for approval at the AGM.

Performance Measures for Annual Bonus Plan

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

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

The Committee believed that this would 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.

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

Performance Measures for 2017/18 Long-term Incentive

The LTIP granted in 2017/18 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 2 year holding period after they vest. Further detail is provided in Note 21 of the Financial Statements.

Recruitment of a New Chief Executive

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

Should Electra appoint a new Chief Executive during 2017/18, their remuneration would be in line with the Remuneration Policy and will be set out in the 2018/19 Annual Report on Remuneration.

Non-Executive Director Fees

Following shareholder approval of a resolution to increase the permitted upper limit on Non-Executive Directors' fees from £450,000 per annum to £750,000 per annum at the AGM held on 23rd March 2017, the base fee was increased, with effect from 1st January 2017, to £50,000. Additional fees for chairing the Remuneration Committee, Audit Committee and Valuations Committee were increased to £10,000 but with no additional fees for chairing the Nominations Committee. The Senior Independent Director fee also increased to £10,000.

There are no plans to increase the fees paid to Non-Executive Directors during 2017/18.

David Lis
Chairman of the Remuneration Committee
6th December 2017

Report of the Audit and Risk Committee

The Board is supported by the Audit and Risk Committee. The Committee was established on 1st June 2017 in place of the Audit Committee to reflect the increased responsibility of the Board for risk management following the termination of the agreement with Epiris.

I am Chairman of the Audit and Risk Committee and with effect from 2nd December 2016, the members of the Committee have been Paul Goodson and Linda Wilding. The Board has taken note of the requirement that at least one member of the Audit and Risk Committee should have recent and relevant financial experience and is satisfied that the Audit and Risk Committee is properly constituted in this respect, as I am a former partner at Ernst & Young LLP and a Chartered Accountant.

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

The Audit and Risk 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 whereby 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
- Advising the Board on the Company's overall risk appetite, tolerance and strategy, and
- Overseeing and advising the Board on the current risk exposures of the Company and future risk strategy, including reviewing the Company's key risks and internal controls

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

The Audit and Risk Committee met 3 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
- 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 (including the recognition of unrealised gains and interest income) and this issue is considered carefully when the Audit and Risk Committee reviews the Company's Annual and Half Year Accounts. The Valuations Committee considers detailed explanations of the rationale for the valuation of each investment and these are discussed in detail with the auditors at a meeting which is normally attended by all members of the Audit and Risk Committee. The key areas of focus in the review and challenge by the Valuations Committee are the overall methodology and underlying business performance/EBITDA of investee companies, multiples and discounts used where valuations derive from an earnings basis. The Auditors separately report on their procedures and the conclusions from their work. This is more fully described in their report on pages 66 to 73. The Audit and Risk Committee concluded that the year-end valuation process had been properly carried out and that the investments have been fairly valued.

The Audit and Risk Committee was also keen to ensure that amounts due to Epiris in respect of priority profit share and incentive scheme provisions payable in respect of the period to 31st May 2017 had been correctly provided for in the Financial Statements due to the sensitive nature of these amounts. The Audit and Risk Committee ensured that the auditors had checked that the amounts had been calculated on a basis which was consistent with the management agreement and properly attributable to the underlying valuations. The auditors confirmed to the Audit and Risk Committee that they had not identified any issues related to their work in this area and the Audit and Risk Committee concluded that the figures are fairly stated.

As reported in last year's report, 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 ended 30th September 2017, subject to approval by the members, which was granted at the AGM held on 23rd March 2017.

The Audit and Risk Committee would like to thank PricewaterhouseCoopers LLP for its work on the audit of the Company over many years.

The Audit and Risk Committee annually reviews the performance of the Company's external auditors. In doing so the Audit and Risk Committee considers a range of factors, including the quality of service, the auditor's specialist expertise and the level of audit fee. The Audit and Risk Committee will carry out a formal review of Deloitte's audit this year once all the work has been completed but has been satisfied with their effectiveness so far and therefore does not consider it necessary to carry out a further tender for the audit at this time.

The auditors are required to rotate the audit partner every 5 years; the current partner has been in place for 1 year. 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 AGM.

EU Audit Regulation reforms in relation to non-audit services has become effective and applies to the Company under these regulations as a Public Interest Entity for the preparation of the Company's 2017 Report and Financial Statements. In light of this, the Committee has approved a revised policy on non-audit services, which requires that non-audit fees must not exceed 70% of the average of the fees paid in the last three consecutive years for the statutory audit. The Audit and Risk Committee confirms that the Company expects to comply with these requirements in future in respect of Deloitte LLP.

The Audit and Risk 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 auditor's 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 by Deloitte during the course of the year under review included transaction-related services associated with the strategic review of the Company (see Note 4).

The Board has delegated oversight of risk management and monitoring of the Company's control systems to the Audit and Risk Committee, The Audit and Risk Committee is supported in this by the work of the executive management team.

G10 is responsible for the provision of risk management services as required by the AIFMD. G10 has oversight of risk management and the ongoing process of identifying, evaluating, monitoring and managing the risks facing the Company in accordance with AIFMD. Prior to 1st June 2017 the responsibility for risk management was delegated to Epiris, the former AIFM of the Company, under the supervision of the Board.

Executive management commissioned an independent review of the operating effectiveness of the internal controls related to the financial reporting process during the year and reported the findings of this review to the Audit and Risk Committee.

The Audit and Risk Committee has considered whether there is a need for the Company to have its own internal audit function, but continues to believe that the Company's internal control systems in place give sufficient assurance, given the size of the Company, that a sound system of internal control, which safeguards shareholders' investment and the Company's assets is maintained. This view is supported by the review of the effectiveness of internal controls referred to above. The Audit and Risk Committee considers, therefore, that an internal audit function specific to the Company is unnecessary.

Roger Perkin
Chairman of the Audit and Risk Committee
6th December 2017

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 Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The parent Company Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101). 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 year. 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 the Company's website, www.electraequity.com. The maintenance and integrity of the website, so far as it relates to the Company, is the responsibility of the Directors. 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.

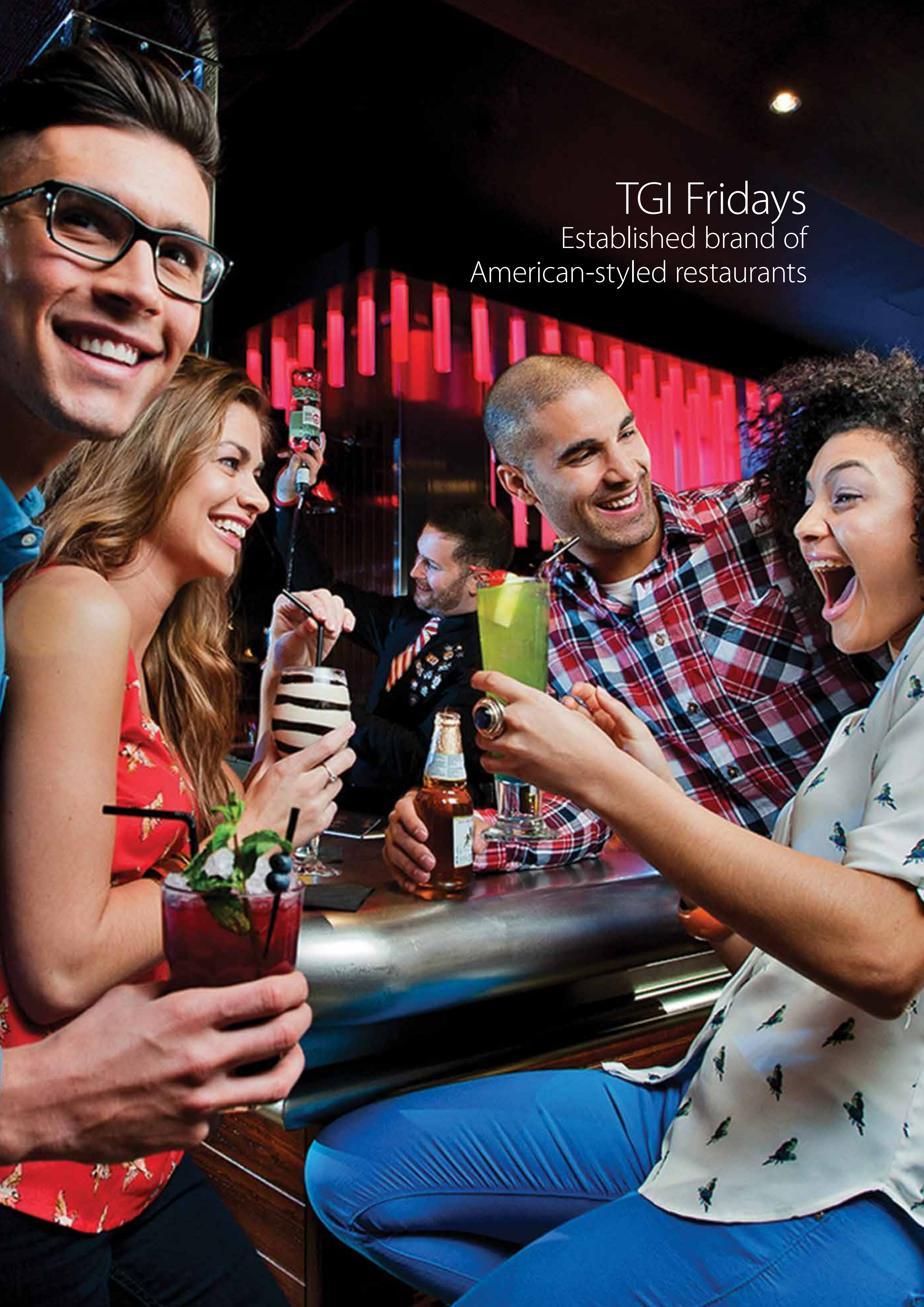
The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements and the 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 position, performance, business model and strategy

By order of the Board of Directors

Neil Johnson
Chairman
6th December 2017



TGI Fridays
Established brand of
American-styled restaurants

Board of Directors

Neil Anthony Johnson (Chairman)

Neil is currently Chairman of Synthomer plc and Motability Operations plc and Senior Independent Director of Business Growth Fund. He was formerly CEO of the RAC. He chaired telematics company Cybit PLC through IPO and ultimate sale to a US private equity house in 2010 and was chairman of e2v PLC until its takeover by Teledyne in 2016. 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 was appointed as Non-Executive Chairman and Director of the Company on 12th May 2016. He is Chairman of the Nominations Committee.

Edward John Michael Bramson

Edward 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 has served as Chairman of F&C Asset Management plc, Spirent Communications PLC, Nautilus, Inc., Elementis PLC, 4imprint Group PLC and Ampex Corporation.

Edward was appointed a Director on 5th November 2015. He is a Director of a number of the Company's portfolio companies.

Ian Brindle

Ian was a 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 is a Non-Executive Director of Sherborne Investors (Guernsey) C Limited and has served as a Non-Executive Director on the Boards of a number of other companies including Spirent Communications PLC, Elementis PLC, F&C Asset Management plc and 4imprint Group PLC.

Ian was appointed a Director on 5th November 2015.

Paul Andrew Goodson

Paul 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 Barclays 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. He is a Non-Executive Director of DX (Group) PLC.

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

David George Lis

David retired from his role as CIO of Equities and Multi-Assets at Aviva Investors, the global asset management business with £267 billion AUM, in 2016. 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 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. He is a Non-Executive Director of Melrose Industries PLC, BCA Marketplace PLC and The Investor Forum.

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

Gavin Maxwell Manson

Gavin first joined the Company as Chief Financial Officer in August 2016. Prior to joining the Company, he was the Finance Director of Thomas Cook Group PLC's tour operator and hotels and resorts division. He joined Thomas Cook in 2013 from the FTSE 250 international electronic component distribution and software business, Premier Farnell PLC, where he was the Finance Director for 5 years. Before this, he worked at Merck GmbH group as the Finance Director for Seven Seas Ltd before becoming Finance Director of the Merck Consumer Healthcare division in UK and Ireland, and latterly leading the consolidation of the back-office activities of Merck's four operating divisions across the UK and Ireland. Prior to joining Merck, Gavin trained as a Chartered Accountant with KPMG in Edinburgh and held Finance Director roles within Drambuie Group and Lees Group where he focused on the delivery of operating improvement and strategic change.

Gavin was appointed as a Director on 23rd March 2017. He is a Director of a number of the Company's portfolio companies.

John David Gibson McAdam

John 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. He 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 Cobham PLC. He was a Senior Independent Director of J Sainsbury PLC until July 2016 and a Non-Executive Director of Sara Lee Corp (2008-14), Severn Trent PLC (2000-05) and Rolls-Royce Group PLC (2008-2017).

John was appointed a Director and the Senior Independent Director on 1st January 2017.

Roger Kitson Perkin

Roger 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 Non-Executive Director of AIB Group (UK) plc., TP ICAP p.l.c and Hargreaves Lansdowne PLC, and previously served as a Director of Nationwide Building Society, Friends Life Group PLC and Evolution Group PLC.

Roger was appointed a Director in 2009. He is Chairman of the Audit and Risk 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 Touchstone Innovations PLC and UDG Healthcare PLC. She was a Non-Executive Director and latterly Chair of Corin PLC from 2006 to 2012.

Linda was appointed a Director on 1st December 2016.

Alternative Investment Fund Managers Directive

As the Company and the Investment Manager (which, inter alia, acts as the Company's alternative investment fund manager or AIFM) are each domiciled in the United Kingdom, the FCA Handbook rules require that, among other things, the AIFM makes available the following information to shareholders of Electra under the AIFM Directive (as implemented in the UK) and to notify them of any material change to information previously provided.

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

The investment strategy and objectives 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 other sections of the 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 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 Investment 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 Investment 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 Investment Manager is a limited company with its registered office at 136 Buckingham Palace Road, London SW1W 9SA and which is authorised and regulated by the Financial Conduct Authority (FRN 648953). It has been appointed by the Company to manage the Company under an Investment Management Agreement with effect from 1st June 2017 (the "Investment Management Agreement").

The Investment Manager is responsible for portfolio management and risk management and monitoring of the assets of the Company and has 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 Investment Management Agreement. The Investment Manager is also responsible for ensuring compliance with the AIFMD.
The Investment Manager's duties under the Investment 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 Investment Management Agreement for representing the Company in its dealings with the Investment Manager.

In accordance with the Investment Management Agreement, the liability of the Investment Manager and its members, officers and employees is limited and capped at £350,000 in aggregate, and subject to certain limitations they are entitled to be indemnified out of the assets of the Company.

In order to comply with its regulatory obligations, the Investment Manager holds professional indemnity insurance.

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.

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 2017 were Deloitte LLP. The Auditors' duties are owed to the Company as a whole. They have a statutory responsibility to report to the members of the Company as a whole in relation to the truth and fairness of the Company's state of affairs and profit or loss.

Valuation (AIFMD 23(1)(g))

The assets of the Company are valued by the Investment Manager in accordance with the provisions set out in the Principles of Valuation of Investments as set out in the Notes to the Financial Statements in the Annual Report. The Valuations Committee which has been set up by the Investment Manager in respect of the Company adds a further level of oversight to the valuation process as set out on in the Corporate Governance section of the Annual Report.

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

The Investment Manager is paid a base fee of £20,000 per month by the Company in consideration for its provision of full scope AIFM services to the Company. Such fee may be increased to the extent new investment holding subsidiary entities of the Company are established or reduced to the extent any such existing subsidiary entities are wound up. In addition, a further fee of £750 per month per entity is payable by the Company to the Investment Manager in respect of the provision by the Investment Manager of management and operator services to investment holding subsidiary entities of the Company. Additional services not included within the scope of the above may be payable based on the Investment Manager's hourly rates, and the Investment Manager is entitled to reimbursement for reasonable fees and expenses properly incurred by it in connection with the services it provides to the Company and its subsidiaries. All fees are exclusive of any VAT.

In addition the Company operates carried interest and co-investment schemes for executives of the Company's former investment manager and details of these schemes are contained in the Notes to the Financial Statements in the Annual Report. With effect from 31st May 2017, the amount payable under such schemes shall be reduced by 20%, which reduction reflects the change of manager effective on such date.

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 Company and the Investment Manager 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 Company 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 and Half Yearly Reports, which will be sent to shareholders and are available from www.electraequity.com.

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 Investment 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 keeps the Investment 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 the Notes to the Financial Statements in the Annual Report. The Investment 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 the Notes to the Financial Statements in the Annual Report.

The risk limits currently put in place for the Company by the Investment 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 the Notes to the Financial Statements in the Annual Report and the limits on the Company's leverage set out below.

Restrictions on the Use of Leverage and Maximum Leverage (AIFMD 23(5))
As specified in the Objective and Investment Policy in the Annual Report, the Company has a policy to maintain total gearing below 40% of its total assets and the Investment 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.

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 Investment 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 Investment Manager considers consistent with the gearing limit set out in the Objective and Investment Policy.

Information for Shareholders

Financial Calendar for 2017/18

Annual General Meeting	1st March 2018
Half-year Results announced	May 2018
Annual Results announced	December 2018

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 120 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 public holidays in England and Wales).

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 PLC'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.

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. The DRIP option was not available for any of the dividends paid in 2017.

For further details on the Plan please call the Equiniti helpline on 0371 384 2351* (or +44 121 415 7047 if calling from outside the United Kingdom).

* Lines open 8.30am to 5.30pm (UK time), Monday to Friday, excluding public holidays in England and Wales.

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 3874 8300 or emailing IR@electrapeplc.com.

It is very unlikely that either the Company or the Company's Registrars, Equiniti, would make unsolicited telephone calls to shareholders. Such calls would only relate to official documentation already circulated to shareholders and never be in respect of investment advice.

Please remember that if you use an unauthorised firm to buy or sell shares, you will not be eligible to receive payment under the Financial Services Compensation Scheme if things go wrong.

Other Useful Websites

LPEQ

LPEQ is 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)

AIC is 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)

BVCA is 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 30th 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
2008	[2] 640,949	1,800.64	–	(13.98)	25.00	1,570.00	1,235.00
2009	[3] 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
2017	[4] 758,367	1,980.96	445.83	445.83	3,636.00	5,110.00	1,665.00

Notes

The NAV per share for 2008 to 2017 have been prepared on an IFRS basis as explained in the Basis of Accounting.

1. Middle market price at close of business on 5th April or 30th September or, if appropriate, previous business day in each case.
2. During the year ended 30th September 2008,1,657,000 shares were repurchased for cancellation (cost: £26,492,000).
3. During the year ended 30th September 2009 257,000 shares were repurchased for cancellation (cost: £2,096,000).
4. During the year ended 30th September 2017 1,987,768 shares were repurchased for cancellation (cost: £94,296,223).

Glossary

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

AIFM
Alternative Investment Fund Manager. Epiris Managers LLP was the AIFM for Electra Private Equity PLC until 31st May 2017. From 1st June 2017, the AIFM for Electra Private equity PLC is G10.

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, were designed to align previous managers interests with those of Electra's shareholders. These arrangements are typically referred to as "carried interest".

The carried interest payable to previous managers 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 previous managers 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 previous managers 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%

On 31st May 2017, when the contract with the previous managers terminated, any provision on post 2006 Pools, which was 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 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	2015 Pool
Amount distributed (£m)	808	841	1,601	109
Notional PPS (£m)	(32)	(26)	(41)	(4)
Carried interest paid (£m)	(61)	(82)	(139)	–
	715	734	1,420	105
Amount invested (£m)	436	359	785	176
DPI	**1.6x**	**2.0x**	**1.8x**	**0.6x**

Earnings Multiple

This is normally referred to as a price earnings ("P/E") ratio. It is the ratio of a company's valuation compared to its earnings.

EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation. Often used to compare the profitability of similar companies.

EBITDA Margin

EBITDA expressed as a percentage derived by dividing EBITDA by net sales.

EV (enterprise value)

This is the aggregate value of a company's entire issued share capital and net debt.

Gearing

This is the level of a company's debt related to its equity capital and is usually expressed in percentage form. It shows the extent to which a company is funded by lenders as opposed to shareholders.

Hedging

Hedging is an investment technique designed to offset a potential loss on one investment by purchasing a second investment that is expected to perform in the opposite way.

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 12 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.

Reported under IFRS	Annual 2017	Annual 2016	10 Year to 2017	10 Year to 2016
Dividend per share (pence)	3,636	122	3,821	202
(Decrease)/increase in NAV per share (pence)	(3,168)	1,235	(20)	3,738
Total return (pence)	468	1,357	3,801	3,940
Opening NAV per share (pence)	5,149	3,914	2,001	1,545
NAV total return	9%	35%	190%	255%

Calculation of Diluted and Basic NAV
The audited NAV per share at 30th September 2017 is calculated on the basis of the 38,282,763 ordinary shares in issue at 30th September 2017.

The audited NAV per share at 30th September 2016 was calculated on the basis of the 40,270,531 ordinary shares in issue at 30th September 2016.

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 1st 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.

Reported under IFRS	10 Year Annualised 2017	10 Year Annualised 2016
Closing NAV per share (pence)	1,981	5,149
Dividends per share during the period (pence)	3,821	202
Opening NAV per share (pence)	2,001	1,545
Return on Equity	11%	14%

Total Shareholder Return

Total shareholder return is the percentage increase in share price over the period, where the closing price is multiplied by an adjustment factor for each dividend paid in the year ('dividend adjusted closing price').

To calculate the dividend adjusted closing price, the closing price is multiplied by an adjustment factor for each dividend paid in the year. The adjustment factor is the share price on the day prior to the ex-div date divided by the amount of the dividend subtracted from that prior day's price. Where there are multiple dividends in the year, the cumulative adjustment factor is the product of the adjustment factor for each dividend paid.

	Share Price (p)	Dividend Adjustment Factor	Dividend Adjusted Share Price (p)
30/09/2016	4,310		4,310
30/09/2017	1,665	3.13	5,211
Total Shareholder Return (%)			21%

	Dividend per Share (p)	Share Price Prior to Ex-Div Date (p)	Adjustment Factor
15/12/2016	110	4,640	1.02
06/04/2017	2,612	5,110	2.05
08/06/2017	914	2,765	1.49
Cumulative Adjustment Factor			3.13

Termination Payment

On 26th May 2016 the Company served notice of termination of the Management and Investment Guideline Agreement on Epiris. This termination becomes effective on 31th May 2017. Under the terms of the contract the previous manager is entitled to compensation based on priority profit share received in the year to 31th 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 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	2015 Pool
Amount distributed (£m)	808	841	1,601	109
Remaining valuation (£m)	–	30	165	83
Notional PPS (£m)	(32)	(26)	(41)	(4)
Carried interest paid and provision (£m)	(61)	(87)	(163)	–
	715	760	1,561	188
Amount invested (£m)	436	359	785	176
TVPI	**1.6x**	**2.1x**	**2.0x**	**1.1x**

Unlisted Company

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

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