ELECTRA

Electra Private Equity PLC

Annual Report and Financial Statements

30th September 2018

Contents




References in the Annual Report and Financial Statements 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 2018 its net assets were £342 million or 892p per share.

During the year, Electra's objective was 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.

Since 30th October 2018, Electra's investment objective has been to follow a realisation strategy which aims to crystallise value for shareholders, through balancing the timing of returning cash to shareholders with maximisation of value.

The Company will not make any new investments but will continue to support its existing investments to the extent required in order to optimise returns.

By 31st December 2018 the Company will have distributed over £2.0 billion (approximately 5,186p per share) since 1st October 2016 to shareholders.

Chairman's Statement

"From a market capitalisation of £1.2 billion at the start of October 2015 we have now made and announced distributions to shareholders of over £2.0 billion with remaining net assets of £0.2 billion after announced distributions. The direction is now clear, and we will seek to optimise value in the remaining portfolio over an acceptable timeframe whilst managing our cost base accordingly."

The past year has been one focused on setting the strategic direction of the Company and of its portfolio of investments, as well as of continued corporate simplification and tidying up the past.

Having concluded in the second phase of our strategic review in October 2017 that a listed closed-ended fund structure is not optimal for private equity investment, and having had significant interest in our portfolio assets, in May 2018 we commenced the third and final stage of our strategic review. This considered all options for the future.

The review concluded that it would be optimal to accept offers received for our larger non-controlled assets and thereafter consult with shareholders over the future. The Board considered that having now paid and announced distributions to shareholders of over £2.0 billion since 2016, and given the size of the remaining portfolio, it is unsustainable to continue in our current form and, on 30th October 2018, recommended a managed wind-down of the portfolio to shareholders.

In making this recommendation, the Board had concluded that, given the well documented challenges in both the UK retail and casual dining sectors, it was not appropriate to sell the two remaining larger assets TGI Fridays and Hotter Shoes at this time. These assets represent nearly 90% of the remaining portfolio, after disposals already announced, and are fully controlled. Despite the impact of short-term trading conditions on current valuation, the Board is confident that both assets offer good opportunity for growth and can provide strong exits in an acceptable timeframe. This concentration of value in two assets, both with exposure to UK consumer and retail markets, introduces a concentration of risk and possible volatility that would have been inappropriate in the context of the previous Investment Objective and Policy.

With over 99% of shareholders who voted at the October 2018 General Meeting accepting the Board's recommendation, the direction is now clear. The Board is now focused on managing the recovery and strategic development of TGI Fridays and Hotter Shoes, and the continued growth of our smaller controlled investment, Special Product Company, towards acceptable exits balancing value and timing, and will continue to seek optimised exits from the remaining non-core portfolio and remaining non-controlled investment, Sentinel Performance Solutions.

Over the past year, we have continued to make excellent progress in simplifying our complex corporate structure and in tidying up issues from the past. This progress, combined with the reduced portfolio size, now allows us to further reduce our cost base. From early 2019, our recurring cost base will be reduced by 50% to approximately £3 million p.a. and from the AGM we will take further steps in reducing the size of our Board to reflect the reduced size and complexity of the Company.

An inevitable consequence of our strategy and of managing our cost base accordingly is that a number of colleagues who have contributed significantly to the successful generation of shareholder value over the past three years will be leaving us. I would like to thank them for their contribution and wish them well.

Through focus on optimising the performance and value of our remaining investments and in managing our cost base, the Board is confident that the Company can deliver good value to shareholders over an acceptable timeframe.

Neil Johnson
Executive Chairman
10th December 2018

Strategic Report

The Strategic Report provides a review of the Company's business, the operating performance during the year to 30th September 2018, 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 Financial Statements are provided where appropriate.

Strategy in the year to 30th September 2018 and Strategic Review
Throughout the year under review, the Company continued to operate as an approved investment trust, following its investment strategy and policy, holding a portfolio of private equity assets which was intended to achieve a rate of return on equity of between 10% and 15% per year over the long term.

During the year, the Board and the internal executive team undertook all strategic and administrative activities, working closely with G10 Capital Limited ("G10"), the Company's Alternative Investment Fund Manager ("AIFM"), to fulfil all relevant regulated activities.

Towards the end of the year, the Company undertook the third and final stage of its strategic review, covering all options for the future direction of the Company including testing market appetite for a sale of the Company or for all of the Company's assets.

On 24th August 2018, the Board announced that it had received interest in acquiring each of the portfolio assets (individually and in groups). However, no firm interest had been received in acquiring the Company. Discussions were to continue with a number of parties over the possibility of acquiring portfolio assets individually and in groups.

This resulted in the announcement on 4th October 2018 that:

- An agreement had been reached for the sale of the larger non-controlled assets, Photobox and Knight Square at 103% of adjusted 31st March 2018 carrying value (adjusted carrying values take into account a follow-on investment of £4 million in Photobox and the repayment of £13 million of loan notes by Knight Square, following the sale of non-core assets)

At the same time, the outcome of the third phase of the strategic review was announced which was that:

- The Board considered that each of the remaining corporate investments represents an opportunity for value creation within an acceptable timeframe. However, the concentration of the portfolio and the structural inefficiency in reinvesting in a listed private equity vehicle with a significant market discount to NAV make it inappropriate to seek to do this within the existing investment objective and policy of the Company
- The Board concluded, and recommended, that it is in the best interests of shareholders to conduct a managed wind-down of the portfolio over a period of time, allowing optimisation of returns, the return of cash to shareholders, and ultimately the winding-up of the Company (the "Recommendation"). The Board intends that until it is finally wound up, the Company will continue to be listed on the London Stock Exchange in its existing listing category and will pay annual dividends funded by cash generated from the portfolio
- The Board will further reduce the operating cost base of the Company (including a reduction in the number of Board members) in recognition of the reduced scale of the portfolio and the change to the investment objective and policy

The sale of the investment in Photobox completed in October 2018. Regulatory approval for sale of the interests in Knight Square has been obtained, and the sale is expected to complete in December 2018.

Implementation of the Recommendation following the third phase of the strategic review required shareholder approval of a new Investment Objective and Policy. This was voted on and passed with overwhelming support at a General Meeting of the Company on 30th October 2018.

The Board has declared a first Special Dividend of FY19 of £140 million (365p per share) payable on 14th December 2018 and intends to pay further dividends following all material disposals and annual dividends of £10 million funded from cash flows from portfolio companies.

Principal Risks and Risk Management

The Board considers that the risks detailed below are the principal risks currently facing the Company, along with the risks detailed in Note 18 of the Notes to the Financial Statements ("the Notes"). 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 2018, 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.

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.

At the General Meeting on 30th October 2018, shareholders voted in favour of the new investment objective and investment policy, set out on page 73 of this report. With the switch towards a strategy of realisation without new investments, the Company is increasingly exposed to the performance, favourable or unfavourable, of the remaining individual investments which may lead to greater volatility in fair value. As such, the risk is considered higher than at the prior year end.

Strategy Implementation Risk
The Company is subject to the risk that implementation of its 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 shareholder value.

Given the reduced size of the portfolio, the distributions made to shareholders over the past two years and recent announcements regarding strategy, investment policy and distributions, this risk is lower than at the end of the prior year.

Investment Risk

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 implement its business strategy successfully; (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 below. 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 Company has a rigorous process which ensures disciplined review of investments and portfolio management. This includes detailed due diligence, regular portfolio reviews and in most cases an active engagement with portfolio companies, by way of Board representation. This level of risk is considered broadly similar year on year.

Solvency and Liquidity Risk

Private equity investments are relatively illiquid and generally more difficult to realise than listed equities or bonds. Accordingly, it is difficult to provide any certainty on the timeframe for realisation of the Company's investments.

Costs, cash and reserves forecasts are reviewed by the Board to ensure sufficient funds are available for running costs of the Company and to support the portfolio as required. The strategy of conducting a managed wind-down and the higher concentration of assets result in this risk being higher than at the prior year end.

Macroeconomic Risk

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.

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 in the Notes. 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 and shortcomings in internal controls. The Company's investment management, control systems and many administrative systems are managed by the executive team or outsourced partners and overseen by the Board. Reviews of the controls are carried out by independent parties. These risks are considered lower than for the prior financial year.

Gearing Risk

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, are 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 levels of cash held and the lack of borrowing at the Company level, this risk is considered to be in line with prior years.

Foreign Currency Risk

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 Directors work with the Company's investment portfolio to make use of natural, financing and derivative hedges to mitigate these exposures.

Cash Drag Risk

Returns to the Company through holding cash deposits are currently low. Due to the Board's recommendation of a managed wind-down of the portfolio, the revised investment policy and the distribution policy, all announced in October 2018, this risk is considered lower than at the prior year end.

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, irrespective of the timing of portfolio wind-down events. As discussed in the Directors' Report on page 74, should appropriate conditions exist the Directors may recommend the winding-up of the Company sooner.

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 is presently invested primarily in long-term illiquid investments which are not publicly traded. The Company will not make any new investments although it has committed to support its existing portfolio to the extent required to optimise returns
- The Board considers that each of the remaining corporate investments represents an opportunity for value creation within a medium-term timeframe
- The Board reviews the liquidity of the Company and regularly considers any commitments it has, 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 objective and policy has recently been undertaken with the objective of optimising returns and distributing cash to shareholders

Taking account of the above factors, 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 and liquidity incorporated in the Principal Risks will be managed or mitigated as outlined there.

Community, Social, Employee, Human Rights, Environmental Issues, Anti-bribery and Anti-corruption

The Company is committed to carrying out business in an honest and fair manner with a zero-tolerance approach to bribery and corruption. As such, policies and procedures are in place to prevent bribery and corruption. 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 seven male Directors and one female Director on the Board. The Company aims to have a balance of relevant skills, experience and background amongst the Directors on the Board and believes that all Board appointments should be made on merit and with due regard to the benefits of diversity, including gender.

Not including Directors, the Company employs 10 people, five women and five 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 Consolidated Income Statement.

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.

  During the year the Company's objective was to achieve a return on equity of between 10% and 15% per year over the long term. Over the 10 years to 30th September 2018 the Company's annualised ROE was 12% (2017: 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, three years and 10 years to the Morningstar Private Equity Index.

  The Company's Net Asset Value per share total return was negative 8% (2017: positive 9%) over the 12 months, 43% (2017: 76%) over the three years and 213% (2017: 190%) over the 10 years to 30th September 2018. These compared with 9%, 91% and 89% respectively for 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 total shareholder return with the FTSE 250 Index over 12 months and 10 years.

  The Company's share price total return was 6% (2017: 21%) over the 12 months, 75% (2017: 106%) over the three years and 369% (2017: 230%) over the 10 years to 30th September 2018. These compared with 5% (2017: 14%), 32% (2017: 26%) and 239% (2017: 139%) respectively for the FTSE 250 Index.

A detailed reconciliation from IFRS values to ROE, the NAV per ordinary share total return and the Total Shareholder Return can be found on pages 117 to 118 of the Glossary.

Prospects

The Company's current position and prospects are described in the Chairman's Statement, Portfolio Highlights, Portfolio Review and CFO Review sections of this Annual Report and Financial Statements.

This report was approved by the Board of Directors and signed on its behalf by:

Neil Johnson
Executive Chairman
10th December 2018

Portfolio Highlights

Portfolio Overview
At 30th September 2018, Electra's investment portfolio was valued at £267 million. The investment portfolio consists of Buyouts and Co-investments, Secondaries, Debt, and Funds. These investments are held on the balance sheet as £150 million non-current investments and £117 million assets held for sale.

Electra also held money market funds of £72 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	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Buyouts and Co-investments	264	321	1,461	1,418	1,052	620
Secondaries	1	2	82	92	105	126
Debt	1		51	17	7	97
Fund investments	1	35	102	103	108	125
Investment portfolio	267	358	1,696	1,630	1,272	968

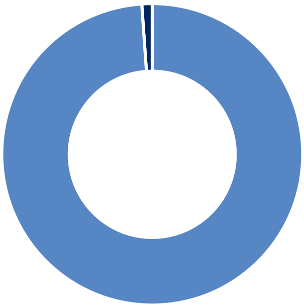
Buyouts and Co-investments
Buyouts and Co-investments form the major part of Electra's portfolio and consist of direct equity investments in nine private companies with an aggregate value of £264 million. These include Hotter Shoes, TGI Fridays and Special Product Company, which together represent 95% of the portfolio value after disposals announced post year end (Photobox and Knight Square).

Secondaries
At 30th September 2018, Electra held investments in one secondary portfolio with a value of £1 million.

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

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.

Investment Portfolio Breakdown



Buyouts and Co-investments	99%
Secondaries	1%

At 30th September	2018 %	2017 %
Buyouts and Co-investments	99	90
Secondaries	1	–
Debt	–	–
Non-core investment portfolio	–	10

Investment Portfolio – Age Analysis

2–3 years	36%
3–4 years	47%
Over 4 years	17%

At 30th September	2018 %	2017 %
Less than 1 year old	–	–
1 - 2 years	–	23
2 - 3 years	36	46
3 - 4 years	47	11
Over 4 years	17	20

Portfolio Review

Portfolio Movement

Electra's investment portfolio decreased from £358 million to £267 million during the 12 months to 30th September 2018. The decrease resulted from net investments and realisations of £18 million and a portfolio loss of £73 million.

Year ended 30th September	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Opening investment portfolio	358	1,696	1,630	1,272	968	868
Investments	45	46	218	188	410	337
Realisations	(63)	(1,623)	(903)	(259)	(352)	(459)
Investment (loss)/profit	(73)	239	751	429	246	222
Closing investment portfolio	267	358	1,696	1,630	1,272	968

	Fair value of holding at 30th September 2017 £m	Net investments/ (realisations) £m	Investment (loss)/profit £m	Fair value of holding at 30th September 2018 £m
Buyouts and Co-investments				
TGI Fridays	162	6	(43)	125
Photobox Group	84	4	8	96
Knight Square	28	(13)	6	21
Hotter Shoes	38	33	(64)	7
Sentinel Performance Solutions	3	–	1	4
Special Product Company	2	(1)	6	7
Other	4	(6)	6	4
Total Buyouts and Co-investments	321	23	(80)	264
Secondaries	2	(2)	1	1
Debt	–	–	1	1
Fund Investments	35	(39)	5	1
Total Non-core Investments	37	(41)	7	3
TOTAL INVESTMENT PORTFOLIO	358	(18)	(73)	267

Key Investments Background

TGI FRIDAYS

Date of initial investment:	Dec 2014
Type of deal:	Buyout
Electra ownership:	99%
Cost:	£142m
Valuation:	£125m
Valuation:	Based on multiple of earnings
Multiple of cost:	0.9x

Year ended 31st December	LTM* £m	2017 £m	2016 £m
Sales	209.1	216.0	211.0
Operating Profit	16.6	22.3	21.0
EBITDA	26.8	33.3	31.0
Return on Capital Employed (ROCE)	8.1%	11.0%	9.6%

* Based on last 12 months' unaudited management accounts

Demand in the casual dining market continues to grow and offers attractive opportunities for those brands that keep up with changing consumer expectations. TGI Fridays continually seeks to improve its proposition, updating its menus, refreshing stores and developing staff, as it aims to provide an experience that is valued by its customers. Over the last year, new healthier menu items and an updated ordering platform have been introduced.

The business continues to pursue a strategy of sustainable growth through highly selective store expansion and has a strong pipeline of future stores, but with the flexibility to take advantage of opportunities in the market. Recent acquisitions have provided a high return on investment of around 35%, providing confidence in the Company's expansion plans.

A difficult market has provided a challenging year for TGI Fridays and led to the value of the business falling to £125 million. In particular, severe weather and the Football World Cup dampened underlying sales by around 4% and EBITDA by around £2.5 million, with extended snow to start the year followed by extreme heat in the summer. The results of these conditions, in addition to long-term rent and rates and other costs increases, have impacted the entire market, with a number of competitors forced into taking actions including CVAs and site closures. TGI Fridays, however, remains highly profitable, cash generative and able to support a controlled growth plan, helped by our investment to reduce bank debt in August 2017 which substantially reduced interest payments.

The short-term outlook is improving with average spend per head increasing year on year and the number of covers returning to positive growth. We expect that the market will continue to recover; however, the strategy for the business does not rely upon market recovery, but on a differentiated proposition to customers.

TGI FRIDAYS

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

HOTTER SHOES

Date of initial investment:	Jan 2014
Type of deal:	Buyout
Electra ownership:	98%
Cost:	£118m
Valuation:	£7m
Valuation:	Based on multiple of earnings
Multiple of cost:	0.1x

Year ended 31st December	LTM* £m	2018 £m	2017 £m
Sales	95.7	100.8	98.0
Operating Profit	0.5	5.0	4.3
EBITDA	3.5	9.5	9.0
Return on Capital Employed (ROCE)	0.8%	5.9%	2.2%

* Based on last 12 months' unaudited management accounts

Hotter operates in the comfort footwear market primarily in the UK and US, where demographic changes offer significant opportunities for growth over the long term. Following Electra's purchase of the founder's interest, the company has been able to invest in necessary initiatives to enable future growth. These are aimed at developing the brand and product to remain relevant to customers whilst investing in key operational areas to increase the efficiency and flexibility of the cost base.

Difficult trading conditions in the UK, coupled with increased rents and rates in the retail estate, have affected recent performance of the UK business and reduced the year-end valuation. In particular, severe snow in March and a long hot summer delayed key periods of the trading calendar, which led to discounting by Hotter and its competitors to ensure stock held was sold. As the autumn/winter season approaches its peak, the refreshed product range has seen performance improve as the effects from external factors reduce.

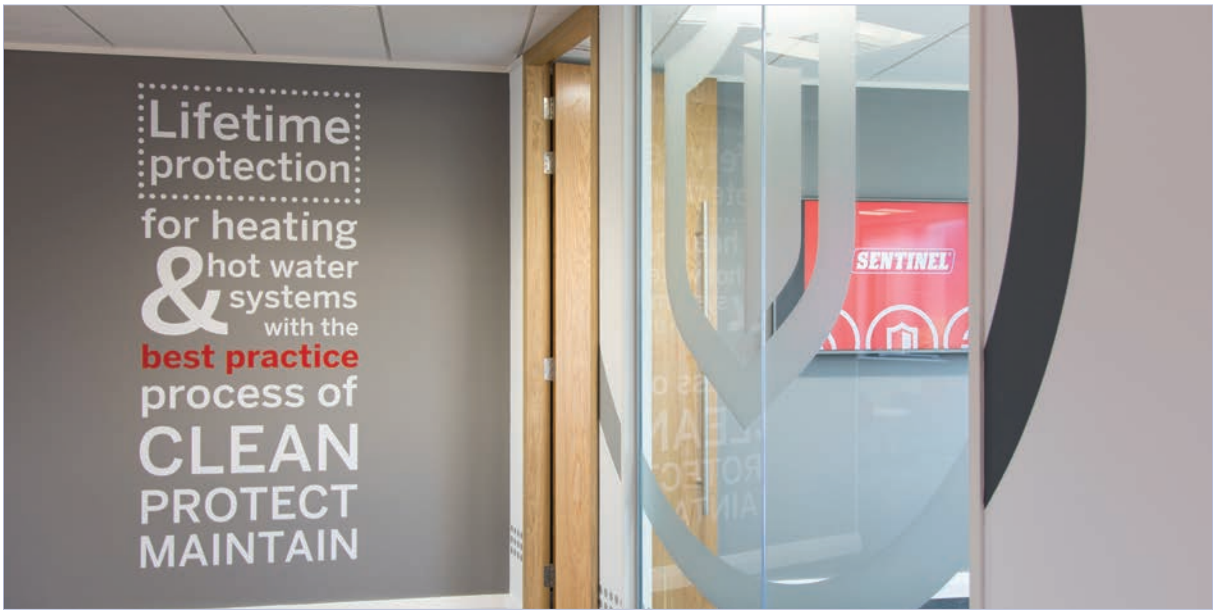
Hotter has achieved significant growth in the US market over recent years by substantially increasing its customer base with extensive use of introductory offers. Sales are now of a sufficient scale to enable focus to shift towards creating a sustainable business with loyal, repeat customers.

The strategy in the short term is to optimise the retail estate, renew focus on the core customers in the UK direct business, increase return from the US business and make the cost base more flexible. This is likely to result in a smaller but more resilient business which represents a solid foundation for growth.

hotter®

THE QUEEN'S AWARDS FOR ENTERPRISE: 2015

SENTINEL PERFORMANCE SOLUTIONS



Date of initial investment:	Feb 2011
Type of deal:	Buyout
Electra ownership:	55%
Cost:	£17m
Valuation:	£4m
Valuation:	Based on multiple of earnings
Multiple of cost:	0.2x

Innovation has been an important part of Sentinel's recent recovery with strong international growth driven by new products, primarily its line of next generation filters which are tailored for country-specific requirements. Partner deals with original equipment manufacturers have also improved, with legislation in certain countries dictating that system checks must be carried out by an independent third party, creating opportunity for follow-on sales.

Although trading in the latter part of the year was impacted by a reduction in the stock held by a few of the company's larger customers, this is expected to be a one-off effect. The company is confident that continued investment in research and development will lead to further growth across its markets.

SPECIAL PRODUCT COMPANY ("SPC")

Date of initial investment:	Sep 2006
Type of deal:	Buyout
Electra ownership:	60%
Cost:	£9m
Valuation:	£7m
Valuation:	Based on multiple of earnings
Multiple of cost:	0.8x

SPC's strategy is to continue to develop strong relationships with each of the main US cable and telecom companies and to work with customers through collaborative research and development activity to meet their specific product requirements.

Recent trading has been strong due to a number of additional contracts with new customers acquired in the year. Customisation of new product releases have helped demonstrate its customer service and has strengthened key relationships as a consequence. SPC is currently developing the next generation of products to support the advancement of new technology in the cable market.

SPC
Unlock Your Design

Sentinel Performance Solutions

A leading UK manufacturer of products to improve the performance of residential heating and hot water systems.

Realisations

Total realisations for the year came to £62 million compared with £1,623 million in 2016/17.

Realisations	£m
Knight Square	13
Special Product Company	1
Other buyouts and co-investments	6
Total Buyouts and Co-investments	**20**
Secondaries	2
Debt	–
Fund Investments	41
Total Realisations	**63**

Knight Square
The Knight Square realisation of £13 million was the repayment of loan notes funded by the sale of its house manager flats.

In October 2018, Electra announced the sale, subject to regulatory approval, of Knight Square for £21 million, excluding transaction costs, which is expected to complete in December 2018. This represents a 3% premium to the adjusted March 2018 valuation, which takes account of the sale of house manager flats. Including the repayment of loan notes, this represents a return on the September 2017 valuation of 23%.

AXIO
In the year, Electra received £4 million from AXIO following the release of an escrow relating to the sale of its MIMS division in 2015.

Photobox
Post year end on 19th October 2018, the sale of Photobox was completed for £98 million excluding transaction costs, being 3% above the March valuation, adjusted for a subsequent investment of £4 million. This represented a 10% return on the September 2017 carrying value adjusted for the subsequent investment in the year.

CFO Review

"In the year under review, the valuation of our remaining portfolio has been significantly impacted by adverse trading conditions affecting TGI Fridays and Hotter Shoes. We remain confident that, with changes to make these businesses more resilient and with focused management, the performance of both will recover and provide strong, targeted exits within an acceptable timeframe. This, combined with the progress made with our other assets, in simplifying our corporate structure and in tidying up issues from the past, leaves us well positioned to deliver further shareholder value through the execution of the strategy adopted by our shareholders in October."

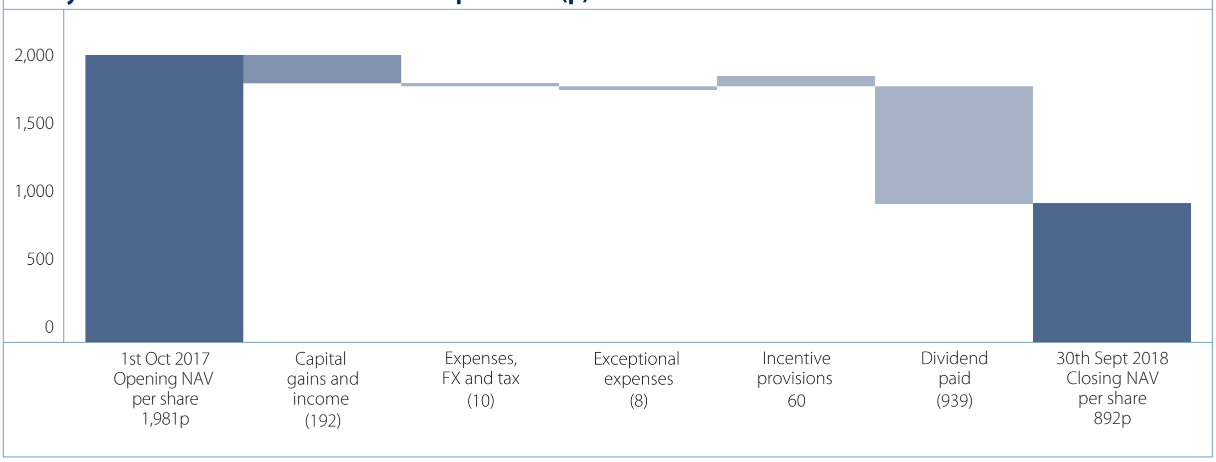
Portfolio

In the year to 30th September 2018, the performance and valuation of both TGI Fridays and Hotter Shoes have been impacted by trading conditions affecting the wider UK consumer, retail and casual dining sectors. This was compounded by extreme weather that impacted TGI over the specific periods involved and had a more profound effect on Hotter in disrupting the launch of the spring/summer season with a resultant impact on the promotional calendar of Hotter and its competitors, leading to lower margin sales throughout the summer. We are working with their management to increase the resilience of both businesses and to achieve profitable growth. A key aim has been to move to full control of both businesses in order to allow focused implementation of their strategies without the constraint imposed by high gearing. In the case of TGI, we had reduced gearing in 2017 in anticipation of challenging trading conditions to come and completed the buyout of a minority shareholder for £6 million in early 2018. In the case of Hotter, in 2018 we went ahead with the investment necessary for the achievement of medium-term optimisation despite shorter-term pressures that would impact short-term valuation. This investment comprised the buyout of a significant minority shareholder (£19 million) in early 2018 that was necessary to facilitate implementation of our strategy for the business and a reduction in gearing (£14 million) to allow focus on value creation. The short-term valuation of both businesses has been impacted by trading and the valuations of comparator companies. However, we remain confident in the opportunity for medium-term value creation in each.

Whilst it was not appropriate to agree to sell TGI or Hotter given the conditions affecting their markets in 2018, the valuations of Photobox and Knight Square have increased in value to reflect the successful sales agreed post year end (together an uplift of £15 million).

Investment realisations in the year include disposals of the non-core assets (funds and secondaries totalling £41 million) and the repayment of Knight Square loan notes following the sale of non-core assets. In addition to this, the Company has received interest income, dividends and other distributions totalling £15 million.

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



Going Concern and Viability

As described in the Strategic Report, the Board has concluded that it is in the best interests of shareholders to conduct a managed wind-down of the portfolio over a period of time, the return of cash to shareholders, and ultimately the winding-up of the Company. IAS 1 therefore prescribes that technically the Company is no longer considered to be a going concern. It is important to note that this has no impact on the reported results for the year (for reasons described in Note 25) and that as set out in the Strategic Report the Directors have assessed, and continue to have 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. If the Directors recommend the winding-up of the Company any sooner, the Company will be able to continue in operation and meet its liabilities as they fall due over this shortened period.

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

Total Shareholder Return ("TSR") for the year was 6%, representing a performance ahead of the FTSE 250 TSR of 5%. The Consolidated Income Statement shows the total return for the year and, together with dividends of 939p per ordinary share paid during the year, explains the movement in NAV per share for the year to 30th September 2018.

The investments returned a negative 192p per share during the year or negative 8% of the opening NAV per share. The reversal of incentive provisions in respect of the former manager, as a result of legal advice referred to at the Half Year, has resulted in a 60p per share contribution, and deducted from this were exceptional costs relating to the change in strategy and the Group structure simplification of 8p per share, and operating costs and tax, which together totalled 10p per share. Dividends of 939p per share were paid in the year. This resulted in a net decrease in net assets of 1,089p per share.

	p
Opening NAV per share as at 1st October 2017	1,981
Capital gains and income	(192)
Expenses, FX and tax	(10)
Exceptional expenses	(8)
Incentive provisions	60
Dividend paid	(939)
Closing NAV per share as at 30th September 2018	**892**

As announced in October 2018, our strategy is now to conduct a managed wind-down of the portfolio over a period of time, allowing optimisation of returns, the return of cash to shareholders, and ultimately the winding-up of the Company.

Distributions

In addition to the distributions in the year of 939p per share, a further distribution of 365p per share will be made on 14th December 2018 to shareholders on the register on 16th November 2018.

Operating Costs

There has been a significant reduction in operating costs in the year, being the first full year with the internal executive team in place. Costs this year are £6.6 million (down from £29 million including Priority Profit Share of £23 million, in 2017). With the continued efforts to simplify the corporate structure, dispose of non-core assets from the portfolio and the focus on standard, streamlined processes, costs have reduced over the year. Were the existing structure to continue we estimate that annual ongoing costs have reached a level of £5.5 million. As a result of the final stage of the strategic review the cost base will be reduced further in 2019.

Net Liquid Resources

The Consolidated Cash Flow Statement analyses the movement in the Group's cash for the year. Cash on the Balance Sheet has decreased by £51 million to £3 million, reflecting our strategy for surplus cash. Where we have no near-term requirement for funds, our variable capital model sees us returning cash to shareholders (£359 million in dividends). Cash balances held are invested in money market funds to mitigate the cash drag effect.

Cash inflows mainly related to sales of investments and investment income, which yielded approximately £437 million in cash, of which £374 million related to redemption of money market funds. After distributions, the next largest constituent of the cash outflow related to cash paid for investments of £110 million, of which £65 million was invested in money market funds. In addition, £6 million was paid in incentive scheme payments to the former manager, and operating expenses, exceptional costs (Note 4) and tax of approximately £11 million were paid in the year.

Gearing

At 30th September 2018, Electra was ungeared at the Group level. Certain of the portfolio companies are funded in part by third party debt. In line with our strategy, where we see an opportunity to optimise returns by reducing third party debt and we have the capital, we will invest further in debt instruments in the portfolio companies. Should it be appropriate to utilise gearing at a Company level in order to optimise the balance between timing of returning cash to shareholders and maximisation of value, the Company will maintain gearing below 40% of its total assets.

Foreign Exchange

At 30th September 2018, the estimated foreign currency exposure in the balance sheet was €5 million and $9 million based on the currency of underlying securities in the investment portfolio. The Euro has strengthened against Sterling by 1.0% while the US Dollar has strengthened by 2.7% during the year, resulting in a small gain in respect of the investment portfolio.

Also included in the Consolidated Income Statement is a £8 million credit representing the reclassification of foreign exchange gains previously recognised in the translation reserve. This item has been moved to the Consolidated Income Statement as a result of the liquidation of two of the partnerships in the period and has no impact on NAV.

Gavin Manson

Gavin Manson
Chief Financial Officer
10th December 2018

Hotter Shoes

UK's largest shoe manufacturer with a strong focus on comfort and service

Consolidated Income Statement

Note	For the year ended 30th September	Revenue £m	Capital £m	2018 Total £m	Revenue £m	Capital £m	2017 Total £m
2, 12	Investment profit/(loss)	7	(54)	(47)	54	193	247
3	Income reversal	(26)	–	(26)	(6)	–	(6)
16, 22	Incentive schemes	–	23	23	–	(26)	(26)
	Reclassification of gains on foreign exchange previously recognised in equity reserves	–	8	8	–	–	–
	Loss on revaluation of foreign currencies	–	(1)	(1)	–	(1)	(1)
4	Other expenses	(9)	–	(9)	(13)	–	(13)
22	Priority profit share	–	–	–	(23)	–	(23)
22	Termination payment	–	–	–	(2)	–	(2)
	(Loss)/profit on Ordinary Activities before Taxation	(28)	(24)	(52)	10	166	176
8	Taxation expenses	4	(2)	2	(3)	(1)	(4)
	(Loss)/profit on Ordinary Activities after Taxation attributable to owners of the Group	(24)	(26)	(50)	7	165	172
10	**Basic Earnings per Ordinary Share (pence)**	(63.08)	(67.93)	(131.01)	18.80	427.03	445.83
10	**Diluted Earnings per Ordinary Share (pence)**	(63.08)	(67.93)	(131.01)	18.80	427.03	445.83

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 25.

All activities represent continuing operations. The accompanying notes are an integral part of these Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 30th September	2018 £m	2017 £m
(Loss)/profit for the year	(50)	172
Other comprehensive income		
Items that are reclassified to profit or loss		
Reclassification adjustments on foreign operations	(8)	–
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on consolidation	1	1
Total other comprehensive income	(7)	1
Total Comprehensive (Loss)/Income attributable to owners of the Group	(57)	173

The accompanying notes are an integral part of these Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30th September 2018 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 reserve £m	Total Equity £m
	Opening balance at 1st October 2017	9	123	35	(1)	12	616	(120)	84	758
	Net revenue loss deducted from the reserves	–	–	–	–	–	–	–	(24)	(24)
12	Net profits on realisation of investments during the year	–	–	–	-	–	3	–	–	3
12	Decrease in value of non-current investments	–	–	–	–	–	–	(59)	–	(59)
16	Decrease in incentive provisions	–	–	–	–	–	–	23	–	23
12	Investments sold during the year	–	–	–	–	–	(19)	19	–	–
	Reclassification of gains of foreign exchange previously recognised in equity reserves	–	–	–	–	(8)	8	–	–	–
	Loss on foreign currencies	–	–	–	–	–	(1)	–	–	(1)
	Other comprehensive losses – foreign currency translation differences	–	–	–	–	1	–	–	–	1
	Total comprehensive loss	–	–	–	–	(7)	(9)	(17)	(24)	(57)
19	Ordinary Shares held under employee share option plan	–	–	–	–	–	–	–	–	–
9	Dividends	–	–	–	–	–	(359)	–	–	(359)
	At 30th September 2018	9	123	35	(1)	5	248	(137)	60	342

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 reserve £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
12	Net profits on realisation of investments during the year	–	–	–	–	–	214	–	–	214
12	Decrease in value of non-current investments	–	–	–	–	–	–	(22)	–	(22)
16	Increase in incentive provisions	–	–	–	–	–	–	(26)	–	(26)
12	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
19	Ordinary Shares held under employee share option plan	–	–	–	(1)	–	–	–	–	(1)
19	Buyback of Ordinary Shares	(1)	–	1	–	–	(94)	–	–	(94)
9	Dividends	–	–	–	–	–	(1,394)	–	–	(1,394)
	At 30th September 2017	9	123	35	(1)	12	616	(120)	84	758

The accompanying notes are an integral part of these Financial Statements.

Company Statement of Changes in Equity

For the year ended 30th September 2018 for the Company

Note		Called up share capital £m	Share premium £m	Capital redemption reserve £m	Own Shares Held £m	Realised capital reserve £m	Unrealised capital reserve £m	Revenue reserve £m	Total Equity £m
	Opening balance at 1st October 2017	9	123	35	(1)	711	(17)	(102)	758
	Net revenue loss deducted from the reserves	–	–	–	–	–	–	(1)	(1)
12	Net losses on realisation of investments during the year	–	–	–	–	(3)	(13)	–	(16)
12	Decrease in value of non-current investments	–	–	–	–	–	(70)	–	(70)
16	Decrease in incentive provisions	–	–	–	–	–	23	–	23
	Gain on foreign currencies	–	–	–	–	7	–	–	7
12	Investments sold during the year	–	–	–	–	(33)	33	–	–
	Total comprehensive loss	–	–	–	–	(29)	(27)	(1)	(57)
9	Dividends	–	–	–	–	(359)	–	–	(359)
	At 30th September 2018	9	123	35	(1)	323	(44)	(103)	342

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 reserve £m	Unrealised capital reserve £m	Revenue reserve £m	Total Equity £m
	Opening balance at 1st October 2016	10	123	34	–	1,604	385	(82)	2,074
	Net revenue loss deducted from the reserves	–	–	–	–	–	–	(20)	(20)
12	Net profits on realisation of investments during the year	–	–	–	–	214	–	–	214
12	Decrease in value of non-current investments	–	–	–	–	–	(33)	–	(33)
16	Increase in incentive provisions	–	–	–	–	–	(26)	–	(26)
	Loss on foreign currencies	–	–	–	–	(2)	–	–	(2)
12	Investments sold during the year	–	–	–	–	383	(383)	–	–
	Revaluation of subsidiaries	–	–	–	–	–	40	–	40
	Total comprehensive income/(loss)	–	–	–	–	595	(402)	(20)	173
19	Issue of Ordinary Shares under employee share option plan	–	–	–	(1)	–	–	–	(1)
19	Buyback of Ordinary Shares	(1)	–	1	–	(94)	–	–	(94)
9	Dividends	–	–	–	–	(1,394)	–	–	(1,394)
	At 30th September 2017	9	123	35	(1)	711	(17)	(102)	758

The accompanying notes are an integral part of these Financial Statements.

Consolidated Balance Sheet

Note	As at 30th September	2018 £m	2017 £m
	Non-Current Assets		
12	Investments held at fair value	150	321
		150	321
	Current Assets		
12	Investments held at fair value	72	380
13	Assets held for sale	117	37
14	Trade and other receivables	1	1
	Current tax asset	2	–
18	Cash and cash equivalents	3	54
		195	472
	Current Liabilities		
15	Trade and other payables	(2)	(4)
	Total Current Liabilities	(2)	(4)
	Total Assets less Current Liabilities	343	789
	Non-Current Liabilities		
16	Provisions for liabilities and charges	(1)	(29)
17	Deferred tax liability	–	(2)
	Non-Current Liabilities	(1)	(31)
	Net Assets	342	758
	Capital and Reserves		
19	Called up share capital	9	9
	Share premium	123	123
	Capital redemption reserve	35	35
19	Own Shares Held	(1)	(1)
	Translation reserve	5	12
19	Realised capital reserve	248	616
19	Unrealised capital reserve	(137)	(120)
19	Revenue reserve	60	84
	Total Equity	342	758
11	Basic Net Asset Value per Ordinary Share (pence)	892.40	1,980.96
11	Diluted Net Asset Value per Ordinary Share (pence)	892.40	1,980.96
11	Ordinary Shares in issue at 30th September	38,282,763	38,282,763

The accompanying notes are an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors and signed on its behalf by:

Neil Johnson
Executive Chairman
10th December 2018

Gavin Manson
Chief Financial Officer
10th December 2018

Electra Private Equity PLC
Company Number: 00303062

Company Balance Sheet

Note	As at 30th September	2018 £m	2017 £m
	Non-Current Assets		
12	Investments held at fair value	23	3
12	Investment in subsidiary undertakings	23	142
		46	145
	Current Assets		
12	Investments held at fair value	72	380
13	Assets held for sale	11	11
14	Trade and other receivables	231	208
	Cash and cash equivalents	3	54
		317	653
	Current Liabilities		
15	Trade and other payables	(20)	(9)
	Total Current Liabilities	(20)	(9)
	Total Assets less Current Liabilities	343	789
	Non-Current Liabilities		
16	Provisions for liabilities and charges	(1)	(29)
17	Deferred tax liability	–	(2)
	Non-Current Liabilities	(1)	(31)
	Net Assets	342	758
	Capital and Reserves		
19	Called up share capital	9	9
	Share premium	123	123
	Capital redemption reserve	35	35
19	Own Shares Held	(1)	(1)
19	Realised capital reserve	323	711
19	Unrealised capital reserve	(44)	(17)
19	Revenue reserve	(103)	(102)
	Total Equity	342	758

The Company loss for the year was £57 million in 2018 (2017 profit: £173 million).

The accompanying notes are an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors and signed on its behalf by:

Neil Johnson
Executive Chairman
10th December 2018

Gavin Manson
Chief Financial Officer
10th December 2018

Electra Private Equity PLC
Company Number: 00303062

Consolidated Cash Flow Statement

For the year ended 30th September	2018 £m	2017 £m
Operating activities		
Purchase of trading investments	(110)	(774)
Amounts paid under incentive schemes	(6)	(248)
Sales of trading investments	422	1,902
Dividends and distributions received	1	3
Interest income received	14	71
Expenses paid	(9)	(34)
Termination payment	–	(34)
Cash generated from operations	312	886
Taxation paid	(2)	(1)
Net cash inflow from operating activities	310	885
Financing activities		
Dividends paid	(359)	(1,394)
Repurchase of own shares	–	(94)
Purchase of shares held under incentive scheme	(1)	(1)
Net cash used in financing activities	(360)	(1,489)
Net decrease in cash and cash equivalents	(50)	(604)
Cash and cash equivalents at beginning of year	54	659
Effect of foreign exchange rate changes	(1)	(1)
Cash and cash equivalents at end of year	3	54

The accompanying notes are an integral part of these Financial Statements.

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 is provided to the Board of Directors on an aggregated basis. These investments are located across multiple geographic regions and investment gains and losses are allocated as follows:

Geographic information

Investment (loss)/profit for the year ended 30th September	2018 £m	2017 £m
United Kingdom	(59)	236
Continental Europe	5	7
US	7	6
Elsewhere	–	(2)
Total investment (loss)/profit	(47)	247

2 Investment Income – Revenue

For the year ended 30th September	2018 £m	2017 £m
Interest income	5	52
Dividend income	1	1
Other investment income	1	1
Total investment income – revenue	7	54

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. The £26 million income reversal presented in the Consolidated Income Statement for the year ended 30th September 2018 relates to accrued income reversed on the Company's loan investment in TGI Fridays, while the £6 million income reversal for the year ended 30th September 2017 related to accrued income reversed on the Company's loan investment in Photobox.

4 Other Expenses

For the year ended 30th September	2018 £m	2017 £m
Administrative expenses	4	5
Directors' remuneration (see Note 5)	2	1
Exceptional expenses (see page 30)	3	7
Auditor's remuneration (see page 30)	–	–
Total expenses	9	13

£632,521 (2017: £585,471) of operating lease expenses were included in the administrative expenses.

4 Other Expenses (continued)

Exceptional expenses (included in the table on page 29) For the year ended 30th September	2018 £m	2017 £m
Strategic review	2	5
Office establishment	–	1
Enterprise Resource Planning ("ERP") systems implementation	–	1
Corporate transactions and rationalisation	1	–
Total exceptional expenses	3	7

Exceptional expenses for 2018 relate to costs incurred on strategic review, simplification of Group structure, and one-off transaction services, while the 2017 amount included expenses incurred on 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 an ERP system appropriate for reporting.

For the purpose of tax computation, £1 million (2017: £2 million) of the total exceptional expenses are treated as disallowable. £3 million (2017: £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	2018 Group £'000	2018 Company £'000	2017 Group £'000	2017 Company £'000
Audit of Group accounts pursuant to legislation	138	141	204	204
Audit of subsidiaries accounts pursuant to legislation	56	–	60	–
Sub total	194	141	264	204
Other assurance services*	84	84	126	126
Total auditor's remuneration	278	225	390	330

* The other assurance services in 2018 include £48,000 related to services associated with the strategic review and £36,000 related to the half year review (2017: £90,000 related to services associated with the strategic review and £36,000 related 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 auditor are given in the Audit and Risk Committee Report.

5 Directors' Remuneration

For the year ended 30th September	Salary £'000	Other benefits £'000	2018 Total £'000	Salary £'000	Other benefits £'000	2017 Total £'000
Chairman's remuneration	200	109	309	200	3	203
Other Directors	667	384	1,051	459	267	726
	867	493	1,360	659	270	929
Emoluments						
Highest paid Director	356	356	712	158	202	360

Other benefits include Directors' expenses and the cost of the long-term incentive schemes, while other benefits for 2017 also included the bonus of the Executive Director.

During the year one Director (2017: one) waived his remuneration.

The Board of Directors are considered to be the Key Management Personnel. See further analysis of the Directors' fees in the Directors' Remuneration Report and Remuneration Policy.

6 Employees Costs

The average number of employees, excluding Directors, for the Group and Company during the year was 10 (2017: 7). All employees are within the Head Office function.

	2018 £m	2017 £m
Wages and salaries	1	1
	1	1

Wages and salaries shown above include salaries, benefits, social security costs of £0.3 million (2017: £0.1 million) as well as pension contributions of £0.1 million (2017: £0.1 million) in the year for the Group and Company. These costs are included in the other expenses in the Consolidated Income Statement.

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	2018 Land and Buildings £m	2017 Land and Buildings £m
Within one year	1	1
Between two and five years	2	3
After five years	–	–
	3	4

8 Taxation Expenses

For the year ended 30th September	Revenue £m	Capital £m	2018 Total £m	Revenue £m	Capital £m	2017 Total £m
Current tax:						
UK corporate tax on profits for the period	(4)	4	–	3	(1)	2
Deferred tax:						
Origination and reversal of timing differences	–	(2)	(2)	–	2	2
Total tax (credit)/expense	(4)	2	(2)	3	1	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% (2017: 19.5% pro-rata) to the (loss)/profit before tax is as follows:

For the year ended 30th September	Revenue £m	Capital £m	2018 Total £m	Revenue £m	Capital £m	2017 Total £m
(Loss)/profit on ordinary activities before taxation	(28)	(24)	(52)	10	166	176
(Loss)/profit before tax multiplied by the effective rate of:						
UK corporation tax of 19% pro-rata (2017: 19.5% pro-rata)	(5)	(5)	(10)	2	32	34
Effects of:						
Priority profit share of partnership income appropriated by General Partner	–	–	–	4	(4)	–
Capital profits not chargeable due to Investment Trust status	–	7	7	–	(27)	(27)
Non-taxable income	1	–	1	(4)	–	(4)
Disallowed expense	–	–	–	1	–	1
Total tax (credit)/expense	(4)	2	(2)	3	1	4

The Finance Act 2016 included legislation to reduce the standard rate of UK corporation tax to 19% from 1st April 2017 and to 17% from 1st April 2020.

9 Dividends

For the year ended 30th September	2018 £m	2017 £m
Special Dividend (2,612p per share)	–	1,000
Second Special Dividend (914p per share)	–	350
Second 2016 Interim Dividend (110p per share)	–	44
Third Special Dividend (914p per share)	350	–
Special Dividend 2018 (25p per share)	9	–
Total Dividends	359	1,394

A first Special Dividend of FY19 of £140 million (365p per share), payable on 14th December 2018, was declared on 30th October 2018.

Distributable reserves

The Company had distributable reserves of £220 million (2017: £609 million), being the sum of the Realised Capital Reserve and the Revenue Reserve as disclosed in the Company Balance Sheet, or £80 million after allowing for the first Special Dividend of FY19 payable on 14th December 2018. The Board does not consider the Unrealised Capital Reserve to be distributable.

10 Earnings per Share

For the year ended 30th September	Undiluted earnings 2018 £m	2017 £m	Diluted earnings 2018 £m	2017 £m
Net revenue (losses)/income	(24)	7	(24)	7
Net capital (losses)/gains	(26)	165	(26)	165
Total earnings	(50)	172	(50)	172

The weighted average number of undiluted and diluted ordinary shares in issue during the year was 38,282,763 (2017: 38,740,222). Net revenue loss was £24,149,200 (2017: profit of £7,281,438) and net capital loss was £26,007,000 (2017: profit of £165,432,114).

	Basic earnings per share 2018 p	2017 p	Diluted earnings per share 2018 p	2017 p
Revenue (loss)/income per ordinary share	(63.08)	18.80	(63.08)	18.80
Capital return per ordinary share	(67.93)	427.03	(67.93)	427.03
Earnings per ordinary share	(131.01)	445.83	(131.01)	445.83

11 Net Asset Value per Ordinary Share

The basic Net Asset Value ("NAV") per share is calculated by dividing the NAV of £341,633,062 (2017: £758,366,568) by the number of ordinary shares in issue at the year end amounting to 38,282,763 (2017: 38,282,763).

There were no dilutive potential shares in 2017 or 2018.

12 Investments Held at Fair Value

Non-current Investments Held at Fair Value

As at 30th September	2018 Group £m	2018 Company £m	2017 Group £m	2017 Company £m
Unlisted at fair value	150	23	321	3
Subsidiary undertakings at fair value	–	23	–	142
	150	46	321	145

Current Investments Held at Fair Value

As at 30th September	2018 Group £m	2018 Company £m	2017 Group £m	2017 Company £m
Liquidity funds	72	72	380	380

12 Investments Held at Fair Value (continued)

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

	Non-Current £m	Current £m	Group Total £m	Non-Current £m	Current £m	Company Total £m
As at 1st October 2017	321	380	701	145	380	525
Purchases*	43	65	108	26	65	91
Disposals*	(20)	(373)	(393)	(37)	(373)	(410)
Decrease in valuation	(77)	–	(77)	(77)	–	(77)
Transferred to held for sale	(117)	–	(117)	(11)	–	(11)
As at 30th September 2018	150	72	222	46	72	118

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

	Non-Current £m	Current £m	Group Total £m	Non-Current £m	Current £m	Company Total £m
As 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)
As at 30th September 2017	321	380	701	145	380	525

* This includes purchases and disposals of liquidity funds that were made during the year in line with cash requirements and surplus funds.

13 Assets Held for Sale

In October 2018, the Group entered into an agreement to dispose of two of the non-controlled assets in its portfolio. The sale of Photobox was completed in October 2018 and the sale of Knight Square is expected to complete in December 2018. Fair values of the investments at 30th September 2018 were based on sale prices less associated costs.

The 2017 balances related to the disposal of a portfolio of secondary and fund investments, into which an agreement had been entered at 30th September 2017. The sale of these investments was subsequently fully completed during the year ended 30th September 2018.

As at 30th September	2018 Group £m	2018 Company £m	2017 Group £m	2017 Company £m
Buyouts	117	11	–	–
Funds	–	–	26	11
Listed Funds	–	–	9	–
Secondaries	–	–	2	–
	117	11	37	11

14 Trade and Other Receivables

As at 30th September	2018 Group £m	2018 Company £m	2017 Group £m	2017 Company £m
Amounts owed by subsidiary undertakings	–	229	–	208
Other receivables	1	2	1	–
	1	231	1	208

15 Trade and Other Payables

As at 30th September	2018 Group £m	2018 Company £m	2017 Group £m	2017 Company £m
Amounts owed to subsidiary undertakings	–	19	–	6
Other payables	2	1	4	3
	2	20	4	9

Other payables include accrued expenses, including bonuses.

16 Provision for Liabilities and Charges

	2018 Group £m	2018 Company £m	2017 Group £m	2017 Company £m
At 1st October 2017	29	29	243	243
Amounts paid	(6)	(6)	(240)	(240)
Change in provision	(22)	(22)	26	26
At 30th September 2018	1	1	29	29

During 2018, all remaining incentive provisions of £23 million have been released (Note 23). The amount as at 30th September 2018 includes the portion of Directors' bonuses deferred into shares over a period of three years, and other liabilities such as rental incentives received upfront which are recognised as deferred income and National Insurance Contributions provided on the incentive schemes operated by the Company. Details of the Directors' bonuses are shown in the Directors' Remuneration Report. The actual timing and costs of future cash flows are dependent on future events and therefore uncertain.

17 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	2018 Revaluation of financial assets Group £m	2018 Revaluation of financial assets Company £m	2017 Revaluation of financial assets Group £m	2017 Revaluation of financial assets Company £m
At 1st October	2	2	–	–
Charge during the period	(2)	(2)	2	2
At 30th September	–	–	2	2

18 Financial Instruments

(i) Management of Risk

During the year as an investment trust, the Group's investment objective was 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 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.

The Group is exposed to the risk of the change in value of its fund investments, unlisted equity, non-equity shares, fixed and floating rate securities. 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 net asset value 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 2018.

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 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. The Group's financial liabilities are expected to be settled within the next 12-month period.

18 Financial Instruments (continued)

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 £3 million (2017: £54 million).

Bank credit ratings at 30th September 2018	Moody's
HSBC	Aa3 (stable)
Royal Bank of Scotland	Baa2 (positive)

Capital Risk Management

The Group's capital comprised:

	2018 £m	2017 £m
Equity		
Equity share capital	9	9
Retained earnings and other reserves	333	749
Total capital	342	758

The Group's objective in the management of capital risk is to safeguard its liquidity 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 £359 million (2017: £1,394 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 buyback programme to generate shareholder value. During 2017, £94 million, including transaction fees, were utilised to repurchase shares for cancellation. There were no share repurchases during 2018.

There are no externally imposed requirements on the Company's capital.

(ii) Market Price Exposure

The table below shows the Group's exposure to market price changes on its listed investments. In determining a reasonable possible price movement, the Group observed historical price changes on a bi-annual frequency over the preceding ten-year period. As at 30th September 2018, no listed financial assets held by the Group or Company are subject to this risk.

	2018 Increase in variable	2018 Decrease in variable	2017 Increase in variable	2017 Decrease in variable
10% movement in price of listed investments				
Impact on (loss)/profit after tax (£m)	–	–	1	(1)
Impact as a percentage of (loss)/profit after tax (%)	–	–	–	–
Impact on shareholders' equity (£m)	–	–	1	(1)
Impact as a percentage of shareholders' equity (%)	–	–	–	–

18 Financial Instruments (continued)

(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

	2018 Sterling appreciation	2018 Sterling depreciation	2017 Sterling appreciation	2017 Sterling depreciation
10% Movement in Euro				
Impact on (loss)/profit after tax (£m)	(1)	1	(7)	9
Impact as a percentage of (loss)/profit after tax (%)	(1)	2	(4)	5
Impact on shareholders' equity (£m)	(1)	1	(7)	9
Impact as a percentage of shareholders' equity (%)	–	–	(1)	1

	2018 Sterling appreciation	2018 Sterling depreciation	2017 Sterling appreciation	2017 Sterling depreciation
10% Movement in US Dollar				
Impact on (loss)/profit after tax (£m)	(2)	1	(3)	4
Impact as a percentage of (loss)/profit after tax (%)	(3)	3	(2)	2
Impact on shareholders' equity (£m)	(2)	1	(3)	4
Impact as a percentage of shareholders' equity (%)	(1)	1	(1)	1

(iv) Interest Rate Risk Exposures

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 2018. Base interest rate in the UK has less than 1% 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 the base interest rate.

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

	Group				Company			
As at 30th September 2018	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	–	–	3	3	–	–	3	3
Investments held at fair value through profit and loss	134	75	13	222	7	75	36	118
Held for sale investments	108	–	9	117	11	–	–	11
Loans and receivables	–	–	3	3	–	–	231	231
	242	75	28	345	18	75	270	363
Financial Liabilities								
Held at amortised cost	–	–	(2)	(2)	–	–	(20)	(20)
	–	–	(2)	(2)	–	–	(20)	(20)
Total	242	75	26	343	18	75	250	343

18 Financial Instruments (continued)

As at 30th September 2017	Group Fixed rate £m	Group Floating rate £m	Group Non-interest bearing £m	Group Total £m	Company Fixed rate £m	Company Floating rate £m	Company Non-interest bearing £m	Company 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 cost	–	–	(4)	(4)	–	–	(9)	(9)
	–	–	(4)	(4)	–	–	(9)	(9)
Total	308	386	95	789	–	594	195	789

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

Group

Currency As at 30th September	Fixed rate financial assets weighted average interest rate 2018 %	2017 %	Fixed rate financial assets weighted average period until maturity 2018 years	2017 years
Sterling	11	11	2	3
US Dollars	–	–	–	–
Euro	2	5	–	1

Company

Currency As at 30th September	Fixed rate financial assets weighted average interest rate 2018 %	2017 %	Fixed rate financial assets weighted average period until maturity 2018 years	2017 years
Sterling	12	–	1	–
US Dollars	–	–	–	–
Euro	2	–	–	–

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

	2018 Increase in variable	2018 Decrease in variable	2017 Increase in variable	2017 Decrease in variable
1% movement in interest rates				
Impact on (loss)/profit after tax (£m)	1	(1)	4	(4)
Impact as a percentage of (loss)/profit after tax (%)	1	(1)	2	(2)
Impact on shareholders' equity (£m)	1	(1)	4	(4)
Impact as a percentage of shareholders' equity (%)	–	–	1	(1)

18 Financial Instruments (continued)

(v) Financial Assets and Liabilities

As at 30th September	Group Fair value 2018 £m	Group Fair value 2017 £m	Company Fair value 2018 £m	Company Fair value 2017 £m
Financial Assets				
Equity shares	17	46	31	97
Non-equity shares	5	1	5	59
Fixed interest securities	242	308	18	–
Floating rate securities	75	383	75	588
Cash at bank and in hand	3	54	3	54
Other assets	3	1	231	–
Financial Liabilities				
Other payables	2	4	20	9

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 Note 25.

(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 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.

18 Financial Instruments (continued)

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 2018	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Unlisted and listed investments	72	–	267	339

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

Company

As at 30th September 2018	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Unlisted and listed investments	72	–	57	129

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

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 only for 2018, but also included a listed investment in 2017.

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.

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 25.

18 Financial Instruments (continued)

As at 30th September 2018, 1% (2017: 8%) of financial assets at fair value comprise investments in private equity funds that have been valued in accordance with the policies set out in Note 25. The private equity funds are not publicly traded and prior to maturity an exit can only be made by the Company through a sale of its investment and commitment through a secondary market. The carrying values of the private equity funds may be significantly different from the values ultimately realised on an exit via a secondary market sale.

The following tables present the movement of assets measured at fair value, based on fair value measurement levels.

		Group		Company
	Level 1 2018 £m	Level 1 2017 £m	Level 1 2018 £m	Level 1 2017 £m
As at 1st October	389	54	380	–
Purchases	66	730	66	730
Realisations	(383)	(392)	(374)	(350)
(Decrease)/increase in valuation	–	(3)	–	–
As at 30th September	72	389	72	380

		Group		Company
	Level 3 2018 £m	Level 3 2017 £m	Level 3 2018 £m	Level 3 2017 £m
As at 1st October	349	1,642	156	1,193
Purchases	44	46	31	8
Realisations	(53)	(1,581)	(62)	(1,296)
(Decrease)/increase in valuation	(73)	242	(68)	251
As at 30th September	267	349	57	156

Total gains and losses on assets measured at Level 3 are recognised as part of the investment gains and losses balance in the Consolidated Income Statement, and no other comprehensive income has been recognised on these assets. Total unrealised loss for the year was £58 million (2017 loss of: £22 million).

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

The sensitivity thresholds have been determined based on the average of historic changes in each type of unobservable inputs.

Group

Description	Fair value 2018 £m	Valuation Technique	Unobservable Inputs	Weighted Average Input	Reasonable possible shift +/- (absolute value/%)	Change in Valuation +/- £m
UK						
Consumer goods, leisure and hospitality	228	Comparable trading multiples	EBITDA multiple	10.3x	1x	21/(21)
			Comparability difference adjustment	32%	5%	(16)/16
Property	3	Yield	Yield %	8%	1%	–
Business services	25	Comparable trading multiples	EBITDA multiple	13.4x	1x	1/(1)
			Comparability difference adjustment	45%	5%	(1)/1
Private equity funds	1	NAV valuation	NAV	n/a	5%	–
Continental Europe						
Private equity funds	1	NAV valuation	NAV	n/a	5%	
Property	1	Yield	Yield %	8%	1%	–
US						
Business services	7	Comparable trading multiples	EBITDA multiple	12.9x	1x	1/(1)
			Comparability difference adjustment	50%	5%	(1)/1
Private equity funds	1	NAV valuation	NAV	n/a	5%	–
Total	267					

18 Financial Instruments (continued)

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, leisure and hospitality 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%	–
US						
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					

18 Financial Instruments (continued)

Company

Description	Fair value 2018 £m	Valuation Technique	Unobservable Inputs	Weighted Average Input	Reasonable possible shift +/- (absolute value/%)	Change in Valuation +/- £m
UK						
Investment in subsidiaries	8	NAV valuation	NAV	n/a	5%	–
Consumer goods, leisure and hospitality goods	4	Comparable trading multiples	EBITDA multiple	10.2x	1x	1/(1)
			Comparability difference adjustment	33%	5%	(1)/1
Business services	17	Comparable trading multiples	EBITDA multiple	13.4x	1x	1/(1)
			Comparability difference adjustment	45%	5%	(1)/1
Property	3	Yield	Yield %	n/a	1%	–
Continental Europe						
Property	1	Yield	Yield %	n/a	1%	–
US						
Investment in subsidiaries	16	NAV valuation	NAV	n/a	5%	–
Consumer goods	7	Comparable trading multiples	EBITDA multiple	12.9x	1x	1/(1)
			Comparability difference adjustment	50%	5%	(1)/1
Private equity funds	1	NAV valuation	NAV	n/a	5%	–
Total	57					

18 Financial Instruments (continued)

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)
US						
Investment in subsidiaries	2	NAV valuation	NAV	n/a	5%	–
Private equity funds	1	NAV valuation	NAV	n/a	5%	–
Total	156					

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 significant and the respective impact on the fair value of the financial assets. 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 on assets held by the Group or Company during the year ended 30th September 2018 (2017: £nil).

18 Financial Instruments (continued)

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

Group

	Consumer goods, leisure and hospitality £m	Property £m	Business services £m	Fund positions £m	Total £m
Opening balance at 1st October 2017	286	4	31	27	349
Purchases	42	–	–	3	45
Realisations	(1)	(1)	(19)	(33)	(54)
(Decrease)/increase in valuation	(99)	1	20	5	(73)
Closing balance at 30th September 2018	228	4	32	3	267

Group

	Consumer goods, leisure and hospitality £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)
Increase/(decrease) in valuation	50	10	195	(13)	242
Closing balance at 30th September 2017	286	4	31	28	349

For the purposes of the above tables:

- Consumer goods include non-cyclical consumer goods, leisure and personal goods.
- Business services include media, construction and materials, industrial general and transportation, support services and technology, hardware and equipment.
- Private equity funds include private equity funds and secondaries.

19 Called up Share Capital and Reserves

Share Capital

	2018 £m	2017 £m
Opening allotted, called-up and fully paid 38,282,763 (2017: 40,270,531) ordinary shares of 25p each	9	10
Ordinary shares purchased by the Company (2017: 1,987,768)	–	(1)
Closing allotted, called-up and fully paid 38,282,763 (2017: 38,282,763) ordinary shares of 25p each	9	9

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.

Own Shares Held

The own shares held represents shares purchased by the Company's Employee Benefit Trust in relation to options granted under the LTIPs (Note 20) and bonus deferred into shares (see Directors' Remuneration Report). In total, 135,167 shares (2017: 47,783) were held as at 30th September 2018.

Translation Reserve

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Realised Capital Reserve

The realised capital reserve is the accumulated gains and losses on the realisation of investments.

Unrealised Capital Reserve

The unrealised capital reserve is the accumulated changes in the value of financial instruments measured at fair value which have been charged through profit and loss.

Revenue Reserve

The revenue reserve is the accumulated net revenue profits and losses of the Group and Company.

20 Share Based Payments

The Group operates two long-term incentive plans, respectively the Long-Term Incentive plan ("LTIP") and Share of Value Plan ("SOVP"); The schemes are designed to provide long-term incentives for senior management and directors of the Group to deliver long-term shareholder returns.

The LTIP was introduced during the year ended 30th September 2017, and the SOVP was introduced during the current financial year. The SOVP scheme will be a one-off award and, in respect of its participants, will replace the LTIP and the Annual Bonus Plan for future awards for the duration of the SOVP performance period.

Both plans are recognised as equity settled share based payment schemes in accordance with IFRS 2. However, awards can be settled in cash equivalents at the discretion of the Group Remuneration Committee. The share based payment schemes are recognised as equity settled on the basis that the Group has no present obligation for settling awards in cash, contractually or constructively i.e. as a result of past practices.

The cost of share based payment is recognised as an expense with a corresponding increase in share based payment reserves. Expenses are 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 £602,868 (2017: £44,482).

Details of the LTIP scheme are as follows:

<table>
<tr><td>Grant Date</td><td>13th July 2017</td><td>20th June 2018</td></tr>
<tr><td>Number of options granted</td><td>Initial grant of 47,783 options followed by two additional grants of 45,828* and 2,568** options respectively during 2018</td><td>24,307</td></tr>
<tr><td>Market Price on Grant Date</td><td>£795,102</td><td>£225,181</td></tr>
<tr><td>Performance period</td><td>3 years</td><td>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 total shareholder return ("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, at the discretion of the Group Remuneration Committee.</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 additional 45,828 options were granted to existing participants of the 2017 LTIP to cover the reduction in the Company's share price following the third Special Dividend 2017 paid on 1st December 2017.

** The additional 2,568 options were granted to existing participants of the 2017 LTIP to cover the reduction in the Company's share price following the Special Dividend 2018 paid on 28th June 2018.

20 Share Based Payments (continued)

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. The shares purchased are held in the Group's Employee Benefit Trust, which waives its dividend entitlement and abstains from voting at general meetings.

Details of the SOVP scheme are as follows:

Grant Date	12th April 2018
Number of Unit Awards granted	100,000
Fair Value on Grant Date	£1,999,000
Performance period	3 years
Vesting conditions	1. Continued services over the vesting period. 2. Net Asset Value ("NAV") growth in excess of NAV threshold plus cumulative distributions over a normal measurement period of 1st January 2018 to 31st December 2020.
Change in corporate control and other corporate events	All unvested awards shall vest on date of such event, at the discretion of the Group Remuneration Committee.
Settlement method	Equity settled, with option of cash alternative determined by the Group Remuneration Committee.

In determining the fair value of the SOVP scheme on grant date, the Group employed the Stochastic model, with five identified key variables which underpin the valuation of the Group investment portfolio. The key variables are volatilities of EBITDA and EBITDA multiples, net debt, book value and ownership percentages.

The probability of achieving the performance condition is calculated based on the average of 100,000 simulations produced by the model as a percentage of the maximum value that can be delivered under the SOVP.

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

Number of outstanding options	2018 Group	2018 Company	2017 Group	2017 Company
Opening balance	47,783	47,783	–	–
Granted	72,703	72,703	47,783	47,783
Closing balance	120,486	120,486	47,783	47,783

The average contractual life for the share options outstanding as at 30th September 2018 is 2 years (2017: 3 years)

21 Particulars of Holdings

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

Albion (Electra) Limited (Non-Trading Company)
Registered office: Dehands House, 2nd Terrace West, Centreville Nassau, Bahamas
Place of incorporation: Bahamas
Ownership: 100% direct

EIT Hill Limited (formerly Electra Investment Trust Limited)
(in members' voluntary liquidation)
Company Number: 03169259
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Place of Incorporation: United Kingdom
Ownership: 100% direct

Electra E.B.T. Limited (Historic Employee Benefit Trust)
(in members' voluntary liquidation)
Company Number: 03210118
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Place of Incorporation: United Kingdom
Ownership: 100% direct

Electra General Partner Number One Limited (General Partner to limited partnerships)
(in members' voluntary liquidation)
Company Number: 10266109
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Place of Incorporation: United Kingdom
Ownership: 100% direct

Electra Group Limited (formerly Electra Aviation (Spares) Limited)
(Non-Trading Company)
Company Number: 02301720
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Place of Incorporation: United Kingdom
Ownership: 100% direct

Electra Holdings Inc. (Non-Trading Company)
Registered Office: 229 South State Street, Dover, Delaware, United States of America
Place of Incorporation: United States of America
Ownership: 100% direct

Electra Investments Limited (Investment Holding Company)
Company Number: 00021895
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Place of Incorporation: United Kingdom
Ownership: 100% direct

Electra Securities Limited (in members' voluntary liquidation)
Company Number: 01552598
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Place of Incorporation: United Kingdom
Ownership: 100% direct

21 Particulars of Holdings (continued)

Electra Partners Advisers (Asia) Limited (in members' voluntary liquidation)
Company Number: 08312476
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Place of Incorporation: United Kingdom
Ownership: 100% direct

Electra Partners Mauritius Limited (in members' voluntary liquidation)
Registered Office: 33, Edith Cavell Street, Port-Louis, Mauritius
Place of Incorporation: Mauritius
Ownership: 100% direct

Electra Property Inc. (Non-Trading Company)
Registered office: 229 South State Street, Dover, Delaware, United States of America
Place of Incorporation: United States of America
Ownership: 100% direct

EFPEP Syndications Limited (in members' voluntary liquidation)
Company Number: 03239754
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Place of Incorporation: United Kingdom
Ownership: 100% direct

EPEP Syndications Limited (in members' voluntary liquidation)
Company Number: 02302854
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Place of Incorporation: United Kingdom
Ownership: 100% direct

Kingsway Nominees Limited (in members' voluntary liquidation)
Company Number: 03087761
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Place of Incorporation: United Kingdom
Ownership: 100% direct

New Kingsway Nominees Limited (in members' voluntary liquidation)
Company Number: 03504699
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Place of Incorporation: United Kingdom
Ownership: 100% direct

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.

Electra Private Equity Partners 2006 Scottish LP (partnership terminated)
Company Number: SL005877
Registered Office: 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
Place of Incorporation: United Kingdom
Ownership: 100% direct

Kingsway Equity Partners L.P. (partnership terminated)
Company Number: SL003477
Registered Office: 50 Lothian Road, Edinburgh, EH3 9BY
Place of Incorporation: United Kingdom
Ownership: 100% direct

21 Particulars of Holdings (continued)

The following partnerships have been dissolved during the year.

- EF Private Equity Partners (Americas) LP
- Electra Far East LP
- Electra Private Equity Partners 1995 LP
- Electra Private Equity Partners (Scotland) LP
- Electra Private Equity Partners 2001–2006 Scottish LP
- Electra Quoted Partners 1995 LP

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:

Company	Registered Address	Net Profit £m	Net Assets £m	Equity Instruments	Debt Instruments
Hotter (Galaxy Topco Limited)	2 Peel Road, Skelmersdale, Lancashire, England, WN8 9PT	(39)	(92)	A Ordinary Shares 89.6%	10% Secured red PIK loan notes 2022 97.1%
TGI Fridays (Mondays Topco Limited)	Wey House, Farnham Road, Guildford, Surrey, England, GU1 4YD	(20)	(46)	A Ordinary Shares 78.7%	Unsecured loan notes 99.0%
Sentinel (Sentinel Performance Solutions Limited)	7650 Daresbury Park, Daresbury, Warrington, England, WA4 4BS	(0)	18	D Ordinary Shares 53.3% Preference Shares 51.7%	Unsecured loan notes 66.7%
SPC (Special Products Company Holding Corp)	5540 Hedge Lane Terrance, Shawnee, KS 66227, United States	(3)	(5)	Common Equity 55.3% C Preferred Shares 80.0% B Preferred Shares 71.8%	Subordinated debt 84.4%

22 Related Party Transactions

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

Sherborne

Sherborne Investors Management LP ("Sherborne") were appointed as adviser to the Group on 22nd December 2015. Their role is to advise the Group in connection with research and the formulation and making of proposals to the Board of Directors of the Group. 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 2018 the Group paid Sherborne £63,342 (2017: £127,981) as reimbursement for travel and subsistence costs. Edward Bramson, a Director of Electra, is the managing member of Sherborne Investors Management LP.

Epiris

Epiris is no longer a related party in the current year but was a related party in the prior year and therefore details below relating to Epiris are solely for the year ended 30th September 2017.

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.

Carried interest schemes

Certain members of Epiris (the "participants") were entitled to benefit from carried interest schemes under the terms of the limited partnerships through which Electra invested. 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 were entitled to a percentage of the total capital and revenue profits made on each such investment. The participants did not receive any profit until Electra had received back its initial investment.

1995 LTI

Participants were 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 related to a pool of investments valued at £160 million at 31st March 2006 (the "initial pool"). Under this arrangement participants were entitled to 10% (the "carried interest") of the aggregate realised profits of the initial pool. The realised profits were 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 was 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 was payable once the realised profits of the initial pool exceeded the preferred return. This catch-up meant that all proceeds above the cumulative preferred return accrued to participants until they had been paid an amount equating to 10% of the total realised profits of the initial pool. Thereafter proceeds were split 90%:10% between Electra and the participants.

2006, 2009, 2012 and 2015 Pools

In October 2006, new arrangements were entered into in respect of investments made over each consecutive three-year period. At the prior year end, such arrangements were in operation in relation to the three-year periods from 2006 to 2009, 2009 to 2012, 2012 to 2015 and 2015 to 2018 (investments being made in each such period being referred to as a "pool").

22 Related Party Transactions (continued)

Under these arrangements, participants were entitled to a carried interest of 18% of the aggregate realised profits in relation to direct investments in each pool. The realised profits were 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 was payable only once realised profits exceeded a preferred return of 8% compounded annually on the cost of investments less realisations. A full catch-up was payable once the realised profits exceeded the preferred return. This catch-up meant that all proceeds above the cumulative preferred return accrued to participants until they had been paid an amount equating to 18% of the total realised profits. Thereafter proceeds were split 82%:18% between Electra and the participants.

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

No Directors of Electra participated in the above schemes.

Summary of carried interest pools

The following tables are for the comparative period only.

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

Participants Investment

During 2017, the participants exercised their option to sell their remaining Participants Investments to the Group at a cost of £4 million and no investments are held by the participants at 30th September 2018.

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 investments managed by Epiris 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 was between £25 million to £75 million. Both parties invested on the same terms and conditions. The agreement allowed for variations to these arrangements in certain prescribed circumstances, for example, where investment would compromise Electra's ability to qualify as an Investment Trust or where the Club would exceed certain concentration ratios. Investments that arise from interests that Electra already held prior to the establishment of the Club are unaffected by these sharing arrangements. These arrangements expired in May 2013.

22 Related Party Transactions (continued)

Priority Profit Share

Following the termination of the Management and Investment Guideline Agreement on Epiris effective on 31st May 2017 no further Priority Profit Share has been paid (2017: £23 million).

Year to September	2018 £m	2017 £m
Fee at 1.5%	–	23
Fee at 1%	–	–
	–	23
Adjustment for deal fees net of abort costs	–	–
Total	–	23

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).

Remuneration Disclosure

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.

23 Contingent Liabilities

During the year, the Company received legal advice which adds greater clarity to the payment mechanics of carried interest to the former investment manager and has consequently recognised a credit of £23 million to the Income Statement representing a reduction in the Directors' assessment of the provision required. While the Directors are confident in their assessment it is possible that the former manager may dispute the approach adopted. The Directors' current understanding is that all carry payments to date were appropriate.

24 Post Balance Sheet Events

Since the year end, shareholders of the Company approved the new investment objective and policy, set out on page 73. Furthermore, the Board has recommended that it is in the best interests of shareholders to conduct a managed wind-down of the portfolio over time and ultimately the winding-up of the Company. A first Special Dividend of FY19 of £140 million (365p per share), payable on 14th December 2018 has been declared since the year end.

25 Basis of Accounting and Significant Accounting Policies

The Group Financial Statements for the year ended 30th September 2018 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 2018.

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 expenses 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 management expenses as a revenue item for the year ended 30th September 2018.

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; and
- IFRS 2 *Share Based Payments* in respect of Group settled share based payment schemes.

Going Concern

As explained throughout this Annual Report and Financial Statements, post year end the Board has announced its intention to conduct a managed wind-down of the portfolio and consequently, the Financial Statements have been prepared on a basis other than that of a going concern. However, there have been no changes to the basis of recognition, which remains as 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. The Group continues to value its financial assets on the basis disclosed in this note. The timeframe envisaged for the managed wind-down of the portfolio does not affect the valuation of assets or liabilities on the Company's balance sheet. The key decision was made post year end, no contractual commitments had become onerous as a result of this decision and no commitments for further wind-down costs have been made. Therefore, no provisions have been recorded in the Financial Statements for the future costs of terminating the business of the entity. Any future costs relating to terminating the business of the entity will be provided for when the entity becomes obligated to make such payment.

25 Basis of Accounting and Significant Accounting Policies (continued)

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 IFRS 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 amendments to IFRSs became effective for accounting period commencing on or after 1st January 2017 and have had no material impact on the Group.

- 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*
- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12

The following amended standards became effective for accounting periods commencing on or after 1st January 2018 and will be adopted by the Group from 1st October 2018. As already assessed and disclosed in the 2017 Financial Statements, no material impact is expected on the Consolidated Financial Statements of the Group following the adoption.

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*

The following new IFRSs have been issued by the IASB, effective for annual periods beginning on or after 1st January 2019. The Group has not early adopted these standards for the year ended 30th September 2018, however full impact assessments have been completed.

IFRS 16 Leases

During the year, the Group performed a full impact assessment of IFRS 16 and all available transitional options have been considered. It has been decided that the modified, cumulative catch up approach best suits the circumstances at the Company.

25 Basis of Accounting and Significant Accounting Policies (continued)

The Group will adopt IFRS 16 in the period beginning on 1st October 2019, recognising initial assets and liabilities of £1.5 million and £1.8 million respectively, with the difference of £0.3 million being recognised as an adjustment to the opening revenue reserves. The impact on the Consolidated Income Statement is expected to be £0.6 million, consisting of a £0.5 million depreciation charge and a £0.1 million interest charge. However, from the point of adoption, no further operating lease expense, currently £0.6 million p.a. will be recognised in the Consolidated Income Statement. These impacts will be continuously assessed and updated, where relevant in light of any further developments in view of the announced managed wind-down of the portfolio.

Investments

Purchases and sales of listed investments are recognised on the trade date where a contract exists whose terms require delivery within a timeframe 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

(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.

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; and
- 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.

25 Basis of Accounting and Significant Accounting Policies (continued)

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, any other reason the quality of earnings may differ.

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

In some circumstances the 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.

(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 ongoing 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 net asset value of the fund as reported by the manager is used as the starting point. The Group may make adjustments to the reported net asset value to reflect, for example, purchases and sales occurring between the fund's measurement date and the reporting date, or any other facts or circumstances which might impact the fair value of the fund.

(v) Money Market Investments

Investments in money market funds are held at the current fair value of the units invested.

25 Basis of Accounting and Significant Accounting Policies (continued)

(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 three 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 for on the ex-dividend date or, where no ex-dividend date is quoted, are accounted for 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.

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.

Operating 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.

25 Basis of Accounting and Significant Accounting Policies (continued)

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.

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.

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.

25 Basis of Accounting and Significant Accounting Policies (continued)

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.

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 timeframe 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

The Company operates two long-term incentive schemes, both of which meet the definition of share based payments under IFRS 2. Where appropriate, share based payments are measured at fair value on grant date, which is estimated using commonly used and accepted models. The cost of share based payments is spread over the period until the awards vest and is recognised as an expense in the Income Statement with a corresponding increase in the equity reserves. Where share based payments have market vesting conditions, the full charge is recognised irrespective of the conditions being met, provided all other performance and/or service conditions are satisfied.

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.

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.

25 Basis of Accounting and Significant Accounting Policies (continued)

Financial assets fair value measurements

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 six months to explain the cause of fluctuations in the fair value of the assets and liabilities.

Sensitivity analysis on key sources of estimation has been disclosed in Note 18. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above in this Note.

Going Concern

As referred to in the basis of preparation note, these Financial Statements are prepared on a basis other than that of a going concern and not withstanding this, the Directors have formed the view that no additional provisions or liabilities are required in these Financial Statements as no commitments relating to the wind-down had been made at the year end and no existing contractual commitments had become onerous.

Incentive provisions

As disclosed in Note 23, the Company recognised a credit of £23 million on incentive provisions to the Income Statement. While the Directors are confident in their assessment, it is possible that the former manager may dispute the approach adopted which could alter the outcome of this estimation.

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 of Electra Private Equity PLC (the "Parent Company") and its subsidiaries (the "Group") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30th September 2018 and of the Group's loss 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 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; and
- The related Notes 1 to 25.

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 Parent 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 Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (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 Parent Company.

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

Emphasis of matter – basis of preparation

We draw attention to Note 25 to the Financial Statements which explains that the Directors intend to wind-up the Company after realising the remaining investments and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the Financial Statements. Accordingly, the Financial Statements have been prepared on a basis other than going concern as described in Note 25. Our opinion is not modified in respect of this matter.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: ■ Valuation of unquoted investments; and ■ Valuation of share based compensation for new awards issued during the year and the accuracy of the related expense. 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 for the Group Financial Statements was £3.4 million which was determined on the basis of 1% Net Asset Value ("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 2018.
Significant changes in our approach	Following a new equity based compensation scheme that commenced in the year, we identified a new key audit matter relating to the valuation of new awards issued during the year in respect of share based compensation and the accuracy of the related expense. The key audit matters identified in the prior year relating to gains on disposal of investments and the incentive scheme provisions did not have a significant impact on the audit strategy nor require significant allocation of resources in the current year and thus are not key audit matters.

Conclusions relating principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- The disclosures on pages 5 to 7 that describe the principal risks and explain how they are being managed or mitigated;
- The Directors' confirmation on page 5 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; or
- 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;
- The disclosure on page 73 that discusses the change in investment objective of the Company and the intention to wind-up the Company.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Aside from the impact of the matters disclosed in the emphasis of matter paragraph, we confirm that we have nothing material to report, add or draw attention to in respect of these matters.

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 Group held unquoted investments of £267 million (2017: £321 million) at 30th September 2018. The valuation of unrealised investments 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 and the estimation of key inputs into the valuations. We have therefore identified a potential risk of fraud in this key audit matter. There are four key unquoted investments that remain unrealised at the date of approval of the Financial Statements. The valuation methods 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 valuations include the selection of comparable listed companies, the maintainable earnings of the company being valued and the discounts applied to take account of points of difference between the multiples of the comparable listed companies and the company being valued. 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 59 to 61 within the Financial Statements for the Directors' disclosures of the related accounting policies, judgements and estimates and the financial instruments Note 18 on pages 36 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 the Group as at 30th September 2018. The relevant control identified is the Valuations 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 in the valuations, analysing year on year movements and testing their arithmetical accuracy. In addition we reconciled previous earnings from the management accounts of the companies being valued to their reported statutory accounts.

How the scope of our audit responded to the key audit matter continued	■ We assessed the key assumptions influencing the valuations of the four key unquoted investments that remained unrealised at the date of approval of the Financial Statements as follows: 1. The basket of comparable listed companies selected – We examined management's choice of comparable companies, assessed them for reasonableness, and compared them to the prior year. We tested the completeness of the basket by compiling an alternative list of potential comparable companies and challenging management's rationale for not including these. 2. The points of difference discounts applied to the multiple – The discounts used by management were challenged and assessed for reasonableness, by performing a quantitative and qualitative analysis around points of difference. 3. The maintainable earnings amount to which the discounted multiple is applied – Portfolio company earnings were analysed for indications of bias and in order to identify potential normalisation adjustments. We challenged any adjustments to earnings and reconciled previously reported earnings to audited Financial Statements of the portfolio companies. and ■ 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.

Valuation of share based compensation for new awards issued during the year and the accuracy of the related expense	
Key audit matter description	Electra has granted awards under a new share based compensation plan to Directors and senior management. Recognition of the share based compensation impacts the reserves in the balance sheet and related expense in the income statement. There is a risk that: 1. The accounting for the share based compensation awards is incorrect, which impacts the accuracy of the equity reserve balance and the relevant compensation expense; and that 2. The fair value of the award at grant date is incorrectly estimated. See page 63 of the Financial Statements for the Directors' disclosures of the related accounting policies, judgements and estimates.
How the scope of our audit responded to the key audit matter	■ We obtained the contracts of the share based payment schemes and understood the terms. ■ We assessed whether the awards were accounted for and measured in accordance with IFRS 2. ■ We engaged our internal valuation specialists to assess whether the valuation model and the inputs used to calculate the value of the new awards were appropriate. ■ Based on the fair value calculated, we recalculated the current year expense and reserve balance at year end
Key observations	Based on the audit work performed no material misstatements or significant deficiencies have been identified.

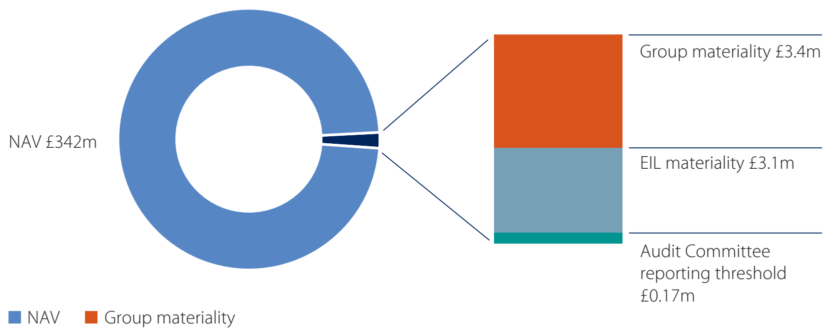
Our application of materiality

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 Financial Statements	Parent Company Financial Statements
Materiality	£3.4m (2017: £7.6m)	£3.2m (2017: £7.0m)
Basis for determining materiality	1% of Net Asset Value 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 and the continued return of capital to shareholders in the period.	1% of Net Asset Value The Parent Company materiality figure has reduced significantly in the current year due to the significant reduction in the investments held by the Company as at year end and the continued return of capital to shareholders in the period.
Rationale for the benchmark applied	We used Net Asset Value 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 net asset value is a generally accepted benchmark used for the calculation of materiality by the auditors of investment companies.	We used Net Asset Value as the basis for our materiality calculation because we consider that the net asset position is a key consideration in the evaluation of the Parent's performance because it is significantly impacted by the valuation of investments. In addition, the net asset value 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 £0.17 million (2017: £0.38 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. 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 2018.The component materiality used for our audit of Electra Investments Limited was £3.1 million.

Historically, Electra had a more complex corporate structure in which various Limited Partnerships held investments. Following a restructuring, to simplify the Group structure, the investments held in the Limited Partnerships were transferred to Electra's main entities, Electra Private Equity PLC and Electra Investments Limited. The audit work we have carried out included a review of the Limited Partnerships, along with an audit of the consolidation at the Group level. All work was carried out by the Group audit engagement team.

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 position and 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 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 Directors' Responsibilities Statement, 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 Parent 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 Parent 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- Enquiring of management and the Audit and Risk Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- Discussing among the engagement team and involving relevant internal specialists, including tax specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: Valuation of unquoted investments; Accuracy, occurrence and completeness of incentive scheme expense and provisions; and management override of internal controls; and
- Obtaining an understanding of the legal and regulatory framework that the Group operates in, focusing on those laws and regulations that had a direct effect on the Financial Statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the Alternative Investment Fund Managers Directive, the Companies Act and the Listing Rules.

Audit response to risks identified

As a result of performing the above, we identified valuation of unquoted investments as a key audit matter. The key audit matters section of our report explains this matter in more detail and also describes the specific procedures we performed in response to the key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- Reviewing the Financial Statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- Enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reading minutes of meetings of those charged with governance, reviewing internal controls reports and reviewing correspondence with HMRC and G10 (the Alternative Investment Fund Manager); and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 of the Parent 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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent 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 the Audit and Risk Committee on 22nd January 2017 to audit the Financial Statements 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 two years, covering the years ending 30th September 2017 to 30th September 2018.

Consistency of the audit report with the additional report to the Audit 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).

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.

Garrath Marshall (senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
10th December 2018

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.

During the year ended 30th September 2018, the Company's objective and investment policy were as follows:

"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."

At a General Meeting held on 30th October 2018, shareholders approved a change of the investment objective and policy to the following:

"Electra's investment objective is to follow a realisation strategy which aims to crystallise value for shareholders, through balancing the timing of returning cash to shareholders with maximisation of value.

The Company will not make any new investments but will continue to support its existing investments to the extent required in order to optimise returns.

The Company will retain sufficient cash to meet its obligations and to support its portfolio assets, with cash from realisations being invested in AAA rated money market funds pending utilisation or return to shareholders.

Should it be appropriate to utilise gearing in order to optimise the balance between timing of returning cash to shareholders and maximisation of value, the Company will maintain gearing below 40% of its total assets."

Directors' Report

To the Members of Electra Private Equity PLC

The Directors present the audited Financial Statements of the Group and the Company for the year ended 30th September 2018 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 2018, the following information is set out in the Strategic Report: 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.

The Corporate Governance Statement forms part of this Directors' Report.

Results and Dividends

A revenue loss attributable to shareholders of £24,149,000 (2017: profit of £7,281,438) was transferred to Revenue Reserves.

During the year, Special Dividends of 914p and 25p per share were declared on 23rd October 2017 and 24th May 2018 respectively and paid on 1st December 2017 and 28th June 2018 respectively to shareholders on the Register of Members at the close of business on 3rd November 2017 and 8th June 2018 respectively (year ended 30th September 2017: Special Dividends of 2,612p and 914p were paid on 5th May 2017 and 14th July 2017 respectively to shareholders on the Register of Members at the close of business on 7th April 2017 and 9th June 2017 respectively).

Since the year end, the Directors have declared a first Special Dividend of FY19 of 365p per share, to be paid on 14th December 2018 to shareholders on the Register of Members at the close of business on 16th November 2018.

Strategic Review and General Meeting

On 4th October 2018, the Board announced the outcome of the third phase of its strategic review. The Board announced that it considered that each of the remaining corporate investments represented an opportunity for value creation within an acceptable timeframe but had decided that the concentration of the portfolio and the structural inefficiency in reinvesting in a listed private equity vehicle with a significant market discount to NAV made it inappropriate to seek to do this within the existing investment objective and policy of the Company. The Board therefore concluded, and recommended, that it is in the best interests of shareholders to conduct a managed wind-down of the portfolio over a period of time, allowing optimisation of returns, the return of cash to shareholders, and ultimately the winding-up of the Company.

The Board announced that implementation of its recommendation to wind-down the portfolio would require shareholder approval of a new investment objective and policy and accordingly a General Meeting of the Company was held on 30th October 2018 at which shareholders approved the Board's proposed strategy through an updated investment objective and policy. The new investment objective, which is set out in full on page 73, is to follow a realisation strategy which aims to crystallise value for shareholders, through balancing the timing of returning cash to shareholders with maximisation of value. The Company will not make any new investments but will continue to support its existing investments to the extent required in order to optimise returns.

Management Arrangements

The Company is managed by an internal team of employees led, since 1st March 2018, by Neil Johnson, Executive Chairman (formerly Edward Bramson, the interim CEO, until 28th February 2018) 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 £4,000 per month (previously £20,000 per month) for full scope AIFM services to the Company (and previously a further £750 per month for management and operator services to investment holding entities 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 six months.

Share Capital

At 30th September 2018, there were 38,282,763 (2017: 38,282,763) ordinary shares of 25 pence each in issue. The shares are in registered form.

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

Directors

The current Directors of the Company are listed on pages 108 to 109. They all served as Directors throughout the year ended 30th September 2018. In addition, John McAdam served as a Non-Executive Director and the Senior Independent Director until his resignation on 1st March 2018. David Lis was appointed as a Senior Independent Director on 1st March 2018.

No other person was a Director of the Company during any part of the period up to the approval of this Report on 10th December 2018.

Ian Brindle and Roger Perkin intend to retire at the Annual General Meeting in 2019 and will not seek re-election. All of the other Directors intend to retire at the Annual General Meeting in 2019 and, being eligible, offer themselves for re-election.

Directors' Conflicts of Interest

Directors report on actual or potential conflicts of interest at each Board meeting. The Board has agreed that the 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 2018, 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	–	3,830,188	–	10.00
Fidelity International	–	1,970,041	–	5.15
Witan Investment Trust plc	3,074,598	–	8.03	–

* Percentage shown as a percentage of 38,282,763 ordinary shares, being the number of shares in issue at 30th September 2018 and 10th December 2018.

No further notifications had been received by 10th December 2018, the latest practicable date before the publication of this Directors' Report.

Global Greenhouse Gas Emissions for the Year ended 30th September 2018

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 auditor is 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 auditor is aware of that information.

Independent Auditor

Deloitte LLP were appointed as auditor of the Company with effect from the audit of the Company's Financial Statements for the year ended 30th September 2017. Their re-appointment for the year under review was approved by the members at the Annual General Meeting held on 1st March 2018.

Resolutions to reappoint Deloitte LLP as the Company's auditor and authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting to be held on 27th February 2019. Further details are included in the Report of the Audit and Risk Committee.

Going Concern

As set out in the Chairman's Statement, the shareholders voted at a General Meeting on 30th October 2018 in favour of a new investment policy which allows for the realisation of the portfolio and return of capital to shareholders. The Board is recommending that it is in the best interests of shareholders to conduct a managed wind-down and consequently the Financial Statements have been prepared on a basis other than the going concern basis.

The Viability Statement of the Company is included in the Strategic Report.

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.

Annual General Meeting

The Annual General Meeting will be held on Wednesday 27th February 2019 at 11.00am. The formal notice of the Annual General Meeting is set out in a separate circular, which will be posted to shareholders with the Report and Financial Statements for the year ended 30th September 2018.

Authority to Purchase Own Shares

As at 30th September 2018, the Company had authority to purchase for cancellation up to 5,738,586 shares. This authority will lapse at the 2019 Annual General Meeting.

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 net asset value per share and would be in the best interests of shareholders generally. Ordinary shares which are purchased under this authority may be held in treasury or cancelled.

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

Listing Rule 9.8.4

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

(i) details of the Company's proposed Long-Term Incentive Plan are set out in the Directors' Remuneration Report.

(ii) details of Directors' fees waived by Edward Bramson are set out in the Directors' Remuneration Report.

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.

The Company's Employee Benefit Trust waives its dividend entitlement and abstains from voting at general meetings on shares it holds in relation to the LTIP schemes. See Note 20 for more details.

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. The Directors may specify in the notice convening the meeting that in determining the time for delivery of proxies, no account shall be taken of any part of any day that is not a working day.

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 three nor more than 15.

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

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

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

(i) becomes bankrupt or compounds with his creditors generally;
(ii) is prohibited by law from being a Director;
(iii) has a court order made in respect of his mental health which wholly or partly prevents him from exercising powers or rights which he would otherwise have;
(iv) sends a notice to the Company that he is resigning or retiring from his office and such resignation or retirement has taken effect;
(v) sees his appointment (at an executive office) terminated or expiring and the Directors resolve that he should cease to be Director;
(vi) is absent without permission of the Board from meetings of the Board for six consecutive months and the Board resolves that the office is vacated; or
(vii) notice is served upon a Director in writing by all other co-Directors.

Powers of the Directors

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

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

Approved by the Board of Directors and signed on its behalf by

Frostrow Capital LLP

Frostrow Capital LLP
Company Secretary
10th December 2018

Corporate Governance Report

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 is aware that a revised AIC Code is due to be published by the AIC in the near future and will come into effect in January 2019. The Board will report against the revised Code in the Company's Annual Report for the year commencing 1st October 2019.

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 2018 except as follows. The UK Corporate Governance Code includes a provision relating to the roles of chairman and chief executive being exercised by different individuals. On 1st March 2018, the Board confirmed that Edward Bramson was stepping away from his role as interim CEO and its intention was not to appoint a new CEO, those duties being split between the Executive Chairman, Neil Johnson and the CFO, Gavin Manson. All significant decisions relating to the Company are taken by the full Board, and the Board has agreed that in the event of an equality of votes, the independent Directors should appoint one of themselves to chair the meeting so that that Director has a casting vote. As such, the Board considers that no one individual has unfettered powers of decision. This structure is considered to be efficient and effective in light of the Company's strategy. The UK Corporate Governance Code also includes a provision relating to the need for an internal audit function. The Board has considered and concluded that an internal audit function is not required given the size of the Company.

The Board of Directors

The Board comprised eight Directors as at 30th September 2018, all of whom were Non-Executive apart from Neil Johnson, who has been Executive Chairman since 1st March 2018 and Gavin Manson, the Chief Financial Officer, who was appointed as an Executive Director on 23rd March 2017. Neil Johnson has been Chairman and Director of the Company since 12th May 2016.

All the Directors were in office throughout the year. In addition, John McAdam served as a Non-Executive Director until 1st March 2018. John McAdam was nominated by the Board as the Senior Independent Director with effect from 1st January 2017 until his resignation on 1st March 2018, when David Lis was nominated 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.

Management Agreements between the Company and G10 Capital Limited 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 2018 Annual General Meeting.

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	7*	3	2	6	3
N Johnson	7	–	–	–	2/2
E Bramson	7	–	–	–	–
I Brindle	7	–	–	–	–
P Goodson	7	3	2	5/5	–
D Lis	7	–	2	6	3
G Manson	7	–	–	–	–
J McAdam	2/3	–	–	1/1	1/1
R Perkin	7	3	2	–	3
L Wilding	7	3	2	6	–

* 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 progress and outcome of the strategic review.

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 to 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.

Neil Johnson was appointed as Executive Chairman with effect from 1st March 2018. Gavin Manson is an Executive Director.

The Board has carefully considered the independence of each Director under the provisions of the AIC Code and has concluded that, apart from Neil Johnson, Edward Bramson, Ian Brindle and Gavin Manson, each Director is wholly independent. Therefore, until 1st March 2018, when John McAdam resigned from the Board, the majority of the Directors were independent. With effect from 1st March 2018, there have been four non-independent and four independent Directors. In recognition of this the Board has agreed that in the event of an equality of votes, the independent Directors should appoint one of themselves to chair the meeting so that Director has a casting vote. With effect from 27th February 2019, there will be three non-independent and three independent Directors. The same arrangements will apply.

The Board carries out a formal appraisal process of its own operations and performance and those of its Committees each year. The Board's policy is that this review should be externally facilitated every three years, as required by the Code. During 2017, the Board commissioned Korn Ferry to carry out an externally facilitated evaluation of its operations and performance and those of its Committees. The results of that evaluation were set out in the 2017 Annual Report. Overall, the Board was considered to be effective and working well with a high level of engagement by Board members.

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 2018. 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.

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 the Directors who intend to retire and offer themselves for re-election at the Annual General Meeting to be held in 2019 continue to be effective and that all of them continue to show commitment to their role. The Senior Independent Director has also confirmed the continuing effectiveness and commitment of the Chairman.

Directors' Terms of Appointment

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

In accordance with the AIC Code's provisions on the re-election of Directors, which state that all Directors of FTSE 350 companies should be subject to annual re-election by shareholders, the Board's policy is that Directors should be re-elected annually. In accordance with this policy all the then Directors were elected or re-elected at the Annual General Meeting held in March 2018.

Re-election of Directors

In accordance with the Board's policy on Directors' Terms of Appointment, all the Directors intend to retire at the Annual General Meeting to be held in 2018 and, apart from Ian Brindle and Roger Perkin, to offer themselves for election or for re-election. Biographical details of the Directors are set out on pages 108 to 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. 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. The Committee has written terms of reference which are available on the Company's website.

Following Roger Perkin's retirement from the Board at the AGM to be held on 27th February 2019, Linda Wilding will be appointed as Chair of the Committee and David Lis will be appointed as an additional member of the Committee.

Refer to Note 4 for details of the auditor's remuneration.

Remuneration Committee

The Remuneration Committee members are David Lis (Chairman), Paul Goodson (from 1st March 2018) and Linda Wilding. John McAdam was a member of the Committee until his resignation on 1st March 2018. Roger Perkin, as 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 six times in the year, including meetings to determine the Company's Remuneration Policy, set up the Share of Value Plan and agree amendments to that Plan and the LTIP. A report on its activities is contained in the Directors' Remuneration Report.

Nominations Committee

The Committee members are Neil Johnson (Chairman), David Lis, and Roger Perkin. John McAdam was a member of the Committee until his resignation on 1st March 2018. 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 three times during the year. It considered the changes to the Committee appointments of the Directors as referred to above. It reviewed the current composition of the Board and its Committees and concluded that the size of the Board should be reduced in light of the outcome of the strategic review announced in October 2018. Accordingly, Ian Brindle and Roger Perkin, who will retire at the AGM following nine years' service, will not be replaced.

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. The members of the Committee are Paul Goodson (Chairman), David Lis, Roger Perkin and Linda Wilding. The Committee met twice to review the valuation of investments as at 31st March 2018 and 30th September 2018.

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, 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. Meetings are held with principal shareholders to discuss relevant issues as they arise.

All shareholders are welcome to attend the Annual General Meeting and have the opportunity to put questions to the Board. The notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting. A separate resolution is proposed on each substantially separate issue including receipt of the Annual Report and Financial Statements. All proxy votes are counted and, except where a poll is called, the level of proxies lodged for each resolution is announced at the Meeting and is published on the Company's website. The Chairmen of the Audit and Risk, Remuneration, Nominations and Valuations Committees are normally available to answer questions at the Annual General Meeting each year.

The Chairman and the Senior Independent Director can be contacted either 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.

The Company has 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.

For the year ended 30th September 2018 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.

Risk Appetite

During 2017 and 2018, the Board undertook a strategic review, the objectives of which were to maximise long-term shareholder value by assessing the Company's investment strategy and policy, as well as the structure of the Company.

On 4th October 2018, the Board announced the outcome of the third phase of its strategic review. The Board considers that each of the remaining corporate investments represents an opportunity for value creation within an acceptable timeframe. However, the concentration of the portfolio and the structural inefficiency in reinvesting in a listed private equity vehicle with a significant market discount to NAV make it inappropriate to seek to do this within the existing investment objective and policy of the Company. The Board therefore concluded, and recommended, that it is in the best interests of shareholders to conduct a managed wind-down of the portfolio over a period of time, allowing optimisation of returns, the return of cash to shareholders, and ultimately the winding-up of the Company.

The Board announced that implementation of its recommendation to wind-down the portfolio would require shareholder approval of a new investment objective and policy and accordingly a General Meeting of the Company was held on 30th October 2018 at which shareholders approved the Board's proposed strategy through an updated investment objective and policy. The new investment objective, which is set out in full on page 73, is to follow a realisation strategy which aims to crystallise value for shareholders, through balancing the timing of returning cash to shareholders with maximisation of value. The Company will not make any new investments but will continue to support its existing investments to the extent required in order to optimise returns.

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 Portfolio Diversification Risk, Strategy Implementation Risk, Investment Risk, Solvency and Liquidity Risk, Macroeconomic Risk, Valuation Risk, Operational Risk, Gearing Risk, Foreign Currency Risk and Cash Drag Risk, along with the risks detailed in Note 18 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 in Note 25. The Board's Valuations Committee of the Company provides oversight of the valuation process undertaken by the Company's 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 a 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.

Approved by the Board of Directors and signed on its behalf by

Frostrow Capital LLP
Company Secretary
10th December 2018

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 Annual General Meeting in March 2018. This policy is set out below.

Remuneration Policy

As noted, a revised Remuneration Policy was approved by shareholders in March 2018. The Remuneration Policy was designed to ensure that pay would be aligned with the long-term creation of value to shareholders as well as being in line with best practice within the industry. The Committee has reconsidered the Policy in the light of the strategic decision for a managed wind-down of the portfolio and considers that it is still appropriate. In summary, our policy comprises:

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

Implementation of the Policy in 2017/18

The revised Remuneration Policy that was approved by shareholders in March 2018 was implemented with effect from 1st January 2018. It is expected that this Remuneration Policy will remain in force until March 2021 although we will closely monitor regulatory changes and market trends and, if necessary, may present a revised Remuneration Policy before that time.

Long-term Incentives

In accordance with the Remuneration Policy approved by shareholders, the Company has established and operates the following plans:

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

The terms of the Long-Term Incentive Plan are set out in Note 20. On 14th July 2017, the Committee granted Gavin Manson a nil cost option award under the LTIP in respect of 35,671 ordinary shares. The award will ordinarily vest and become exercisable three 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.

Following the declarations of the Special Dividends which were paid on 1st December 2017 and 28th June 2018, 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 award holder'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 resulted in the number of shares under the award being increased by 34,211 and 1,919 shares respectively in respect of the Special Dividends.

2 Electra Private Equity PLC Executive Share of Value Plan (the "SOVP")

The principal terms of the SOVP are set out in Note 20. The SOVP is intended to provide its participants with an opportunity to share in a pool of value which is converted into nil cost options over ordinary shares in the capital of the Company. Subject to relevant caps, the pool will be determined by reference to a percentage shares of value created for shareholders in excess of a threshold level of net asset value plus cumulative distributions over a normal measurement period of 1st January 2018 to 31st December 2020. Participation in the SOVP will ordinarily be limited to the Company's Executive Chairman, Neil Johnson, and the Company's Chief Financial Officer, Gavin Manson. All individual awards are subject to a cap. Upon vesting, the maximum potential individual value of options that can be granted are £4.5 million and £2.4 million for the CFO and Executive Chairman respectively.

The SOVP will be a one-off award and, in respect of its participants, will replace the LTIP and the Annual Bonus Plan for future awards for the duration of the SOVP performance period. Participants will receive a share of a pool, funded by a share of incremental growth in Net Asset Value ("NAV", defined for the purpose of the SOVP as Net Asset Value plus cumulative distributions to shareholders) above an 8% per annum hurdle over a three-year performance period. Vesting will also be subject to achievement of a minimum NAV hurdle of 40% growth over the performance period. The total value of the pool will be calculated at the end of the performance period and delivered to participants (in proportion to their share of the pool) as an award of exercisable nil cost options over ordinary shares. However, the Committee has discretion to settle the awards fully or partially in cash. Any award earned under the SOVP will be subject to a further holding period which requires participants to retain any shares (on an after-tax basis) for 24 months from the date of grant of option awards (but which may exclude shares under the dividend equivalent provisions described below).

On 12th April 2018, the Committee granted Neil Johnson and Gavin Manson respectively 35,000 and 65,000 Unit Awards under the SOVP. The award will ordinarily vest once performance has been assessed against the performance conditions following the end of the 2020 financial year, subject to the participant's continued service. Once the Unit Awards vest, Electra Private Equity PLC will grant nil cost options over a number of shares in proportion to the number of Plan Units which vest and, once granted, the related share awards may be exercised up until the fifth anniversary of the date of grant of the related share award.

The Committee has agreed that total shareholder return ("TSR") would be used as the key measure of value creation with an underpin TSR of 40% from a base of £287 million at 30th September 2017 (30th September 2017 market capitalisation adjusted for the December 2017 Special Dividend) by September 2020. A discount rate of 8% would be applied to distributions prior to September 2020.

Following the introduction of the SOVP during the year Mr Manson is no longer entitled to an annual bonus. He received a bonus of £299,687 in respect of 2016/17 of which £171,249 was paid in cash and £128,438 was deferred into shares for a period of three years under the Electra Private Equity PLC Deferred Bonus Plan.

3 Electra Private Equity PLC Deferred Bonus Plan (the "Deferred Bonus Plan")

The terms of the Deferred Bonus Plan are set out on page 90. The Deferred Bonus Plan was set up to allow bonuses to Executive Directors to be deferred into shares. On 21st December 2017, the Committee granted Gavin Manson a nil cost option award under the Plan in respect of 13,758 ordinary shares. The award will ordinarily vest and become exercisable three years from the date of grant, subject to continued service 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 Special Dividend which was paid on 28th June 2018 and the first Special Dividend of FY19 that is payable on 14th December 2018, 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 award holder'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 377 and 11,000 shares respectively in respect of the two Special Dividends.

Corporate Event

As reported elsewhere in this Annual Report, the Board announced in October the outcome of the third phase of its strategic review, reporting that it had concluded that it is in the best interests of shareholders to conduct a managed wind-down of the portfolio over a period of time, allowing optimisation of returns, the return of cash to shareholders, and ultimately the winding-up of the Company. The Committee determined that, in the event that this strategy was approved by shareholders at the General Meeting held on 30th October 2018, this and, in particular, the consequent payment of the Special Dividend would be a "Corporate Event", as defined in the Rules of the LTIP and Deferred Bonus Plan. The strategy was approved at the General Meeting and therefore this triggered the early vesting of all outstanding options under the LTIP and Deferred Bonus Plan to all participants, including Mr Manson. Mr Manson has agreed to be bound by the 24-month holding period for the LTIP share from the date of vesting.

Conclusion

I believe that our policy creates a strong alignment between our Executive Directors and shareholders and is relevant and aligned with our expectations for the Company.

David Lis
Chairman of the Remuneration Committee
10th December 2018

Remuneration Policy

The Company's current Remuneration Policy was approved by the Company's members at the Annual General Meeting in March 2018, in accordance with the Companies Act 2006 and the Large and Medium-sized Companies and Group (Accounts and Reports) (Amendment) Regulations 2013 (Regulations).

1. Key objectives of the Electra Remuneration Policy

The Remuneration Policy aims to deliver two core objectives:

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

To deliver these objectives the Remuneration Policy seeks to:

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

2. Executive Directors' 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 – Economic conditions – 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. However, increases will normally be in line with salary increases to the broader workforce ■ 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: – 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) ■ The Committee has the ability to reimburse reasonable business-related expenses and any tax thereon

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) ■ The Committee has discretion to approve an additional allowance in exceptional circumstances (such as relocation), or where factors outside the Committee's control have changed materially (such as increases in insurance premiums)

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	■ SOVP participants will not be eligible to receive an annual bonus opportunity for the duration of the SOVP performance period ■ Annual performance measures and threshold, plan and maximum targets will be set by the Committee at the start of the financial year ■ Following year-end, performance against targets will be assessed to determine pay-out levels at year-end under the bonus plan ■ In normal circumstances, at least 50% of any actual bonus earned will be deferred into shares for a period of three years ■ Dividend equivalents (in cash or shares) may be added to deferred shares
Maximum opportunity	Maximum percentage of salary: 150% of salary
Performance measurement and framework for the recovery of sums paid	■ In normal circumstances, the majority of the bonus will be based on financial performance, with a portion also typically based on the achievement of strategic objectives ■ Up to 20% of maximum is earned at the threshold performance level, 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 ■ Performance measures will be reviewed annually by the Committee, and the Committee retains discretion to vary measures and weightings as appropriate to ensure they continue to be linked to the delivery of the Company strategy ■ The Committee has discretion to adjust the payment outcome if it is not deemed to appropriately reflect overall business performance over the performance period. Any exercise of discretion will be detailed in the following year's Annual Report on Remuneration ■ Details of the performance targets will be disclosed (retrospectively) in the respective Annual Report on Remuneration ■ Payments under the annual bonus plan (both cash and share components) may be subject to claw back in the event of a material misstatement of the Company's financial results, serious misconduct, or if an error is made in the calculation of the bonus ■ The clawback provisions will operate for a three-year period following the date on which the bonus is paid i.e. for the full deferral period until the share component vests

Share of Value Plan (SOVP)	
Purpose and link to strategy	To align the interests of Executive Directors with shareholders and drive superior long-term financial performance and shareholder returns in line with the Company's strategy
Operation	■ The SOVP will be a one-off award and it is currently intended that only the Executive Chairman and the CFO will participate in the SOVP. The SOVP replaces the LTIP and the Annual Bonus Plan for future awards for the duration of the SOVP performance period ■ Participants will receive a share of a pool, funded by a share of incremental growth in Net Asset Value ("NAV", defined for the purpose of the SOVP as Net Asset Value plus cumulative distributions to shareholders) above an 8% per annum hurdle over a three-year performance period ■ Vesting will also be subject to achievement of a minimum NAV hurdle of 40% growth over the performance period ■ The total value of the pool will be calculated at the end of the performance period and delivered to participants (in proportion to their share of the pool) as an award of exercisable nil cost options over ordinary shares. However, the Committee has discretion to settle the awards fully or partially in cash ■ Any award earned under the SOVP will be subject to a further holding period which requires participants to retain any shares (on an after-tax basis) for 24 months from the date of grant of option awards (but which may exclude shares under the dividend equivalent provisions described below) ■ Dividend equivalents (in cash or shares) may (at the Committee's discretion) be paid on shares that vest in respect of dividend record dates falling between the end of the performance period and the end of the holding period (or the date of exercise, if earlier)
Maximum opportunity	■ The total pool available under the SOVP is 6% of the incremental value created above a NAV (as defined above) growth hurdle of 8% per annum at the end of the performance period ■ The CFO has been allocated 65% of the total pool, and the Executive Chairman has been allocated 35% of the total pool ■ All individual awards are subject to a cap. Upon vesting, the maximum potential individual value of options that can be granted are £4.5 million and £2.4 million for the CFO and Executive Chairman respectively
Performance measurement and framework for the recovery of sums paid	■ Growth in NAV, defined for the purpose of the SOVP as Net Asset Value plus cumulative distributions to shareholders over the period ■ Awards will only vest for delivery of 40% NAV growth over the performance period with the pool funded by a share of incremental growth above an 8% per annum NAV hurdle over the performance period ■ Payments may be subject to clawback in the event of a material misstatement of the Company's financial results, serious misconduct, or if an error is made in the calculation of the SOVP pool in any respect ■ The clawback provisions will operate for a three-year period following the date on which option awards are granted

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 Committee will not grant awards under the existing LTIP to any participants in the SOVP ■ The LTIP comprises annual awards of free shares (i.e. either conditional shares or nil cost options) based on a percentage of salary which vest after three years subject to the achievement of performance conditions ■ A holding period applies which requires Executive Directors to retain the after-tax value of shares for 24 months from the vesting date ■ Dividend equivalents (in cash or shares) may (at the Committee's discretion) be paid on shares that vest in respect of dividend record dates falling between the grant date of the award and the end of the vesting period (or, if the award is granted as an option and a holding period applies, the earlier of the date of expiry of the holding period or the date of exercise of the award)
Maximum opportunity	■ Maximum percentage of salary: 200% of salary ■ In exceptional circumstances (e.g. recruitment), awards can be made up to 300% of salary
Performance measurement and framework for the recovery of sums paid	■ Granted subject to stretching targets related to the Group's KPIs, tested over three years ■ A maximum of 20% of awards will vest for threshold performance, with full vesting taking place for equalling, or exceeding, the maximum performance targets ■ The performance criteria will be reviewed annually by the Committee prior to each grant and the Committee has discretion to vary measures and weightings as appropriate to ensure they continue to be linked to the delivery of the Company strategy ■ 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 three-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 participating in the SOVP will be expected to build up a shareholding equivalent in value to 350% of salary ■ New joiners will be given five years to achieve these levels of ownership through a combination of purchased shares and equity vesting from any other programmes ■ It is expected that Executive Directors will retain, as a minimum, at least 50% of any vesting LTIP or SOVP awards each year (net of tax) until a time at which these ownership guidelines are achieved

Strategic and Business Review

Financial Statements

Corporate Governance

Further Information

Payments from previous awards

The Company will honour any commitments entered into prior to the approval and implementation of the new Remuneration Policy as detailed in this report, and Executive Directors will be eligible to receive payment from any historical share awards made.

Performance measures and approach to target setting

Net Asset Value plus cumulative distributions has been selected as the performance measure for the SOVP because it is aligned with the interests of shareholders and captures the key outcomes from successful execution of the Company's new strategy; namely, the optimisation of value creation from the assets within the portfolio, while narrowing the gap between Net Asset Value ("NAV") and the realisable value considered achievable for the Company's remaining investments, and also capturing the distribution of realised proceeds to our shareholders. Targets have been set to ensure strong alignment with the goals within the business strategy. These have been determined following the Board's detailed assessment of the portfolio, and their views on what is aspirational, extremely stretching, but achievable from each of the underlying assets in terms of surplus value that can be delivered to shareholders.

Incentive plan discretions

The Committee will operate the annual bonus plan, LTIP and SOVP in accordance with their respective rules. Under these rules the Committee holds certain discretions which are required for an efficient operation and administration of these plans and are consistent with standard market practice. These include discretions as to the determination of the following:

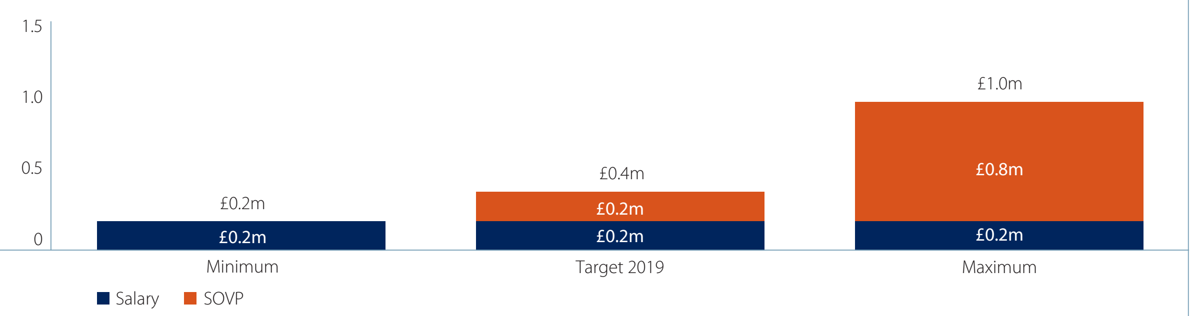
- Participants of the plans.
- The timing of grants of award and/or payment.
- The size of an award and/or a payment (albeit with quantum and performance targets restricted to the descriptions detailed in the policy table on pages 90 to 92).
- The assessment of performance criteria and the determination of vesting.
- Exercise of discretion required when dealing with a change of control (e.g. the timing of testing performance targets) or restructuring of the Group.
- A good/bad leaver for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen.
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends).
- The annual review of performance conditions for the annual bonus plan and LTIP from year-to-year.
- If certain events occur (e.g. a material divestment or acquisition of a Group business), which mean that the original performance conditions are no longer appropriate, the Committee retains the ability to make adjustments to the targets and/or set different measures and alter weightings as necessary to ensure that the conditions achieve their original purpose and are not materially less difficult to satisfy.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

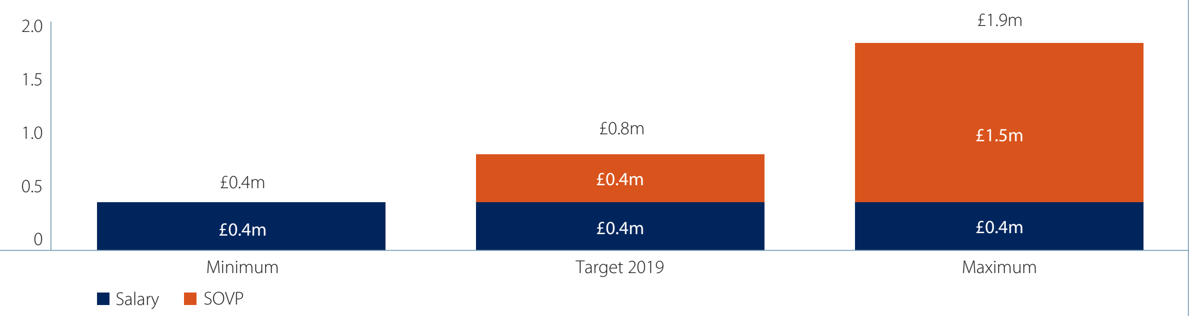
3. Illustration of the remuneration packages for each Executive Director under different performance scenarios

The charts below illustrate the remuneration packages currently proposed for the Executive Chairman and CFO for year ending 30th September 2019 and show potential pay-outs at different levels of performance. The value of each element has been included.

Executive Chairman Remuneration £m



CFO Remuneration £m



Notes:

- Fixed pay consists of base salary as at 1st January 2019 (£375,000 for the CFO and £200,000 for the Executive Chairman), pension and value of benefits for 2018/19.
- Following implementation of the SOVP, which replaces the LTIP and the Annual Bonus Plan for future awards for the duration of the SOVP performance period, the Executive Directors are not entitled to any additional remuneration for the year ending 30th September 2019, so the minimum, target and maximum remuneration figures are the same (see page 90).
- The SOVP charge above is a third of anticipated pay-out being equivalent to 12 months out of the 36-month performance period of the plan. Under the Target Scenario, pay-out is based upon a recent assessment of plan fair value. The maximum Scenario assumes full pay-out under the Award.

Share price movement and any dividends payable on vesting shares have been excluded.

Approach to Recruitment Remuneration

The Remuneration 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 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.

While it is the intention of the Committee for no further participants to join the SOVP, if an executive were to join during the SOVP performance period, the Committee may, taking into account the proportion of the performance period that has elapsed, allow them to participate in the SOVP on a pro-rata basis, taking into account any related factors that it deems appropriate. Alternatively, they may be granted a conventional LTIP award and annual bonus as set out in the Policy.

Where an individual forfeits outstanding incentive awards with a previous employer as a result of accepting an appointment from 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 Director is transitioned to the new remuneration arrangements.

Executive Director service contracts

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

Loss of office policy

In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the employment contract as well as the rules of any relevant incentive plans. The Committee carefully considers compensation commitments in the event of an Executive Director'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, Executive Directors 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 Director 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 ordinarily retained by Executive Directors leaving the Company and will vest on the original timetable, unless the Committee determines that they shall vest early. In either case, the award will not normally be pro-rated unless the Committee determines otherwise.	Awards will lapse
Outstanding long-term incentive awards**	Executive Directors will ordinarily retain their outstanding SOVP awards. These awards will ordinarily vest on the original timetable, unless the Committee in exceptional circumstances determines that they shall vest on any earlier date. In either case, the award will normally be pro-rated based on time employed unless the Committee determines otherwise. All awards will remain subject to the original performance conditions which shall be assessed over the entire performance period (or, where the Committee determines that an award shall vest early, on the date of such early vesting), and shall remain subject to the holding period.	Awards will lapse
Outstanding Share of Value Plan awards**	Executive Directors will ordinarily retain their outstanding SOVP awards. These awards will ordinarily vest on the original timetable, unless the Committee in exceptional circumstances determines that they shall vest on any earlier date. In either case, the award will normally be pro-rated based on time employed unless the Committee determines otherwise. All awards will remain subject to the original performance conditions which shall be assessed over the entire performance period (or, where the Committee determines that an award shall vest early, on the date of such early vesting), and shall remain subject to the holding period.	Awards will lapse.

* The Committee may determine that an Executive Director is a good leaver if they leave the Company as a result of either death, retirement (with the agreement of the Committee), injury, disability or for any other reason as determined by the Committee.

**Where an Executive Director passes away in service the Committee may elect to bring forward the vesting of awards.

Other payments may be made to compensate Executive Directors 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 an Executive 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 and SOVP 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 at which the change of control takes place.

External Appointments of Executive Directors

It is the Company's policy to allow each Executive Director 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 Executive Director 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.

Pay and Employment Conditions Across the Company

While the Company does not formally consult employees in 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.

The overall remuneration policy for Executive Directors is broadly consistent with the remainder of the workforce. However, only Executive Directors are eligible to participate in the SOVP. The Company operates bonus schemes for employees that provide lower quantum than Executive Director remuneration and are subject to performance criteria appropriate for their roles. Employees below the Executive Director level are also eligible for participation in the Company's LTIP, subject to the approval of the Remuneration Committee.

Consideration of Shareholder Views

The views of 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. On an ongoing basis, any feedback received from shareholders is considered as part of the Committee's annual review of remuneration.

Remuneration Policy for the Chairman of the Board and Non-Executive Directors

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

Terms of appointment

The appointment of both the Chairman and Non-Executive Directors are subject to letters of appointment. Service contracts are not used for Non-Executive Board members. The letters of appointment are available for inspection at the Company's registered office during normal business hours and at the AGM. In line with the requirements of the 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, is limited by the Company's articles of association to £750,000 p.a.
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	See table on page 100
Benefits	To facilitate the execution of the role	The Company reimburses reasonable travel and subsistence costs and any tax liabilities from these	

Annual Report on Remuneration

We are submitting this report in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Regulations). It will be subject to an advisory vote at the forthcoming Annual General Meeting in February 2019. 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 (to 1st March 2018) or an Executive Chairman (from 1st March 2018). 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 auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such.

Remuneration Committee

The Remuneration Committee members are David Lis (Chairman), Paul Goodson (from 1st March 2018) and Linda Wilding. John McAdam was a member of the Committee until his resignation on 1st March 2018. 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 six times during the year to agree the Company's revised Remuneration Policy as approved at the AGM on 1st March 2018, to set up the SOVP and to agree amendments to that Plan and the LTIP in light of the Special Dividends paid and the outcome of the strategic review. It also met on 7th December 2018 to approve Gavin Manson's adjustments to the LTIP award as a result of the first Special Dividend of FY19 payable on 14th December 2018.

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 SOVP. Aon Hewitt Limited 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 £149,142 (2017: £140,612) for the provision of their advice.

Remuneration paid in 2017/18

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 £375,000 per annum (£300,000 per annum until 31st December 2017) with no annual bonus (2017: maximum annual bonus and long-term incentive opportunities of 125% and 200% of salary respectively).

Neil Johnson was appointed as Executive Chairman with effect from 1st March 2018. He receives a Director's fee of £200,000 per annum.

Single Total Figure Table for the Year (Audited)

Year to 30th September 2018

Director	Salary £000	Taxable benefits £000	Bonus £000	Pension contributions £000	Long-term incentives £000	Total £000
G M Manson	356	4	–	36	–	396
N Johnson*	117	–	–	–	–	117

* Neil Johnson was appointed Executive Chairman on 1st March 2018 and the salaries above reflect the period of his executive directorship.

Year to 30th September 2017

Director	Salary £000	Taxable benefits £000	Bonus £000	Pension contributions £000	Long-term incentives £000	Total £000
G M Manson*	158	13	135	15	–	321

* Gavin Manson was appointed as an Executive Director on 23rd March 2017 and the salaries above reflect the period of his executive directorship.

The total charge for the Long-Term Incentive plan ("LTIP") in the Consolidated Income Statement for the year was £245,935 (2017: £44,482). Refer to Note 20 for further details. In addition, a new Share of Value Plan ("SOVP") was set up during the year to compensate the Executive Directors of the Group. The total charge for the SOVP in the Consolidated Income Statement for the year was £356,933 (2017: £nil). Refer to Note 20 for further details. Executive Directors' taxable benefits relate to medical insurance, gym membership and holiday cancellation.

Gavin Manson was the only Director to receive a pension contribution during the 2017/18 financial year. 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 (£37,500) paid into the Company pension scheme but due to HMRC rules regarding contributions each year, the actual amount paid into the scheme was £10,500 (2017: £12,500) and the balance was paid to him as cash under deduction of taxation.

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.

Non-Executive Director Fees

Directors' fees are currently as follows:

Role	2018 Fees	2017 Fees
Chairman of the Company	£200,000	£200,000
Base fee for Non-Executive Directors	£50,000	£50,000
Additional fees:		
Chairman of the Audit and Risk, Valuations or Remuneration Committee	£10,000	£10,000
Chairman of the Nominations Committee	Nil	Nil
Senior Independent Director fee	£10,000	£10,000

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 2018 (2017: £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 2018 £000	Taxable benefits 2018 £000	Total 2018 £000	Fees 2017 £000	Taxable benefits 2017 £000	Total 2017 £000
N Johnson*	83	–	83	200	3	203
E Bramson**	–	45	45	-	59	59
I Brindle	50	–	50	46	–	46
P Goodson	60	1	61	57	–	57
D Lis	66	5	71	55	5	60
R Perkin	60	1	61	58	–	58
L Wilding	50	1	51	40	1	41
J McAdam (resigned 1st March 2018)	25	–	25	45	–	45
Total	394	53	447	501	68	569

* Neil Johnson was appointed Executive Chairman on 1st March 2018 and the salaries above reflect the period of his non-executive directorship.

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

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 2018, 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 2018 (2017: £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 2018 (2017: £nil).

Relative Importance of Spend on Pay

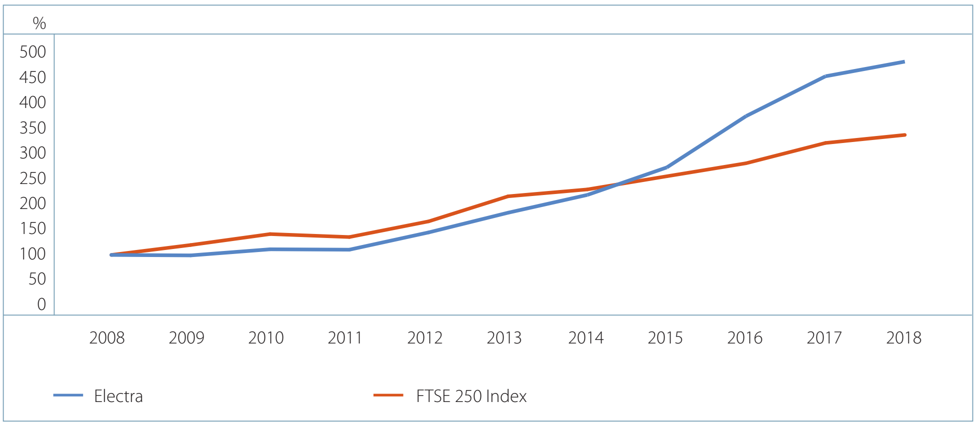
Spend	2018 £000	2017 £000	Change %
Total return	(57,198)	172,714	(133%)
Dividends paid and payable	359,012	1,743,287	(79%)
Share buybacks	–	94,296	(100%)
Remuneration Paid to Employees	1,019	675	51%
Overall expenditure on Directors' Remuneration	1,360	929	46%

We consider it appropriate to compare the overall expenditure on Directors' remuneration, remuneration paid to employees and 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



The interests of the Directors (including connected persons) in the ordinary shares are shown below. There is no requirement within the Articles of Association for the Non-Executive 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. As explained on pages 86 to 87, the Executive Directors, Mr Johnson and Mr Manson, are beneficiaries of the SOVP and LTIP. 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 2018 and 10th December 2018.

	30th Sept 2018 Shares	30th Sept 2017 Shares
N Johnson	2,500	2,500
E Bramson*	11,446,086	11,446,086
I Brindle	797	797
D Lis	18,500	18,500
P Goodson	–	–
G Manson	1,440	764
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.

Statement of Shareholder Voting

At the Annual General Meeting held on 1st March 2018 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	29,765,175 (99.31%)	205,592 (0.69%)	2,215
To approve the Directors' Remuneration Policy	28,778,511 (99.18%)	238,962 (0.82%)	955,509

Statement of Directors' Shareholdings and Share Interests (Audited)

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

Implementation of policy during 2018/19

The Committee agreed on 7th December 2018 that Neil Johnson's fee and Gavin Manson's salary for 2018/19 will remain the same as 2017/18.

Performance Measures for SOVP in 2018/19

The SOVP is a one-off award and, in respect of its participants, will replace the LTIP and the Annual Bonus Plan for future awards for the duration of the SOVP performance period. The performance measurement and framework for the recovery of sums paid are set out on page 91.

Non-Executive Director Fees

There are no plans to increase the fees paid to Non-Executive Directors during 2018/19.

David Lis
Chairman of the Remuneration Committee
10th December 2018

Report of the Audit and Risk Committee

The Board is supported by the Audit and Risk Committee.

I am Chairman of the Audit and Risk Committee. The members of the Committee are 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.

Following my retirement from the Board at the AGM in 2019, Linda Wilding will become Chair of the Committee and David Lis will be appointed as a member of the Committee. Linda Wilding is also 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 auditor
- 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
- Making recommendations to the Board in relation to the appointment of external auditor and approving their remuneration and the terms of their engagement
- Advising the Board on the Company's overall risk appetite, tolerance and strategy
- 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
- Developing and implementing the Company's policy on the provision of non-audit services by the external auditor
- Considering annually whether there is a need for the Company to have its own internal audit function, and
- 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

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

- Review and approval of the annual plan of the external auditor
- 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 auditor 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 (included 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 Report. The Valuations Committee considers detailed explanations of the rationale for the valuation of each investment and these are discussed in detail with the auditor 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 auditor reports separately on their procedures and the conclusions from their work. This is more fully described in the Independent Auditor's Report. 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.

Deloitte LLP was appointed as auditor 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 Annual General Meeting held on 23rd March 2017.

The Audit and Risk Committee annually reviews the performance of the Company's external auditor. 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 carried out a formal review of Deloitte's audit following completion of the audit of the 2017 Financial Statements and was satisfied with the effectiveness of their work.

As part of this review, the Committee considered the findings of the review undertaken by the FRC's Audit Quality Review ("AQR") team of Deloitte's audit of the Group Financial Statements for the year ended 30 September 2017, which the AQR had selected as part of their 2018 annual inspection of audit firms. The focus of the review was to identify areas where improvements were required rather than highlighting areas where work was performed at or above the expected level. The Committee received a copy of the findings and discussed these with Deloitte. The Committee confirmed that no significant areas for improvement were identified within the report and that it is satisfied that there is nothing in the report which might have a bearing on Deloitte's appointment.

The 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 auditor is required to rotate the audit partner every five years; the current partner has been in place for two years. There are no contractual obligations restricting the choice of external auditor. Under Company law the reappointment of the external auditor is subject to shareholder approval at the Annual General Meeting.

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 2018 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 auditor 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 services associated with the strategic review and their review of the Half Year Report (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.

The executive management team commissioned an independent review of the operational 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.

The Committee's evaluation of its own performance is covered as part of the process of the Board's annual evaluation of its operations and performance and those of its Committees, as described in the Corporate Governance Statement.

Roger Perkin
Chairman of the Audit and Risk Committee
10th December 2018

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 auditor is 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 Auditor is 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

Approved by the Board of Directors and signed on its behalf by

Neil Johnson
Executive Chairman
10th December 2018

TGI Fridays

UK franchise of an American themed restaurant chain providing a high energy, fun environment with a wide demographic appeal

Board of Directors

Neil Anthony Johnson (Chairman)

Neil is currently Chairman of Synthomer plc, Motability Operations plc and Centaur Media 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. Since 1st March 2018, he has been Executive Chairman. He is also Chairman of the Nominations Committee and a director of the Company's portfolio companies.

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. After a period as an Interim CEO he stepped back to his Non-Executive role in March 2018. He has never received any remuneration from the Company.

Ian Brindle

Ian was the Senior Partner of Price Waterhouse from 1991 to 1998 and Chairman of PricewaterhouseCoopers until 2001. He was also a member of the Accounting Standards Board between 1992 and 2001 and Deputy Chairman of the Financial Reporting Review Panel between 2001 and 2008. Ian Brindle 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 Group 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 Barclay Private Equity, 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 and a member of the Audit and Risk and Remuneration Committees.

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 £33bn 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 Multifamily Housing REIT PLC.

David was appointed as a Director on 26th May 2016. He is Chairman of the Remuneration Committee, the Senior Independent Director since March 2018 and a member of the Nominations and Valuations Committees.

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 five 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.

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) p.l.c., TP ICAP plc 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 and a member of the Nominations and Valuations Committees.

Linda Wilding

Linda 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 UDG Healthcare plc. She was a non-executive director and latterly chair of Corin plc from 2006 to 2012 and was a non-executive director of Touchstone Innovations plc until 2017.

Linda was appointed a Director on 1st December 2016. She is a member of the Audit and Risk, Remuneration and Valuations Committees.

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.

Independent Auditor (AIFMD 23(1)(d))

The independent auditor of the Company for the year was Deloitte LLP.

The Auditor's 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 £4,000 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. 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 may incur costs in the form of depositary fees, custodian fees, bank fees and charges, marketing fees, auditor's 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 170% on the use of leverage based on the Gross Method and a limit of 170% 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 2018/19

Annual General Meeting	27th February 2019
Half Year Results announced	May 2019
Annual Results announced	December 2019

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. 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 119 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 October 2018, the Board announced that in future it intends to pay annual dividends of £10 million per annum, pending further material disposals.

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

LPeC

LPeC 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.

LPeC 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.listedprivatecapital.com

Association of Investment Companies (AIC)

The 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

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 5th April per share p	(1)Share price as at 30th Sept per share p
2009	(2)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	(3)758,367	1,980.96	445.83	445.83	3,636.00	5,110.00	1,665.00
2018	341,633	892.39	(131.02)	(131.02)	939.00	827.00	879.00

Notes

The net asset values per share for 2009 to 2018 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 2009 257,000 shares were repurchased for cancellation (cost: £2,096,000).
3. 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. 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%

With effect from 31st May 2017, when the contract with the previous manager terminated, any provision on post 2006 Pools, which was unpaid at that date and any future uplift to it was reduced by 20% and reverted back to the Company.

Commitments
Legal obligation to provide capital for future investment in a private equity fund or in relation to a single investment.

Discount
Investment trust shares frequently trade at a discount to NAV. This occurs when the share price is less than the NAV. In this circumstance, the price that a shareholder would pay or receive for a share would be less than the value attributable to it by reference to the underlying assets. Traditionally expressed as a percentage.

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

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

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

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

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

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

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.

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 2018	Annual 2017	10 Year to 2018	10 Year to 2017
Dividend per share (pence)	939	3,636	4,735	3,821
(Decrease)/increase in NAV per share (pence)	(1,089)	(3,168)	(908)	(20)
Total return (pence)	(150)	468	3,827	3,801
Opening NAV per share (pence)	1,981	5,149	1,801	2,001
NAV total return	(8)%	9%	213%	190%

Calculation of Diluted and Basic NAV
The audited NAV per share at 30th September 2018 is calculated on the basis of the 38,282,763 ordinary shares in issue at 30th September 2018.

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

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 was 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 was paid on cash. Following the Board's decision to serve notice of termination of the management agreement in May 2016, the management fee reverted back to the structure in place prior to 1st April 2015, whereby the Company paid 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 2018	2017
Closing NAV per share (pence)	892	1,981
Dividends per share during the period (pence)	4,735	3,821
Opening NAV per share (pence)	1,801	2,001
Return on Equity	12%	11%

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-dividend 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)
30/09/2017	1,665		1,665
30/09/2018	879	2.01	1,770
Total Shareholder Return (%)			6%

	Dividend per Share (p)	Share Price Prior to Ex-Div Date (p)	Adjustment Factor
01/12/2017	914	1,867	1.96
28/06/2018	25	918	1.03
Cumulative Adjustment Factor			2.01

Termination Payment
On 26th May 2016 the Company served notice of termination of the Management and Investment Guideline Agreement on Epiris. This termination became effective on 31st May 2017. Under the terms of the contract the previous manager was entitled to compensation based on priority profit share received in the year to 31st May 2017.

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

Contact Details

Electra Private Equity PLC

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Edward Bramson
Ian Brindle
Paul Goodson
David Lis
Gavin Manson (Chief Financial Officer)
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