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Electra Private Equity PLC

Report and Accounts



30 September **2012**

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

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

Objective and Investment Policy

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

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

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

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

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

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

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

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

Electra Partners attempts to mitigate risk through portfolio diversification. Investments will therefore be made across a broad range of sectors and industries. 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.

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

Financial Highlights

As at 30 September 2012

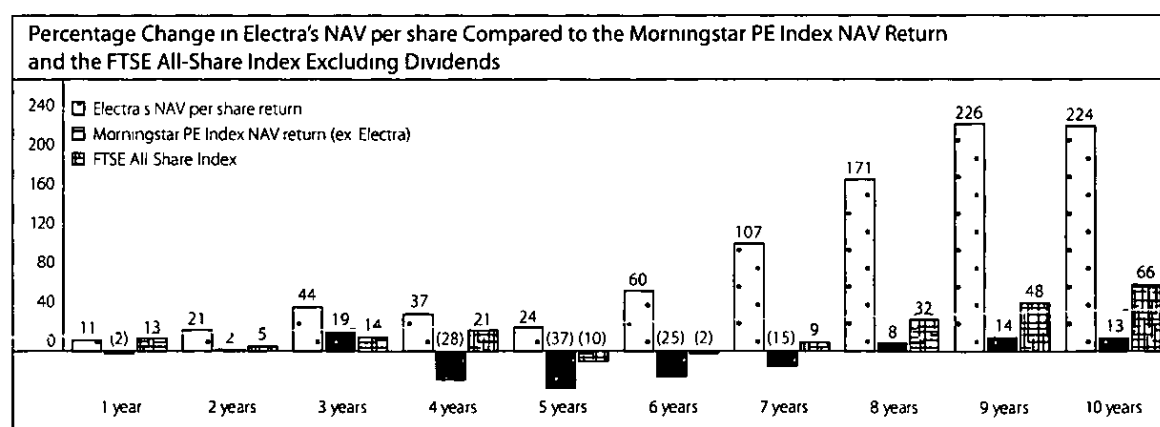
NAV per share (diluted)	2,473p
NAV per share increase over ten years (diluted)	224%
Share price	1,770p
Share price increase over ten years	299%
Total Net Assets	£916m
Net liquid resources	£223m
Annualised return on equity over ten years (diluted)	13%

Performance Excluding Dividends

As at 30 September 2012	One year	Three years	Five years	10 years
NAV per share (diluted)	11%	44%	24%	224%
Share price	30%	45%	7%	299%
FTSE All-Share Index	13%	14%	(10)%	66%
Morningstar PE Index NAV per share return (ex Electra)*	(2)%	19%	(37)%	13%
Morningstar PE Index Share price return (ex Electra)**	14%	10%	(51)%	15%

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

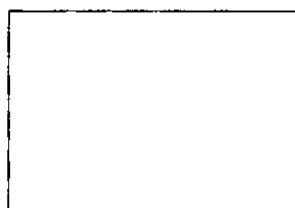
**The above index, prepared by Morningstar UK Limited, reflects the share price performance of 21 private equity vehicles, excluding Electra quoted on the London Stock Exchange



Chairman's Statement

"Electra continued to make good progress over the year to 30 September 2012. Proceeds from portfolio realisations, made at good uplifts to carrying values, were almost double those achieved in the previous year.

"With its experience of successful investment through a number of economic cycles, Electra Partners has the flexibility to adapt to changing market conditions and the ability to structure deals creatively so as to work around vendor constraints. The Board believes these factors will ensure that Electra continues to deliver value over the difficult period ahead."



Overview

Electra continued to make good progress over the year to 30 September 2012. Over the same period financial markets showed some improvement, although they continued to be volatile and there have been continuing weaknesses in demand in some sectors. Despite this the value of portfolio realisations by Electra, made at good uplifts to carrying values, was double that achieved in the year to 30 September 2011.

Results

At 30 September 2012 Electra's diluted net asset value per share was 2,473p compared with 2,225p at 30 September 2011, an increase of 11% against a FTSE All-Share increase of 13%. Over the ten years to 30 September 2012, the diluted net asset value per share, inclusive of Special Dividends, has increased by 232% and Electra achieved an annualised return on equity of 13%.

For the first four months of the year Electra's share price broadly tracked the volatile movement in the FTSE All-Share. Since February 2012, Electra's share price has outperformed the FTSE All-Share and increased by 30% over the year.

The year end share price of 1,770p represents a discount to diluted NAV of 28%, better than the average discount of the Company's peer group and a significant improvement from the discount of 39% at 30 September 2011.

Electra's share price has increased by nearly four times over the 10 years to 30 September 2012.

Investment Activity

The first six months of the year saw a surge in demand for quality investments as private equity houses approaching the end of their investment periods sought to complete portfolio purchases before raising their next funds. The resulting price increases gave Electra the opportunity to realise a number of investments at significant premiums to their carrying values. During the year, £301 million was received from the sale of investments compared with £137 million realised in the previous year.

Over the year Electra Partners had a strong flow of new deal opportunities although the rate of conversion to investment was relatively low due to a number of factors including the large gap between buyer and seller price expectations. Electra invested a total of £150 million in the year compared to £136 million in the previous year. Of the deals completed, a total of £69 million was invested in acquiring term debt in Park Resorts, one of the UK's leading caravan park operators, and £22 million was invested in Peverel Group, one of the leading UK property management service groups. Towards the end of the year Electra acquired a portfolio of debt positions in five companies for £30 million, of which £15 million is included in the £69 million total investment in Park Resorts. These are good examples of Electra's ability to take advantage of distressed opportunities and make investments across the capital structure.

Together with the substantial realisation proceeds received in the last year, Electra is in a strong position to acquire new investments on attractive terms

Capital Base

As previously reported, Electra's existing multi-currency revolving credit facility was refinanced at the start of the year, increasing its size to £195 million and extending the loan term to June 2016. This was part of the on-going strategy to diversify the sources of funding and maturity of Electra's capital base, which started in 2009 with the raising of £46 million of ZDPs and continued in 2010 with the issue of £100 million of 5% Subordinated Convertible Bonds.

Corporate Governance

The duty of the Board is to act in our shareholders' interests at all times. We report in detail on corporate governance matters later in this Report and Accounts. We have noted the new UK Corporate Governance Code, Guidance on Audit Committees and UK Stewardship Code that were published at the end of September 2012 and, where appropriate, will report on our compliance with these next year when they come into effect.

Articles of Association

Shareholders last approved a number of changes to the Articles of Association at the Annual General Meeting held in 2010. The Board has decided to seek shareholders' approval to update the Articles again this year. The main reason for this is new legislation for investment trusts which has been introduced recently, in particular, one of the legislative changes which has resulted in the removal of the prohibition on the distribution of capital profits by way of dividend. The Board therefore intends to seek shareholder approval at the Annual General Meeting to amend the Articles of Association to permit the distribution of capital profits by way of a dividend. It should be noted however that this does not indicate that there is likely to be a change in the Company's dividend policy, which is not to pay dividends unless required to do so to maintain the Company's investment trust status. Further details are set out in the Directors' Report.

We are also taking the opportunity to update some minor administrative matters in the Articles, details of which are set out on page 68. Shareholders will be asked to vote on all these changes at the forthcoming Annual General Meeting on 7 March 2013.

Board Changes

As I reported in my statement to 31 March 2012, Michael Walton retired from the Board on 28 May 2012 and Roger Yates was appointed as a non-executive Director on the same day. Michael had been a non-executive Director since 2000 and Chairman of the Valuations Committee since its inception in October 2007, and has made an outstanding contribution to the development of Electra.

Roger has 30 years experience as an investment professional and a business manager in the fund management industry. Roger has been appointed a member of all the Board's committees.

Kate Barker was appointed Chairman of the Valuations Committee at the end of May in place of Michael Walton and as a result has stood down from the Management Engagement Committee

I am sorry to report that Lucinda Webber has decided to retire from the Board with effect from the Annual General Meeting to be held on 7 March 2013. She has been a Director for six years and Senior Independent Director and Chairman of the Remuneration and Nomination Committee since March 2011. We shall greatly miss her wise counsel and her knowledge of private equity. She has made an outstanding contribution to the Board. The Board has started the process of searching for a Director to replace her on the Board and we hope to make an announcement in due course.

Outlook

The Board believes that Electra's deal flow will increase in the period ahead, driven by a greater number of distressed sales and the need for companies to refinance debt, dispose of non-core assets and simplify their businesses. Further opportunities are also expected to become available from the banks as a result of new banking capital requirements.

Electra first identified these potential developments in 2009 and took steps to broaden and diversify its capital base. Together with the substantial realisation proceeds received in the last year, Electra is in a strong position to acquire new investments on attractive terms.

With its experience of successful investment through a number of economic cycles, Electra Partners has the flexibility to adapt to changing market conditions and the ability to structure deals creatively so as to work around vendor constraints. The Board believes these factors will ensure that Electra continues to deliver value over the difficult period ahead.



Dr Colette Bowe

Chairman

27 November 2012

Peverel Group

Property management services

The Manager

Electra Partners is an independent, private equity fund manager with over 25 years experience in the mid-market. During this time the firm has invested in excess of £3 billion, accumulated considerable expertise and has built a strong track record. As at 30 September 2012, Electra Partners had funds under management of over £1.3 billion on behalf of Electra and other clients.

With one of the most experienced and stable teams in the private equity industry, the majority of the senior management have worked together for over 20 years. The investment professionals have on average over 15 years experience in private equity and are supported by a 23-strong team skilled in finance, compliance, investor relations and marketing.

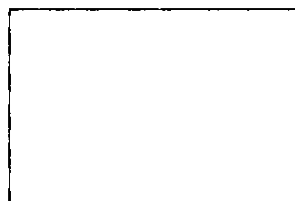
Senior Management Team		Years of private equity experience
Hugh Mumford	Managing Partner	31
Tim Syder	Deputy Managing Partner	27
David Symondson	Deputy Managing Partner	29
Alex Fortescue	Chief Investment Partner	14
Rhian Davies	Partner	19

Investment Team		Years of private equity experience
Alex Cooper-Evans	Investment Partner	18
Charles Elkington	Investment Partner	18
Nigel Elsley	Investment Partner	24
Chris Hanna	Investment Partner	14
John Martin	Investment Manager	10
Sarah Williams	Investment Manager	10
Ian Wood	Investment Manager	10
Shakira Adigun-Boaye	Investment Associate	1
Tom Stenhouse	Investment Associate	1
Oliver Huntsman	Portfolio Manager, UK	30
Peter Carnwath	Portfolio Manager, US	30
John Levack	Portfolio Manager, Asia	22

Investment Highlights

"Although Electra Partners experienced a strong deal flow throughout the year, pricing continued to be a significant factor in the number of new investments completed. Despite this, the aggregate value of new investments was greater than in 2011 and we remain committed to ensuring that all new acquisitions provide attractive returns and appropriately reflect the uncertainties ahead.

With Electra's flexible investment mandate and ability to invest across the capital structure in both debt and equity positions, we expect that the number of new opportunities will rise over the next 18 months and deliver an increase in completed new investments."



Electra made good progress in the last financial year against a backdrop of a difficult economy and a private equity market experiencing a decline in overall activity. Excellent disposals were achieved and the portfolio is well positioned for further growth.

Market Environment

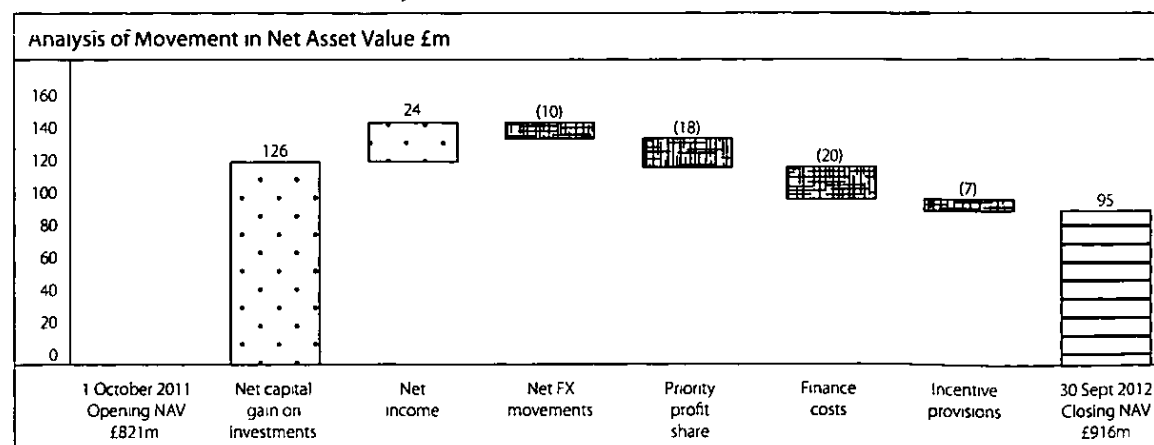
The private equity market continues to be negatively impacted by the current financial issues which have led to reduced activity in the M&A markets. Deal volumes have fallen steadily over the past year reflecting not only the decline in market activity but also the lack of availability of debt finance on suitable terms. On the other hand the surplus of private equity funds, which has also been a factor in the market for a number of years, is beginning to decline as fundraising and investment becomes more in line and commitments made in earlier years begin to lapse. This should lead to an improvement in the market in respect of the balance between supply and demand.

Performance

Despite the uncertainties in the economy and the private equity marketplace, Electra's net asset value has continued to make positive progress with gains arising equally from realisations of investments and from unrealised appreciation in respect of the retained portfolio. Over the year, Electra's fully diluted net asset value per share increased to 2473p compared to 2,225p at the beginning of the year. This 248p increase in the net asset value per share represents a percentage increase over the year of 11% compared to a 13% increase in the FTSE All-Share over the same period.

The total return from the investment portfolio over the year amounted to £157 million of which £87 million arose in the first half of the year and £70 million in the second half. The total return of £157 million is stated before deducting £21 million of adverse currency movements on translation into sterling. So far as the net asset value is concerned these currency movements were partially offset by £11 million of currency gains on the loans of £154 million drawn down for hedging purposes.

Analysis of Movement in Net Asset Value



Investment Activity

Despite a slowdown in the private equity market, Electra has continued to receive a strong dealflow throughout the year. Our stance towards new investment however has remained cautious. In our view pricing levels anticipated by vendors have often not reflected the present uncertainties particularly in respect of the visibility of future earnings. During the year we have restricted investments to those situations where we consider that the entry prices have been appropriately discounted. Total investment for the year amounted to £150 million.

Realisations from the portfolio during the year have been substantial as we have been able to take advantage of the market situation. Proceeds amounted to £301 million – £15 million more than the total of realisations achieved over the two previous years.

Outlook

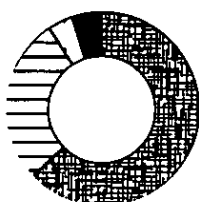
While activity in the private equity market has slowed in recent months, Electra because of its flexible mandate continues to experience a good level of investment opportunities. This robust dealflow, together with the belief that prices will fall further as uncertainty in the European economy continues, should lead to an increase in the investment rate within a relatively short time period. This will allow replenishment of a maturing portfolio from which further growth is anticipated.

While activity in the private equity market has slowed in recent months, Electra because of its flexible mandate continues to experience a good level of investment opportunities.

Portfolio Review

Investment Portfolio – Geographic Breakdown

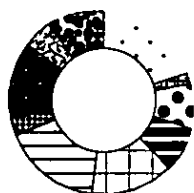
30 Sept 2012 (30 Sept 2011)



- UK 63% (56%)
- Continental Europe 28% (35%)
- USA 4% (5%)
- Asia and elsewhere 5% (4%)

Investment Portfolio – Sector Breakdown

30 Sept 2012 (30 Sept 2011)



- Agricultural 20% (13%)
- Building and construction 2% (7%)
- Healthcare 8% (8%)
- Non-cyclical consumer goods 8% (17%)
- Private equity funds 14% (14%)
- Property investment 17% (13%)
- Speciality engineering 3% (4%)
- Financial services 13% (19%)
- Software and computing 5% (3%)
- Senior bank debt 10% (0%)
- Other 0% (2%)

At 30 September 2012 Electra's investment portfolio was valued at £868 million. The investment portfolio consisted of direct unlisted investments, secondaries, funds and listed companies. The top 10 and 20 investments accounted for 59% and 74% respectively of the investment portfolio.

Portfolio Breakdown

Investment Portfolio As at 30 September	2012 £m	2011 £m
Direct unlisted	612	621
Secondaries	34	45
Funds	117	123
Listed	105	94
Investment portfolio	868	883

Direct Unlisted Investments (71% of portfolio)

Direct unlisted investments form the major part of Electra's portfolio and consist of investments in 33 companies with an aggregate value of £612 million. The 15 largest investments accounted for 90% of the direct unlisted investments at 30 September 2012.

Secondary Investments (4% of portfolio)

Secondary investments are predominantly acquisitions of limited partnership interests in third party funds where an existing investor is seeking to sell its position prior to the end of the fund's life. As a result of their relative maturity, secondary investments typically produce faster returns than direct investments. At 30 September 2012 Electra held five secondary positions containing 17 investments with an aggregate value of £34 million.

Fund Investments (13% of portfolio)

Investments in funds are made primarily to generate co-investment opportunities for Electra. At 30 September 2012, the fund portfolio also contained a number of legacy funds which are in the process of being run off by their managers.

Listed Investments (12% of portfolio)

For the most part, listed investments are held where they arise from previously unlisted investments. However, Electra may also invest in listed companies where the management team, which Electra wishes to support, operates through a listed vehicle. Listed investments consisted of 11 investments with an aggregate value of £105 million at 30 September 2012.

Portfolio Movement

Electra's investment portfolio decreased from £883 million to £868 million during the year to 30 September 2012 as realisations exceeded the total of new investment and the net addition to unrealised profits.

Year ended 30 September	2012 £m	2011 £m	2010 £m
Opening investment portfolio	883	766	576
Investments	150	136	183
Realisations	(301)	(137)	(149)
Total return	*136	118	156
Closing investment portfolio	868	883	766

*Net of £21 million of adverse currency movements

New Investments

New investments during the year amounted to £150 million compared to £136 million in the year to 30 September 2011. This amount included the significant investments made in respect of Park Resorts and Peverel Group and also included the purchase for £30 million of a portfolio of bank debt from an international bank.

Park Resorts, in which Electra acquired term debt, is a leading operator of holiday parks offering caravan holidays at its 39 sites across the UK including Essex, Yorkshire, Kent, Sussex and Scotland. The term debt, which was acquired in three separate transactions, was purchased at a significant discount to face value and is due to mature in April 2014.

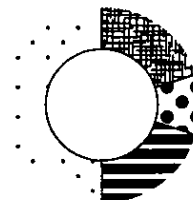
Peverel Group, in which Electra invested £22 million, was bought out of administration, securing some 4,000 jobs. Peverel is the UK's leading property management services group providing general management services to 4,000 developments of retirement and other residential homes across the UK. Since purchase the business has been stabilised following 12 months in administration, a new senior management team has been appointed and a programme of operational improvements has been put in place.

In September, Electra acquired a portfolio of second lien and mezzanine debt positions in five companies from an international bank. The purchase price of £30 million represented a significant discount to face value. The portfolio included a debt position in Park Resorts adding to the investment in that company.

In addition to the above investments a further £19 million was invested in private equity funds. This included £14 million drawn down by funds in which Electra is a limited partner and £5 million to purchase a secondary interest. At 30 September 2012, Electra had commitments to third party funds of £83 million which are expected to be funded from realisation proceeds received from existing fund investments.

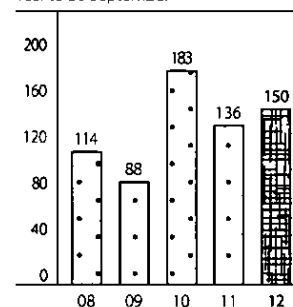
Direct Unlisted – Age Analysis (by last refinancing date)

30 Sept 2012 (30 Sept 2011)



- Less than 1 year old 20% (13%)
- 1-2 years 10% (26%)
- 2-3 years 20% (6%)
- Over 3 years 50% (55%)

New investments £m Year to 30 September



Realisations

Proceeds over £10 million in year to 30 September 2012

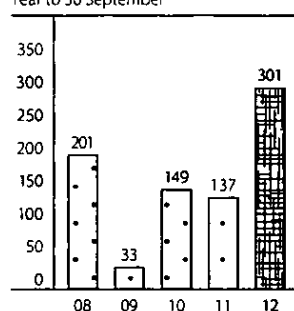
Company	Investment period years/months	Proceeds in Year £m	Profit in Year £m	Total Cash Invested £m	Total Proceeds £m	IRR %
Amtico	16 3	35 5	14 6	17 9	*74 5	14
BDR Thermea	7 6	45 2	–	32 0	**91 0	***21
CPA Global	1 8	31 6	12 9	13 9	31 6	61
Capital Safety Group	13 3	56 7	23 3	30 0	*197 1	23
SAV Credit	5 8	38 8	0 3	24 4	40 7	11
Volution (Vent-Axia)	5 6	18 8	0 8	15 8	25 3	10
FEP	0 5	14 8	3 3	11 5	14 8	73

* Net of investment following initial sale

** Does not include original investment in Newmond in 2000, but includes loans currently outstanding

*** Assumes loans outstanding paid on due date

Realisations £m
Year to 30 September



Total realisations for the year came to £301 million representing one third of the value of the opening investment portfolio. This unusually high level of disposals reflected the willingness of the market to pay full prices for high quality private equity assets. The most significant realisation related to Capital Safety Group which sold for proceeds of £57 million. Capital Safety Group was first purchased by Electra in 1998 and this sale, together with previous transactions, realised net proceeds of £197 million compared to an original investment of £30 million. The year also saw the sale of CPA Global which realised £32 million against an original cost of £14 million, an investment made 20 months prior to the sale. Amtico, which had been written down below original cost because of financing issues was finally sold in March 2012, realising proceeds of £36 million. Total proceeds from this second investment in Amtico during the five and a half year holding period amounted to £40 million against an original cost of £22 million. The year also saw the completion of the sale of SAV Credit for £39 million which was announced in the previous year and the repayment of loans by BDR Thermea and Vent-Axia of £45 million and £19 million respectively.

Two realisations were made from the secondaries portfolio where Cetelon realised £9 million representing a 37% uplift on original cost and FEP after a holding period of less than six months, realised £15 million, a 25% premium to the original cost. Elsewhere in the portfolio £19 million was realised in respect of loans made to various portfolio companies including £9 million by esure and £9 million was received from private equity funds during the year.

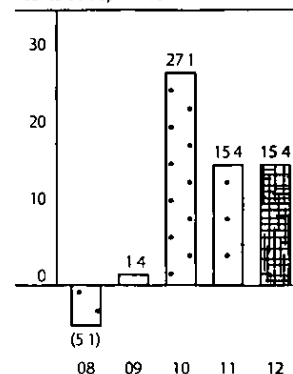
Performance

During the year to 30 September 2012, the total return from Electra's investment portfolio amounted to £157 million, a return of 18% on the opening investment portfolio. This return is stated before adverse currency movements during the year of £21 million. The net return after currency movements was £136 million or 15%.

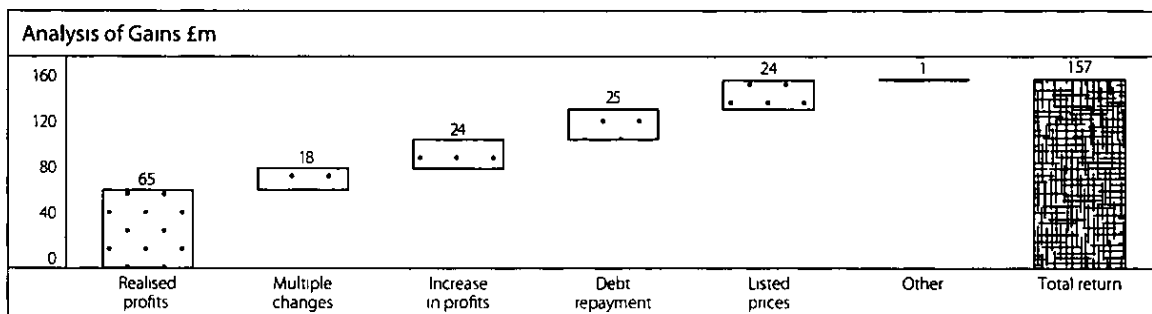
The most significant contribution to the total return for the year arose from the direct unlisted portfolio which increased in value in the year by 20% giving rise to a return of £127 million. Listed investments and the portfolio of secondaries also saw good percentage increases providing returns of £24 million and £10 million respectively. These gains were offset by a decline of £4 million in the value of the portfolio of private equity funds.

Unrealised appreciation included an increase of £24 million resulting from increases in profits used to value investments, £25 million reflecting debt repayment by portfolio companies and £18 million from changes in multiples used to value unquoted investments.

Portfolio Performance %
Year to 30 September



Analysis of Gains



Valuation Changes

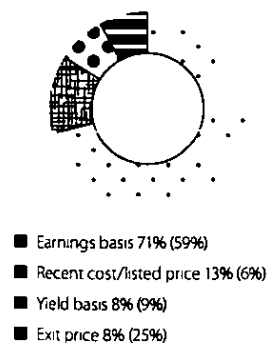
Realised gains for the year amounted to £65 million. Of this amount the sale of Capital Safety provided gains of £24 million, the sale of Amtico provided gains of £15 million and CPA delivered gains of £13 million. Proceeds from each one of these sales represented a premium to the book value at the beginning of the year of circa 70%.

In respect of direct unlisted investments retained at the end of the year, the most significant increases in unrealised appreciation arose in respect of Allflex, esure and Peverel Group. Allflex continued to make good progress in terms of operating profits and its value was increased by £47 million (47%) during the year. esure was revalued by £19 million (47%), again recognising good profit performance. The increase in the valuation of Peverel Group by £11 million (51%) reflected the stabilisation of a business previously in administration. The largest decreases related to Lil-lets Group which was reduced by £7 million to reflect reduced profitability and Davies Group where a provision of £12 million was made while a restructuring is in progress.

The largest increase in respect of the portfolio of listed investments related to Zensar Technologies, a software business based in India. Consistent profit growth by the company led to a re-rating on the Bombay Stock Exchange resulting in an increase in value to £34 million, more than double the value of this investment at the beginning of the year.

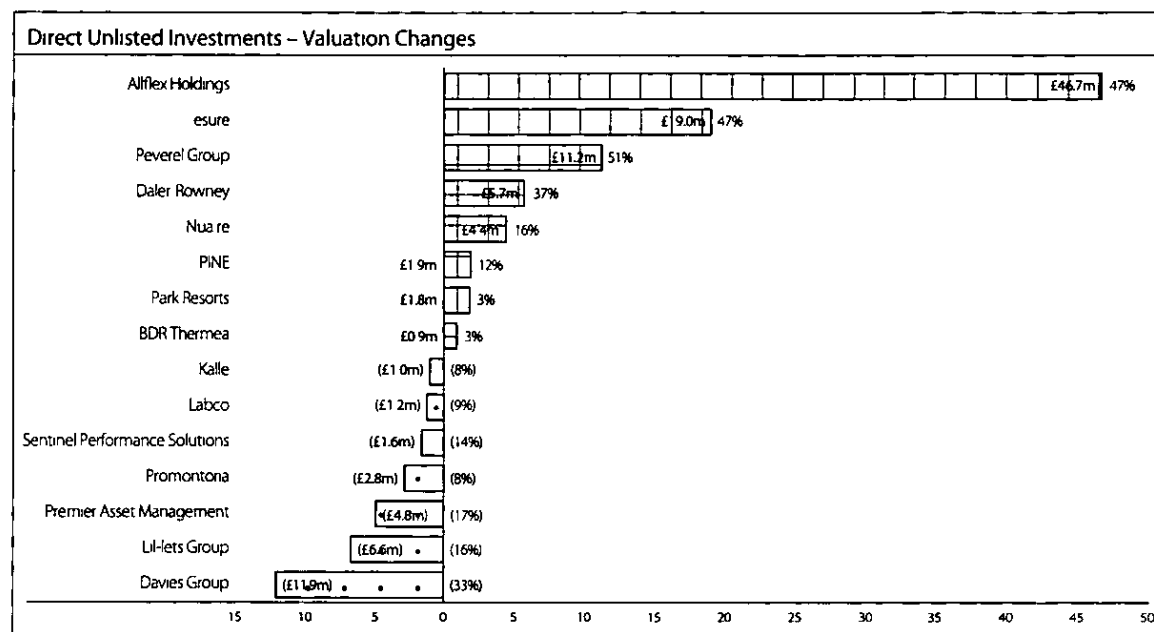
Direct Unlisted Investments – Valuation Basis

30 Sept 2012 (*30 Sept 2011)



*The 2011 classification included Other basis of 1%

The private equity funds in Electra's portfolio produced a negative return of £11 million over the year. Many of these funds are, however, now mature and should produce a positive contribution as realisations begin to materialise.



Hugh Mumford

Hugh Mumford
Managing Partner
Electra Partners LLP
27 November 2012

Key New Investments and Realisations

New Investment	
Equity Ownership	nil
Valuation	£69,788,000
Cost	£68,997,000
Type of Deal	Senior debt
Valuation based on price of recent transactions	

Park Resorts

Location | UK

In January 2012 Electra invested £44.9 million in acquiring senior debt in Park Resorts at a discount from Lloyds Banking Group. Electra has since acquired two further positions in Park Resorts taking its total investment to £69 million.

Park Resorts is a leading operator of holiday parks offering caravan holidays at its 39 sites in largely coastal locations across the UK including Essex, Yorkshire, Kent, Sussex and Scotland. Its market has proved resilient in recent years, with demand supported by demographics and the trend towards UK holidays, driven by airport queues and taxes and pressure on disposable incomes.

Park Resorts finished the year to March 2012 ahead of budget with EBITDA of £32 million and has continued to trade well over the summer despite unusually wet weather.

www.park-resorts.com

New Investment	
Equity Ownership	49.4%
Valuation	£33,164,000
Cost	£21,972,000
Type of Deal	MBI/MBO
Valuation based on multiple of earnings	

Peverel Group

Location | UK

In March 2012 Electra, in conjunction with other investors, acquired Peverel, the UK's leading property management services group, from its administrators. Electra invested £22 million in the £62 million deal.

Headquartered in New Milton, Hampshire, Peverel has offices in London, Luton, Birmingham, Kent and Glasgow and employs over 4,200 people. Its activities include residential property management services, which it provides to 4,000 developments across the UK, as well as property sales, insurance services, installation and maintenance of safety and security systems, telecare and telehealth monitoring.

Peverel has rebuilt its management team since being acquired. The core businesses continue to trade profitably and have benefited from the stability of new ownership and a clean balance sheet. Management's strategy is to improve service quality further and then to build on Peverel's market position by winning new property management business with both new and existing developments. To this end the company has launched its Customer Charter, placing its promise of excellent customer service at the centre of its business. A significant investment programme is underway to boost service levels and drive further growth.

www.peverel.co.uk

Realisation	
Proceeds	*£38,803,000
Cost	£22,844,000
Type of Deal	Co-investment/ Development capital
*excludes £1,847,000 loan repayment received in September 2011	

SAV Credit

Location | UK

In 2006 Electra invested £15 million in SAV Credit as development capital to support the growth in the provision of non-mainstream credit cards. Following an adaptation of the original investment strategy, Electra provided further finance to support SAV in the acquisition of the Marbles portfolio in 2007 and the Opus portfolio in 2010.

Trading performance remained robust during 2011 with SAV starting to benefit materially from the improvements in trading in the Opus portfolio, whilst still benefiting from the low interest rate environment.

As a result, trading profits during 2011 showed significant improvement on prior year results. In November 2011 Electra realised £39 million for its remaining investment in SAV, after a loan of £1.8 million was repaid during September 2011, giving a total return of 1.7x on cost, an IRR of 11%.

www.savcredit.co.uk

Realisation	
Proceeds	£56,666,000
Cost	£19,082,000
Type of Deal	MBO

Capital Safety Group

Location | International

Electra originally invested in the buyout of Capital Safety Group ("CSG") in 1998. CSG manufactures harnesses, lifelines and anchors for people working at height in a wide range of end user sectors including manufacturing, construction, oil and gas, and utilities.

Following the sale of the investment in 2007, Electra reinvested in the mezzanine, shareholder loan and equity of the business to benefit from the continued growth forecast in the fall protection market and complementary acquisitions.

Since the original investment in 1998, CSG has been transformed from having a regional focus into one of the world's leading manufacturers of fall protection, confined space and rescue equipment.

In January 2012 CSG was sold to private equity firm KKR with Electra receiving proceeds of £52 million in the period to 31 March 2012 and subsequently a further £5 million. Since the initial investment of £30 million in 1998, Electra has received net proceeds of £197 million over 13 years, an IRR of 23%.

www.capitalsafety.com

Realisation	
Proceeds	£31,643,000
Cost	£13,901,000
Type of Deal	Co-investment

CPA Global

Location | International

In 2010 Electra purchased £14 million of mezzanine and equity interests in CPA Global. CPA is a leading provider of legal services outsourcing and the world's top intellectual property management specialist.

The company employs 1,500 people to service clients' needs in over 100 countries.

Since the investment CPA has traded strongly and in January 2012 CPA was sold to private equity firm Cinven. Electra received total proceeds of £31.6 million which generated a 61% IRR and a return of 2.3x original cost in under two years.

www.cpaglobal.com

Realisation	
Proceeds	£18,797,000
Cost	£15,840,000
Type of Deal	Mezzanine

Volution (Vent-Axia)

Location | UK

Electra invested £15.8 million in the mezzanine and debt instruments of Volution as part of a management buyout in 2006. The underlying business, Vent-Axia, is a leading manufacturer and supplier of heating, ventilation and air conditioning systems, both in the UK and around the world. Its products range from extraction fans for the home to large commercial ventilation solutions.

Over the past five years the Group has successfully pursued a strategy to focus on its core business and to drive EBITDA growth both organically and through strategic acquisitions.

In February 2012, Volution was sold to Towerbrook Capital Partners and Electra's second lien and mezzanine debt was repaid in full. Electra received total proceeds over the period of its investment of £25.3 million which represented a return of 1.6x cost, an IRR of 10%.

www.vent-axia.com

Realisation	
Proceeds	£35,536,000
Cost	£22,326,000
Type of Deal	MBO

Amtico

Location | UK

In 1995 Electra invested £17.1 million in the management buyout of luxury flooring manufacturer Amtico from Courtaulds. Amtico designs, manufactures and markets resilient vinyl flooring products for both the residential and commercial sectors. The company employs 600 people operating from its headquarters in Coventry and facilities in the US.

In 2003, Electra appointed CEO Jonathan Duck following the retirement of his predecessor and in 2006, the company was subject to a secondary buyout with Electra reinvesting part of its sale proceeds in a minority equity holding and providing the mezzanine debt. Under Duck's leadership, Amtico launched the Spacia brand which has been a significant contributor to the growth in revenues and profits.

In March 2012 Electra sold its interests in Amtico to US trade buyer Mannington Mills and received proceeds of £35.5 million. Since the original investment 16 years ago, Electra has generated total proceeds of £74.5 million, a multiple of 4.2x original investment and a compound IRR of 14% per annum.

www.amtico.com

Key Investments

Direct Unlisted and Secondary Investments					
Company	Fair Value of holding at 30 Sept 2011 £'000	Net payments/ (receipt) £'000	Performance in period £'000	Fair Value of holding at 30 Sept 2012 £'000	Cost of holding at 30 Sept 2012 £'000
Allflex Holdings Animal identification tags	99,000	8,488	46,655	154,143	49,269
Park Resorts Caravan parks operator	–	67,978	1,810	69,788	68,997
esure Motor and home insurance	50,669	(10,698)	18,974	58,945	20,823
Lil-lets Group Feminine hygiene products	41,405	1,502	(6,642)	36,265	23,194
Promontoria Property holding company	37,426	(979)	(2,848)	33,599	14,082
Peveler Group Property management services	–	21,972	11,192	33,164	21,972
Nuaire Ventilation systems manufacturer	27,581	–	4,379	31,960	23,138
BDR Thermea Heating products	73,200	(45,233)	933	28,900	15,952
Davies Group Provider of claims solutions	35,789	–	(11,934)	23,855	35,789
Premier Asset Management Investment management	27,561	52	(4,770)	22,843	55,837
Daler-Rowney Fine art materials supplier	15,473	–	5,676	21,149	17,435
PINE Property investment in nursery education	16,275	(996)	1,921	17,200	14,030
Labco Medical diagnostics	13,286	1,147	(1,197)	13,236	25,336
Kalle Food casings	11,487	–	(967)	10,520	9,001
Sentinel Heating system treatment products	11,385	261	(1,614)	10,032	15,535
Sub total	460,537	43,494	61,568	565,599	410,390
Other investments	205,644	(188,809)	63,247	80,082	
Total Direct Unlisted and Secondary Investments*	666,181	(145,315)	124,815	645,681	
*Includes accrued income					

Listed Investments					
	Fair Value of holding at 30 Sept 2011 £'000	Net payments/ (receipts) £'000	Performance in period £'000	Fair Value of holding at 30 Sept 2012 £'000	Cost of holding at 30 Sept 2012 £'000
Zensar Technologies Software	16,064	–	18,349	34,413	4,211
London & Stamford Property Property holding company	34,779	(2,079)	1,425	34,125	30,195
Sub total	50,843	(2,079)	19,774	68,538	34,406
Other investments	43,490	(7,288)	90	36,292	
Total Direct Listed Investments*	94,333	(9,367)	19,864	104,830	
*Includes accrued income					

Fund Investments					
	Fair Value of holding at 30 Sept 2011 £'000	Net payments/ (receipts) £'000	Performance in period £'000	Fair Value of holding at 30 Sept 2012 £'000	Cost of holding at 30 Sept 2012 £'000
Funds	122,662	5,091	(10,577)	117,176	138,615

The three largest funds were Motion Equity Partners, Sinergo Con Imprenditori and TCR 3, which accounted for 50% of the total value

Large Private Equity Investments

Equity Ownership	37.7%	Equity Ownership	7.0%	Equity Ownership	61.7%
Valuation	£154,143,000	Valuation	£58,945,000	Valuation	£36,265,000
Cost	£49,269,000	Cost	£20,823,000	Cost	£23,194,000
Type of Deal	MBO	Type of Deal	MBO	Type of Deal	MBO
Valuation based on multiple of earnings		Valuation based on multiple of earnings		Valuation based on multiple of earnings	

Allflex Holdings

Location | International

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

In the year ended 31 December 2011, Allflex generated sales of \$259.4 million (2010: \$222.1 million). The business is showing strong growth in 2012 as a result of the impact of an acquisition completed in 2011, organic growth in non-regulated markets and the impact of new regulations.

Increased traceability regulation is forecast to continue across all species, products and markets.

www.allflexusa.com

esure

Location | UK

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

Following a steep rise in motor bodily injury claims since 2009, management's actions have driven a marked improvement in underwriting performance and overall profitability, which has continued into 2012. Whilst a number of regulatory reviews and changes have been announced recently in the UK motor insurance industry by the Ministry of Justice and the Competition Commission, management remains confident in the future prospects of the business. In November 2011 and May 2012 esure repaid a total of £62 million of loan notes originally due on 31 December 2012 with Electra receiving £9.3 million.

www.esure.co.uk

Lil-lets Group

Location | UK and South Africa

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

Lil-lets 2011 rebranding and launch of a number of new, innovative products (Silk Comfort compact applicator FreshLOCK Towels and Teens Towels) has been successful. This UK expansion from tampons to a broader range of feminine hygiene products is in response to shifting consumer demand and, improving product quality in other formats and competitive pricing. The investment in establishing the broader product range is continuing on the back of distribution gains from the trade and strong consumer feedback.

Whilst the UK market for feminine hygiene products remains competitive, South Africa continues to be a growth market in which the company has a leading position with a broad range of product formats. Further market opportunities exist in the wider Sub-Saharan Africa.

www.lil-lets.com

Equity Ownership	10.7%
Valuation	£33,599,000
Cost	£14,082,000
Type of Deal	Acquisition
	Capital
Valuation based on a combination of rental yield and expected disposal value	

Promontoria

Location | Germany

In 2002 Electra first provided acquisition funding to a new company which was subsequently acquired by Promontoria, an unleveraged investment company which owns 96 retail properties situated throughout the major towns and cities in Germany, of which 84 are leased to the discount chain Woolworth, which underwent a significant financial restructuring in 2010 and since that time has opened more than 50 new stores. Electra's investment in Promontoria is in the form of ordinary shares and loan stock.

The German retail property market remained buoyant during the first half of 2012 with investor demand continuing to be high. Against this background, Promontoria has continued to progress, with two significant redevelopments of vacated properties at Bad Homburg and Ingolstadt have progressed well and are both the subject of forward sales which are expected to complete over the next six months. Five further redevelopments have been identified and will be progressed. In total, 13 properties have now been sold for aggregate post tax proceeds of more than €105 million and more than 7,500 m² of retail space has been leased to third parties over the past six months.

Equity Ownership	38.8%
Valuation	£31,960,000
Cost	£23,138,000
Type of Deal	MBO
Valuation based on multiple of earnings	

Nuaire

Location | UK

In 2007, Electra led the £83 million management buyout of Nuaire. Nuaire is a leading UK based manufacturer and distributor of ventilation equipment for commercial and residential applications, headquartered in Caerphilly, South Wales.

In the financial year to September 2012, Nuaire has delivered profits slightly ahead of the prior year which represents a creditable performance given the continued contraction of construction markets. During the year, Nuaire completed the sale of its small French subsidiary, AREM, which had a limited fit with the group. Proceeds from the sale of AREM and Nuaire's continued cash generation has meant that circa 70% of the acquisition debt has now been repaid.

Nuaire's management continue to tightly manage the cost base, whilst also making significant commitments to new product development, with the objective of continuing to grow market share.

www.nuaire.co.uk

Equity Ownership	nil
Residual Value	£28,900,000
Type of Deal	MBO
Valuation based on net present value of expected disposal proceeds	

Equity Ownership	46.2%
Valuation	£23,855,000
Cost	£35,789,000
Type of Deal	MBO
Valuation based on multiple of earnings	

BDR Thermea

Location | International

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

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

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

On 31 October 2011, the interest in BDR Thermea held by the former Baxi shareholders was acquired by the group's parent company, Remeha Group BV. So far Electra has received £45 million of proceeds and will receive a further £35 million over the next two years.

www.bdrthermea.com

Davies Group

Location | UK

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

Operating nationally, Davies acts on behalf of a range of insurance companies, specialist sectors such as Lloyd's of London, as well as service companies, brokers and self-insured entities. Davies has won some important new clients in the last 12 months and has undertaken a bolt-on acquisition.

Davies' profits for the year to July 2012 have been adversely affected by the reduced level of weather based insurance claims due to the mild weather through much of 2011 and 2012, and the loss of a major contract in a competitive tender. While disappointing, this is viewed as a short term issue. The company has continued to win new clients and diversify its contract base and importantly has made significant progress in its entry into the commercial and liability claims markets which are not correlated to weather patterns.

www.davies-group.com

Equity Ownership	73.7%
Valuation	£22,843,000
Cost	£55,837,000
Type of Deal	MBO
Valuation based on multiple of earnings	

Premier Asset Management

Location | UK

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

Assets under management were £2.1 billion at the end of September 2012, in line with the level at the beginning of the current financial year. Net sales of investment products have continued to improve despite the deterioration in market conditions over the past 12 months. In addition, the fund management team has been strengthened further with new hires.

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

www.premierassetmanagement.co.uk

Equity Ownership	41.1%
Valuation	£21,149,000
Cost	£17,435,000
Type of Deal	MBO
Valuation based on multiple of earnings	

Daler-Rowney

Location | International

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

Daler-Rowney continues to grow sales in every market, although the US has been particularly strong on the back of increased distribution. The company has built on its heritage brands with new product launches and at the same time has strengthened existing customer relationships and developed new ones. EBITDA is up more than 30% since acquisition.

The company has agreed a recent acquisition in Germany which is due to complete in December 2012. This investment will make Daler-Rowney one of the biggest fine art product suppliers in Germany, Europe's largest market. It also brings some product diversification that is well suited to the company's US business, offering further growth synergies.

www.daler-rowney.co.uk

Equity Ownership	99.0%
Valuation	£17,200,000
Cost	£14,030,000
Type of Deal	Start up
Valuation derived from property investment value	

PINE

Location | UK

Electra first invested in PINE as a start up business in 2005. PINE comprises a sale & leaseback property investment portfolio of nursery schools let on index-linked leases to nursery school operators who are ranked in the top ten in the UK.

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

www.thepinefund.com

Equity Ownership	4.6%
Valuation	£13,236,000
Cost	£25,336,000
Type of Deal	Growth capital
Valuation based on multiple of earnings	

Labco

Location | Europe

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

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

Labco is making steady progress on synergies from its recent acquisitions and continues to consolidate its market driven by changes in European regulation. In the year to December 2011 revenues were in excess of €500 million.

Labco has had significant success in entering new markets, with Brazil served from its Iberian division and the successful entry into the UK NHS market. The latter is a large, untapped market set for considerable growth over the coming years as the NHS seeks greater efficiency, service levels and investment and is opening up to competition. Through its UK joint venture, Labco has won a 20 year outsourcing contract with Southwest Pathology Services, covering two NHS trusts in the South West of England, with the potential for more trusts to join the service in the future. The company is also bidding on a number of similar contracts across the UK.

www.labco.eu

Equity Ownership	8.8%
Valuation	£10,520,000
Cost	£9,001,000
Type of Deal	Co-investment
Valuation based on multiple of earnings	

Kalle

Location | Germany

In March 2010, Electra invested €10.4 million in the equity syndication of Kalle. Kalle is a leading global manufacturer and supplier of sausage casings with operations in Europe and the US.

In December 2010 Kalle acquired Jif-Pak, a manufacturer of nettings and casings for the meat and poultry industry. The bolt-on widened Kalle's product range and also significantly increased the scale of its operations in the US.

In the year to 31 December 2011, Kalle had a turnover of circa €238 million. Kalle has traded satisfactorily during 2012 and profits remain ahead of prior year, despite significant raw material cost inflation.

www.kalleuk.co.uk

Equity Ownership	50%
Valuation	£10,032,000
Cost	£15,535,000
Type of Deal	MBO
Valuation based on multiple of earnings	

Sentinel Performance Solutions

Location | UK

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

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

Difficult conditions during 2011 and 2012 in the European boiler markets in which Sentinel operates have led to a decline in profitability in the core business. This has been partially mitigated by the launch of new products and the business continues to develop its activities in new geographic markets. However the valuation has been reduced to reflect the overall decline in profitability and the fall in comparable multiples.

www.sentinel.co.uk

esure

Motor and home insurance

Consolidated Income Statement

Note	For the year ended 30 September	Revenue £'000	Capital £'000	2012 Total £'000	Revenue £'000	Capital £'000	2011 Total £'000
	Profit on investments						
2	Investment income/net gain	38,465	104,972	143,437	35,602	83,848	119,450
	Profit on revaluation of foreign currencies	-	9,820	9,820	-	388	388
		38,465	114,792	153,257	35,602	84,236	119,838
	Other Income	372	-	372	461	-	461
23	Incentive schemes	-	(7,331)	(7,331)	-	(11,187)	(11,187)
	Priority profit share	(17,783)	-	(17,783)	(17,048)	-	(17,048)
	Fair value movement of derivatives	(1,653)	-	(1,653)	1,191	-	1,191
3	Other expenses	(2,122)	-	(2,122)	(1,889)	-	(1,889)
4	Income Reversal	(6,601)	-	(6,601)	-	-	-
	Net Profit before Finance Costs and Taxation	10,678	107,461	118,139	18,317	73,049	91,366
7	Finance Costs	(16,474)	(3,710)	(20,184)	(14,394)	(3,474)	(17,868)
	Profit on Ordinary Activities before Taxation	(5,796)	103,751	97,955	3,923	69,575	73,498
8	Taxation on Ordinary Activities	(2,788)	43	(2,745)	282	245	527
	Profit on Ordinary Activities after Taxation attributable to owners of the parent	(8,584)	103,794	95,210	4,205	69,820	74,025
11	Basic Earnings per Ordinary Share	(24.29)p	293.70p	269.41p	11.90p	197.57p	209.47p
11	Diluted Earnings per Ordinary Share	(6.46)p	258.09p	251.63p	23.00p	178.97p	201.97p

The 'Total' columns of this statement represent the Group's Income Statement prepared in accordance with International Financial Reporting Standards adopted by the EU ("IFRS"). The supplementary Revenue and Capital columns are both prepared under guidance published by the Association of Investment Companies. This is further explained in the Basis of Accounting and Significant Accounting Policies in Note 24.

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

Consolidated Statement of Comprehensive Income

For the year ended 30 September	2012 £'000	2011 £'000
Profit for the year	95,210	74,025
Exchange differences arising on consolidation	(398)	(144)
Total comprehensive Income for the year	94,812	73,881
Total comprehensive Income attributable to owners of the parent	94,812	73,881

	Realised	Unrealised	Total
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Note	Called up Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserves £'000	Translation reserve £'000	capital profits/ (losses) £'000	capital profits/ (losses) £'000	Revenue reserves £'000	Total Shareholders' Funds £'000	
	Opening balance at 1 October 2011	8,835	24,181	34,440	23,046	(4,080)	792,823	(87,456)	29,703	821,492
	Net revenue transferred to reserves	–	–	–	–	–	–	–	(8,584)	(8,584)
	Net profits on realisation of investments during the year	–	–	–	–	–	35,087	–	–	35,087
	Financing costs	–	–	–	–	–	(3,710)	–	–	(3,710)
	Increase in value of non-current investments	–	–	–	–	–	–	69,885	–	69,885
23	Increase in incentive provisions	–	–	–	–	–	–	(7,331)	–	(7,331)
	Gains and losses on foreign currencies	–	–	–	–	(398)	(140)	9,960	–	9,422
	Investments sold during the year	–	–	–	–	–	28,930	(28,930)	–	–
	Exchange loss transferred to income statement on liquidation of subsidiary	–	–	–	–	183	(183)	–	–	–
8	Tax liabilities on capital	–	–	–	–	–	43	–	–	43
	At 30 September 2012	8,835	24,181	34,440	23,046	(4,295)	852,850	(43,872)	21,119	916,304

Consolidated Statement of Changes in Equity

For the year ended 30 September 2011 for the Group

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

Company Statement of Changes in Equity

For the year ended 30 September 2012 for the Company

For the year ended 30 September 2012 for the company									
Note	Called-up Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserves £'000	Realised capital profits/ (losses) £'000	Unrealised capital profits/ (losses) £'000	Revenue reserves £'000	Shareholders' Funds £'000	Total Funds £'000
	Opening balance at 1 October 2011	8,835	24,181	34,440	23,046	830,944	(80,106)	(19,848)	821,492
	Net revenue transferred to reserves	-	-	-	-	-	-	(23,454)	(23,454)
	Net profits on realisation of investments during the year	-	-	-	-	34,597	-	-	34,597
	Increase in value of non-current investments	-	-	-	-	-	70,678	-	70,678
23	Increase in incentive provisions	-	-	-	-	-	(7,331)	-	(7,331)
	Gains and losses on foreign currencies	-	-	-	-	(1,618)	9,898	-	8,280
	Unrealised net appreciation at 1 October 2012 on investments sold during the year	-	-	-	-	32,046	(32,046)	-	-
	Revaluation of subsidiaries	-	-	-	-	11,991	-	-	11,991
8	Tax liabilities on capital	-	-	-	-	51	-	-	51
	At 30 September 2012	8,835	24,181	34,440	23,046	908,011	(38,907)	(43,302)	916,304

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Consolidated Balance Sheet

Note	As at 30 September	£ 000	2012 £'000	£ 000	2011 £ 000
	Non-Current Assets				
13	Investments held at fair value				
	Unlisted and listed		867,687		883,175
	Other investments		298,969		230,136
			1,166,656		1,113,311
	Current Assets				
14	Trade and other receivables	3,746		2,173	
	Current tax asset	–		831	
	Cash and cash equivalents	78,387		39,434	
		82,133		42,438	
	Current Liabilities				
	Current tax liability	1,305		–	
15	Trade and other payables	8,199		4,414	
	Derivative financial instrument	2,010		358	
	Net Current Assets		70,619		37,666
	Total Assets less Current Liabilities		1,237,275		1,150,977
16	Bank loans	153,629		163,707	
17	Zero Dividend Preference Shares	56,743		53,034	
18	Convertible bond	78,295		75,310	
8	Deferred tax	8		–	
23	Provisions for liabilities and charges	32,296		37,434	
	Non-Current Liabilities		320,971		329,485
	Net Assets		916,304		821,492
	Capital and Reserves				
20	Called up share capital		8,835		8,835
	Share premium	24,181		24,181	
	Capital redemption reserve	34,440		34,440	
	Other reserves	23,046		23,046	
	Translation Reserve	(4,295)		(4,080)	
	Realised capital profits	852,850		792,823	
	Unrealised capital losses	(43,872)		(87,456)	
	Revenue reserve	21,119		29,703	
			907,469		812,657
	Total Equity Shareholders' Funds		916,304		821,492
12	Basic Net Asset Value per Ordinary Share		2,592 80p		2,324 51p
12	Diluted Net Asset Value per Ordinary Share		2,473 10p		2,224 78p
11	Ordinary Shares in issue at 30 September		35,340,391		35,340,391

The notes on pages 36 to 59 are an integral part of the financial statements

The Accounts on pages 27 to 59 were approved by the Directors on 27 November 2012 and were signed on their behalf by

Colette Bowe, Chairman
Electra Private Equity PLC
Company Number 303062

Colette Bowe

Company Balance Sheet

Note	As at 30 September	£'000	2012 £'000	£'000	2011 £'000
	Non-Current Assets				
13	Investments held at fair value				
	Subsidiary undertakings		547,655		610,895
	Unlisted and listed		208,924		127,193
	Other investments		298,969		230,136
			1,055,548		968,224
	Current Assets				
14	Trade and other receivables	8,863		7,163	
	Current tax asset	966		600	
	Cash and cash equivalents	77,785		37,282	
		87,614		45,045	
	Current Liabilities				
	Derivative financial instruments	2,010		358	
15	Trade and other payables	106,062		67,178	
	Net Current Liabilities		(20,458)		(22,491)
	Total Assets less Current Liabilities		1,035,090		945,733
18	Convertible Bond	78,295		75,310	
23	Provisions for liabilities and charges	40,491		48,931	
	Non-Current Liabilities		118,786		124,241
	Net Assets		916,304		821,492
	Capital and Reserves				
20	Called up share capital		8,835		8,835
	Share premium	24,181		24,181	
	Capital redemption reserve	34,440		34,440	
	Other reserves	23,046		23,046	
	Realised capital profits	908,011		830,944	
	Unrealised capital losses	(38,907)		(80,106)	
	Revenue reserve	(43,302)		(19,848)	
			907,469		812,657
	Total Equity Shareholders' Funds		916,304		821,492

The notes on pages 36 to 59 are an integral part of the financial statements

The Accounts on pages 27 to 59 were approved by the Directors on 27 November 2012 and were signed on their behalf by

Colette Bowe, Chairman
Electra Private Equity PLC
Company Number 303062

Colette Bowe

Consolidated Cash Flow Statement

For the year ended 30 September	£'000	2012 £'000	2011 £'000
Operating activities			
Purchase of investments	(139,672)	(136,547)	
Purchase of other investments	(291,400)	(321,200)	
Amounts paid under incentive schemes	(12,469)	(9,111)	
Sales of investments	245,684	123,631	
Sales of other investments	222,600	266,000	
Dividends and distributions received	8,087	4,695	
Other investment income received	40,946	10,499	
Interest income received	150	162	
Other income received	222	298	
Expenses paid	(18,428)	(21,234)	
Taxation paid	(601)	(660)	
Net Cash Inflow/(Outflow) from Operating Activities		55,119	(83,467)
Financing Activities			
Bank loans drawn	29,817	10,144	
Bank loans repaid	(29,286)	(10,203)	
Finance costs	(10,214)	(7,756)	
Other finance costs	(506)	–	
Convertible Bond Received	–	96,290	
Convertible Bond Interest paid	(4,998)	(2,500)	
Net Cash (Outflow)/Inflow from Financing Activities		(15,187)	85,975
Changes in cash and cash equivalents		39,932	2,508
Cash and cash equivalents at 1 October		39,434	36,947
Translation difference		(979)	(21)
Cash and Cash Equivalents at 30 September		78,387	39,434

Company Cash Flow Statement

For the year ended 30 September	£ 000	2012 £'000	£ 000	2011 £'000
Operating activities				
Purchase of investments	(80,745)		(135,114)	
Purchase of other investments	(291,400)		(321,200)	
Amounts paid under incentive schemes	(12,469)		(9,111)	
Sales of investments	175,283		120,753	
Sales of other investments	222,600		266,000	
Dividends and distributions received	4,823		4,695	
Other investment income received	6,504		6,263	
Interest income received	147		157	
Other income received	223		297	
Expenses paid	(15,919)		(18,534)	
Taxation paid	(315)		(197)	
Net Cash Inflow/(Outflow) from Operating Activities		8,732		(85,991)
Financing Activities				
Intercompany loans	42,103		(5,799)	
Other finance costs	(506)		(366)	
Interest paid	(3,849)		–	
Convertible Bond Received	–		96,290	
Convertible Bond Interest paid	(4,998)		(2,500)	
Net Cash Inflow from Financing Activities		32,750		87,625
Changes in cash and cash equivalents		41,482		1,634
Cash and cash equivalents at 1 October		37,282		35,669
Translation difference		(979)		(21)
Cash and Cash Equivalents at 30 September		77,785		37,282

Notes to Accounts

1 Segmental Analysis

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

2 Portfolio Investment Income

For the year ended 30 September	£'000	2012 £'000	£'000	2011 £'000
Income				
Dividend Income	7,151		7,084	
Other Investment Income	31,314		28,518	
		38,465		35,602

3 Expenses

	2012 £'000	2011 £'000
Expenses		
Administrative expenses	1,523	1,206
Directors' remuneration	323	373
Auditors' remuneration	276	310
	2,122	1,889
	2012 £'000	2011 £'000
Audit of group	161	165
Audit of subsidiaries	52	50
Total audit	213	215
Tax compliance services	50	47
Other non-audit services not covered above*	13	48
	276	310

PricewaterhouseCoopers LLP services contracted by Electra Partners LLP under its discretionary management contract**

Tax advisory services	30	–
Corporate finance services and transaction services	258	–
Fees in relation to investment due diligence contracted by Electra Partners LLP	288	–

*These are professional services in relation to agreed procedures performed in respect of Electra's Internal Controls Monitoring Report ("ICMR") (2011: £13,000 in respect of ICMR and £35,000 in respect of other advisory services)

Non-audit services

It is the Group practice to employ PricewaterhouseCoopers LLP on assignments additional to their statutory audit duties where their expertise and experience with the Group are important, principally tax advice and compliance matters, or where they have been awarded assignments on a competitive basis. These services are services that could be provided by a number of firms. Work is allocated to the auditors only if it does not impact upon the independence of the audit team.

**PricewaterhouseCoopers LLP have been engaged by Electra Partners LLP, the manager, under its discretionary management contract to provide due diligence and advisory services in connection with investments and potential investments. This work was awarded on a competitive basis.

4 Income Reversals

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

5 Directors' Remuneration

For the year ended 30 September	2012 £'000	2011 £'000
Chairman's remuneration	117	150
Directors' fees	206	223
	323	373
Emoluments		
Chairman and highest paid Director	117	150

The Board of Directors are considered to be the Key Management Personnel. For further details see the Directors' Remuneration Report on pages 73 and 74

No pension contributions were made in respect of any of the Directors and no Director will receive any pension from any company within the Group

During the year no Director (2011: none) waived remuneration

6 Employees (Excluding Directors)

The Company has no employees (2011: none)

7 Finance Costs

For the year ended 30 September	Revenue £'000	Capital £'000	2012 Total £'000	Revenue £'000	Capital £'000	2011 Total £'000
Loans Repayable After More Than One Year						
Bank facility	8,492	–	8,492	8,544	–	8,544
Convertible Bond costs	7,982	–	7,982	5,850	–	5,850
Zero Dividend Preference Share costs	–	3,710	3,710	–	3,474	3,474
	16,474	3,710	20,184	14,394	3,474	17,868

On 12 October 2011 the bank facility was amended from a £185,000,000 committed revolving credit facility to £195,000,000, repayable on 30 June 2016. The interest remains payable at LIBOR plus a margin of 3.0%

8 Taxation on Ordinary Activities

For the year ended 30 September	Revenue £'000	Capital £'000	2012 Total £'000	Revenue £'000	Capital £'000	2011 Total £'000
(a) UK Corporation Tax						
Current tax	2,788	-	2,788	-	-	-
Adjustment in respect of prior periods	-	-	-	(282)	-	(282)
Overseas tax adjustments in respect of prior periods	-	(51)	(51)	-	-	-
	2,788	(51)	2,737	(282)	-	(282)
Deferred tax overseas	-	8	8	-	(245)	(245)
Tax Charge/(Credit)	2,788	(43)	2,745	(282)	(245)	(527)

The actual tax charge reconciles to the tax charge on revenue before tax based on the effective rate of corporation tax of 25% (2011: 27%) as follows

For the year ended 30 September	Revenue £'000	Capital £'000	2012 Total £'000	Revenue £'000	Capital £'000	2011 Total £'000
(b) Factors Affecting the Tax Charge for the Year						
Profit on ordinary activities before taxation	(5,796)	103,751	97,955	3,923	69,575	73,498
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 25% (2011: 27%)	(1,449)	25,938	24,489	1,059	18,785	19,844
Effects of						
Prior year adjustments	-	-	-	(282)	-	(282)
Dividend income	(1,370)	-	(1,370)	(892)	-	(892)
Disallowed expenses	2,083	-	2,083	20	-	20
Priority profit share of partnership income appropriated by general partners	3,228	(3,228)	-	2,719	(2,719)	-
Brought Forward loss utilised in the year	-	-	-	(3,092)	(1,796)	(4,888)
Unutilised losses arising in the year	7	-	7	508	-	508
Deferred tax overseas	-	8	8	-	(245)	(245)
Capital profits not chargeable due to Investment Trust status	-	(22,710)	(22,710)	-	(14,270)	(14,270)
Non-taxable income	(99)	-	(99)	(322)	-	(322)
Subsidiary net transactions	388	-	388	-	-	-
Overseas Tax charge	-	(51)	(51)	-	-	-
Tax Expense/(Credit)	2,788	(43)	2,745	(282)	(245)	(527)

9 Dividends

No dividend was approved/paid during the year ended 30 September 2012 (30 September 2011 approved £nil, paid £nil)

10 Total Profit After Tax Attributable to Equity Shareholders

The Total Profit after Tax dealt with in the Accounts of the Company includes a profit of £95,527,000 (2011 £73,881,000)

11 Earnings per Share

For the year ended 30 September	2012	2011
Net revenue return attributable to ordinary shareholders (£'000)	(8,584)	4,205
Net capital return attributable to ordinary shareholders (£'000)	103,794	69,820
Total return (£'000)	95,210	74,025
Total equity shareholders' funds (£'000)	916,304	821,492
Net revenue return on which diluted return per share calculated finance charge net of taxation of £5,987,000 (2011 £4,768,000)	(2,597)	8,973
Net capital return on which diluted return per share calculated (£'000)	103,794	69,820
Weighted average number of ordinary shares in issue during the period on which the undiluted return per ordinary share was calculated	35,340,391	35,339,597
Weighted average number of ordinary shares in issue during the period on which the diluted return per ordinary share was calculated	40,216,732	39,013,929

	Basic earnings per share		Diluted earnings per share	
	2012	2011	2012	2011
	p	p	p	p
Revenue return per ordinary share	(24.29)	11.90	(6.46)	23.00
Capital return per ordinary share	293.70	197.57	258.09	178.97
Earnings per ordinary share (basic and diluted)	269.41	209.47	251.63	201.97

12 Net Asset Value per Ordinary Share

On 29 December 2010 Electra issued £100 million of 5% Subordinated Convertible Bonds at an issue price of 100 per cent and an initial conversion price of 2,050p. Bondholders may convert their Bonds into ordinary shares of the Company from 7 February 2011 up to and including the date falling seven business days prior to 29 December 2017. The Bond has been treated as a compound financial instrument containing both a liability and an equity component.

The basic Net Asset Value ("NAV") per share is calculated by dividing NAV of £916,304,000 (2011 £821,492,000) by the number of ordinary shares in issue amounting to 35,340,391 (2011 35,340,391).

The diluted NAV per share is calculated by adding the Convertible Bond amounting to £78,295,000 (2011 £73,244,000) to NAV of £916,304,000 (2011 £821,492,000) and then dividing by the fully diluted number of ordinary shares amounting to 40,216,732 (2011 40,216,732) after taking into account dilutive potential shares.

13 Non Current Assets

Investments Held at Fair Value

	Group £ 000	2012 Company £ 000	Group £ 000	2011 Company £ 000
For the year ended 30 September for the Group				
Unlisted at Fair Value	762,857	191,919	788,842	102,880
Listed at Fair Value	104,830	17,005	94,333	24,313
Subsidiary Undertakings at Fair Value	–	547,655	–	610,895
	867,687	756,579	883,175	738,088
Other investments	298,969	298,969	230,136	230,136
	1,166,656	1,055,548	1,113,311	968,224

Investments held at Fair Value

	Unlisted and Listed £'000	Other Investments £'000	Group Total £'000	Unlisted and Listed £'000	Other Investments £'000	2012 Company Total £'000
For the year ended 30 September						
Valuation						
Investments at fair value	883,175	230,136	1,113,311	738,088	230,136	968,224
Purchases	150,337	291,400	441,737	91,411	291,400	382,811
Disposals	(263,223)	(224,778)	(488,001)	(149,869)	(224,778)	(374,647)
Increase in valuation	97,398	2,211	99,609	76,949	2,211	79,160
Valuation at 30 September	867,687	298,969	1,166,656	756,579	298,969	1,055,548

	Unlisted and Listed £'000	Other Investments £'000	Group Total £'000	Unlisted and Listed £'000	Other Investments £'000	2011 Company Total £'000
For the year ended 30 September						
Valuation						
Investments at fair value	765,801	174,889	940,690	589,121	174,889	764,010
Purchases	136,547	321,200	457,747	186,114	321,200	507,314
Disposals	(134,388)	(267,563)	(401,951)	(119,365)	(267,563)	(386,928)
Increase in valuation	115,215	1,610	116,825	82,218	1,610	83,828
Valuation at 30 September	867,175	230,136	1,113,311	738,088	230,136	968,224

14 Trade and Other Receivables – Current

	30 Sept 2012 £'000	Group 30 Sept 2011 £'000	30 Sept 2012 £'000	Company 30 Sept 2011 £'000
Prepayments	3,251	1,022	3,251	1,022
Amounts owed by subsidiary undertakings	–	–	5,176	5,281
Other receivables	495	1,151	436	860
	3,746	2,173	8,863	7,163

15 Trade and Other Payables – Current

	30 Sept 2012 £'000	Group 30 Sept 2011 £'000	30 Sept 2012 £'000	Company 30 Sept 2011 £'000
Amounts owed to Subsidiary undertakings	–	–	99,972	64,443
Purchases for future settlement	3,276	–	3,276	–
Other payables	4,923	4,414	2,814	2,735
	8,199	4,414	106,062	67,178

16 Bank Loans

	30 Sept 2012 £'000	Group 30 Sept 2011 £'000	30 Sept 2012 £'000	Company 30 Sept 2011 £'000
Bank Loans are repayable as follows				
Due between one to four years	153,629	163,707	–	–

A variable rate of interest is charged on the bank loan. The bank loan relates to a £195,000,000 committed multi-currency revolving credit facility, which was amended from a £185,000,000 committed revolving credit facility on 12 October 2011 and is repayable on 30 June 2016. Under the Facility Agreement the Group is liable to pay interest at LIBOR rates plus a margin of 3%. The weighted average effective interest rate for the year was 4.4% (2011: 4.7%).

17 Zero Dividend Preference Shares

	30 Sept 2012 £'000	Group 30 Sept 2011 £'000	30 Sept 2012 £'000	Company 30 Sept 2011 £'000
Zero Dividend Preference Shares	56,743	53,034	–	–

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

On 2 December 2009, 4,295,000 Zero Dividend Preference Shares were issued at a price of 104p each. Each share has a par value of 0.01p and a maturity price of 155.41p. The fair value of the Zero Dividend Preference shares at 30 September 2012 was £62,524,000 (2011: £56,281,000) based on the quoted offer price of 132.3p (2011: 119.0p) per Zero Dividend Preference Share.

18 Convertible Bond

	At 30 Sept 2011 £'000	Finance charge £'000	Finance charge paid £'000	Bond conversion £'000	At 30 Sept 2012 £'000
Fair value of debt (debt cashflows discounted at 9.9%)	75,310	2,985	–	–	78,295
Fair value of equity component	23,046	–	–	–	23,046
5% coupon payable*	1,250	4,998	(4,998)	–	1,250
Issue of ordinary shares	34	–	–	–	34
Total Bond issue	99,640	7,983	(4,998)	–	102,625

*Included in trade and other payables

18 Convertible Bond continued

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

*Included in trade and other payables

On 29 December 2010, Electra issued £100 million 5% Subordinated Convertible Bonds due 29 December 2017 at an issue price of 100 per cent and with an initial conversion price of 2,050p. Bondholders may convert their bonds into ordinary shares of the Company from 7 February 2011 up to and including the date falling seven business days prior to 29 December 2017. The conversion price of 2,050p will be adjusted to deal with certain events which would otherwise dilute the conversion of bondholders. These events include dividends paid to ordinary shareholders, share rights and share related securities issued to shareholders, issue of other securities to shareholders, demergers and other events detailed in the Prospectus for the Bond. The rate used for these purposes was 9.9%.

19 Financial Instruments

(i) Management of Risk

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

The Group's financial instruments comprise:

- 1 Securities in unquoted and quoted companies, partnership interests and liquidity funds
- 2 A loan facility, issuance of Zero Dividend Preference shares and Convertible Bonds, the purpose of which is to finance tender offers, other share buy-backs and on-market purchases of shares, the financing of new investment and refinancing existing debt
- 3 Interest rate Swap and Cap in order to manage the risk of interest rate fluctuation in interest payable on the new multi-currency loan facility

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

Market Price Risk

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

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

19 Financial Instruments continued

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

Credit Risk

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

A well diversified portfolio of liquidity funds is maintained with no more than 10% of gross assets held with any one institution. The total invested in liquidity funds was £298,800,000 with associated accrued income of £169,000 (2011: £230,136,000 with associated accrued income of £136,000). The cost of this investment was £298,800,000 (2011: £230,000,000).

Cash held was principally with two UK banks, with a credit rating of A- and totalled £78,387,000 (2011: £39,434,000).

Interest Rate Risk

The Group finances its operations through retained profits including both realised and unrealised capital profits. In addition, financing is obtained through loan facilities. During the year, a long-term multi-currency loan facility was in existence. The loan has a floating rate of interest. Interest rate swap and cap derivatives used to manage the risk of interest rate fluctuation in interest payable on the multi-currency facility were renegotiated during the year.

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

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

Liquidity Risk

The Group's assets comprise listed and unlisted equity and non-equity shares, fixed income securities and liquidity funds whilst the unlisted equity is intentionally illiquid. Short-term flexibility is achieved through the revolving loan facility, and liquidity funds which are relatively liquid and cash which is available on demand. The maturity of the Group's existing borrowings are set out in part (v) of this Note.

Capital Risk Management

The Group's capital at 30 September 2012 comprises

	30 Sept 2012 £'000	30 Sept 2011 £'000
Debt		
Borrowing under the credit facility	153,629	163,707
Zero Dividend Preference shares	56,743	53,034
Convertible Bond	78,295	75,310
	288,667	292,051
Equity		
Equity share capital	8,835	8,835
Retained earnings and other reserves	907,469	812,657
	916,304	821,492
Total capital	1,204,971	1,113,543
Debt as a percentage of total capital	24.0%	26.2%

19 Financial Instruments continued

The Group's objective in the management of capital risk is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure. In doing so the Group may adjust the amount of dividends paid to shareholders (whilst remaining within the restrictions imposed by its investment trust status), return capital to shareholders, change level of borrowing in the £195,000,000 committed multi-currency revolving credit facility or issue new shares. During the year the Group paid no dividend (2011: £nil). In order to be able to pay a dividend out of profits available for distribution the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

The Group manages the levels of cash deposits held whilst maintaining sufficient liquidity for investments. The Group has an existing authority to implement an on-market share buy-back programme to generate shareholder value. During the year £nil (2011: £nil) was utilised to repurchase shares for cancellation.

The £195,000,000 committed multi-currency revolving credit facility was drawn down such that a balance of £153,629,000 was outstanding at the year end (2011: £185,000,000 facility of which £163,707,000 was drawn down). The loan is repayable on 30 June 2016. On 5 August 2009 the Group issued 43,000,000 Zero Dividend Preference Shares at 100p each and on 2 December 2009 4,295,000 Zero Dividend Preference Shares were issued at 104p each (Note 17). On 29 December 2010, Electra issued £100 million 5% Subordinated Convertible Bonds due on 29 December 2017 (Note 18). The level of outstanding borrowings is reviewed on an on-going basis taking into account the need to buy back shares, future levels of investment and any foreign currency hedging concerns.

Foreign Currency Risk

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

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

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

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

(ii) Market Price Exposure

	Increase in variable £'000	2012 Decrease in variable £'000	Increase in variable £'000	2011 Decrease in variable £'000
10% movement in price of fund, listed investments, floating rate notes, liquidity funds and price/earnings ratio for unlisted investments				
Impact on profit after tax	75,124	(88,431)	88,177	(100,255)
Impact as a percentage of profit after tax	79%	(93)%	119%	(135)%
Impact on shareholders' equity	75,124	(88,431)	88,177	(100,255)
Impact as a percentage of shareholders' equity	8%	(10)%	11%	(12)%

19 Financial Instruments continued

(iii) Foreign Currency Exposures

A portion of the financial assets and liabilities of the Group are denominated in currencies other than sterling, which has an impact on the net assets and return of the Group as at 30 September 2012

Currency

	Sterling appreciation £'000	2012 Sterling depreciation £'000	Sterling appreciation £'000	2011 Sterling depreciation £'000
10% Movement in Euro				
Impact on profit after tax	(10,227)	10,227	(14,744)	14,744
Impact as a percentage of profit after tax	(11)%	11%	(16)%	16%
Impact on shareholders' equity	(10,227)	10,227	(14,744)	14,744
Impact as a percentage of shareholders' equity	(1)%	1%	(2)%	2%
10% Movement in US Dollar				
Impact on profit after tax	(16,806)	16,806	(12,051)	12,051
Impact as a percentage of profit after tax	(18)%	18%	(13)%	13%
Impact on shareholders' equity	(16,806)	16,806	(12,051)	12,051
Impact as a percentage of shareholders' equity	(2)%	2%	(1)%	1%

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

The financial instruments held by the Group include equity and non-equity shares as well as fixed interest securities

The financial instruments shown below are separated into the type of income they generated as at 30 September 2012

	Total £'000	Fixed rate financial instrument £'000	Floating rate financial instrument £'000	Financial instruments on which no interest is earned £'000
As at 30 September 2012				
Financial Assets	1,245,043	340,781	378,696	525,566
Financial Liabilities	220,582	58,754	153,629	8,199
Total	1,024,461	282,027	225,067	517,367

Interest on floating rate financial assets is at prevailing market rates

	Total £'000	Fixed rate financial instrument £'000	Floating rate financial instrument £'000	Financial instruments on which no interest is earned £'000
As at 30 September 2011				
Financial Assets	1,152,745	276,635	365,788	510,322
Financial Liabilities	292,051	128,344	163,707	—
Total	860,694	148,291	202,081	510,322

19 Financial Instruments continued

Currency As at 30 September	Fixed rate financial assets weighted average interest rate		Fixed rate financial assets on which no interest is paid weighted average period until maturity	
	2012 %	2011 %	2012 Years	2011 Years
Sterling	5.8	10.0	–	–
US Dollar	0.4	12.7	–	–
Euro	10.4	12.0	–	–

The floating rate financial liabilities comprise a £195,000,000 committed multi-currency revolving credit facility, entered into on 12 October 2011 of which £153,629,000 is drawn down. The margin is 3.0%. The weighted average effective interest rate for the year was 4.4% (2011: 4.7%). Interest rate swap and cap derivatives are used to manage the risk of interest rate fluctuation in the interest payable on the multi-currency facility. The fixed rate financial liabilities comprise 47,295,000 (2011: 47,295,000) Zero Dividend Preference shares and £78,295,000 (2011: £75,310,000) Convertible Bonds issued on 29 December 2010.

	Increase in variable £'000	2012 Decrease in variable £'000	Increase in variable £'000	2011 Decrease in variable £'000
1% movement in interest rates				
Impact on interest income from cash	184	(184)	301	(149)
Impact on interest income on floating rate notes and liquidity funds	2,988	(2,988)	1,098	(1,098)
Impact on interest payable on credit facility	(4,524)	4,524	(1,665)	1,665
Total impact on profit/(loss) after tax and shareholders' equity	(1,352)	1,352	(266)	418
Impact as a percentage of profit/(loss) after tax	(1)%	1%	0%	1%
Impact as a percentage of shareholders' equity	0%	0%	0%	0%

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

(v) Maturity of Financial Liabilities

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

As at 30 September	2012 £'000	2011 £'000
Between one and four years	227,125	163,707
Over four years	99,966	173,462

The financial liability between one and four years (2011: one and two years) relates to a £195,000,000 committed multi-currency revolving credit facility. The facility was entered into on 12 October 2011 and is repayable on 30 June 2016. It also includes the 47,295,000 Zero Dividend Preference Shares, 43,000,000 issued on 5 August 2009 and 4,295,000 issued on 2 December 2009. These are redeemable on 5 August 2016. The financial liability over four years relates to £100 million 5% Convertible Bonds issued on 29 December 2010, convertible on or before 29 December 2017 (see Note 18).

19 Financial Instruments continued

(vi) Fair Values of Financial Assets and Liabilities

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

As at 30 September	Fair Value 2012 £'000	Fair Value 2011 £'000
Primary Financial Assets Held		
Equity shares	515,433	511,995
Non-equity shares	10,133	23,845
Fixed interest securities	340,781	343,859
Floating rate securities	300,309	233,612
Cash at bank and in hand	78,387	39,434
Fair value of interest rate swaps and caps	(2,010)	(358)
Primary Financial Liabilities held to Finance the Group's Operations		
Bank loans	153,629	163,707
Zero Dividend Preference shares	62,524	56,281
Convertible Bond	78,295	75,310

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

(vii) Fair Value Hierarchy

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

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

The levels of fair value measurement bases are defined as follows

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

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

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

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

Financial assets at fair value through profit or loss

As at 30 September 2012	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Unlisted and listed investments	867,687	104,830	–	762,857
Other investments	298,969	298,969	–	–
Interest rate swaps	(2,010)	–	–	(2,010)
	1,164,646	403,799	–	760,847
As at 30 September 2011	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Unlisted and listed investments	883,175	94,810	–	788,365
Other investments	230,136	230,136	–	–
Interest rate swaps	(358)	–	–	(358)
	1,112,953	324,946	–	788,007

19 Financial Instruments continued

Assets measured at fair value based on Level 3

	2012 £'000	2011 £'000
Opening balance	788,365	647,332
Purchases	150,337	136,545
Disposals	(290,561)	(102,972)
Increase in value	114,716	107,460
Closing balance as at 30 September	762,857	788,365

20 Share Capital

	30 Sept 2012 £'000	30 Sept 2011 £'000
Allotted, called-up and fully paid 35,340,391 (2011 35,340,391) ordinary shares of 25p each	8,835	8,835

During the year ended 30 September 2012 no Subordinated Convertible Bonds were converted into ordinary shares (2011 35 Subordinated Convertible Bonds were converted into 1,704 ordinary shares) No shares were purchased by the Company from shareholders during the year ended 30 September 2012 (2011 nil)

21 Particulars of Holdings

Principal Subsidiary Undertakings

All companies are incorporated in Great Britain and registered in England and Wales unless otherwise stated All companies operate in their country of incorporation

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

Albion (Electra) Limited (trading partnership member)

4,995 ordinary shares of US\$1.00 (par value) Paid-in capital US\$11,565,002

Incorporated in the Commonwealth of the Bahamas

The subsidiary is wholly owned and held directly by the Company

Electra Investments Limited (Investment Holding Company)

87,000 ordinary shares of £1.00 (par value) Paid-in capital £1,027,389 Incorporated in England and Wales

The subsidiary is wholly owned and held directly by the Company

Capital contributions of £300 Incorporated in England and Wales

The subsidiary is 100% owned and held directly by the Company

Electra Private Equity Investments PLC (Zero Dividend Preference Share Holding Company)

50,000 ordinary shares of £1.00 (par value) Paid-in capital £50,000

Incorporated in England and Wales

The subsidiary is wholly owned and held directly by the Company

Kingsway Equity Partners LP

Capital contributions of £10,705,000 Incorporated in Scotland

The subsidiary is 99% owned and held directly by the Company

Electra Private Equity Partners 1995 LP

Capital contributions of £9,500 Incorporated in England and Wales

The subsidiary is 99% owned and held through Kingsway Equity Partners LP

21 Particulars of Holdings continued

Electra Quoted Partners 1995 LP

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

EF Private Equity Partners (Americas) LP

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

Electra Far East LP

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

Electra Private Equity Partners (Scotland)

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

Electra Private Equity Partners 2001 – 2006 Scottish LP

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

Electra Private Equity Partners 2006 Scottish LP

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

Other Companies Held as Investments at Fair Value

All companies are incorporated in Great Britain and registered in England and Wales unless otherwise stated. All companies operate in their country of incorporation.

Significant Interests in Investee Undertakings

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

	Carrying value at 30 Sept 2012 £'000	Cost 30 Sept 2012 £'000	Carrying value at 30 Sept 2011 £'000
ALLFLEX HOLDINGS III	154,143	49,269	99,000
Class A common stock 1.9%			
Class G common stock 100.0%			
A Warrants 98.8%			
Loan notes 100.0%			
BARCLAYS GLOBAL INVESTMENTS	49,828	49,800	25,019
Liquidity fund 0.2%			
BDR THERMEA	28,900	15,952	73,200
Class A shares 11.0%			
Class B shares 22.0%			
Class C shares 5.0%			
Class A PECs 11.0%			
Class B PECs 22.0%			
Class C PECs 5.0%			

21 Particulars of Holdings continued

	Carrying value at 30 Sept 2012 £'000	Cost 30 Sept 2012 £'000	Carrying value at 30 Sept 2011 £'000
DALER-ROWNEY	21,149	17,435	15,473
B Ordinary shares			
G Ordinary shares			
B Unsecured loan notes			
DAVIES GROUP	23,855	35,789	35,789
G Ordinary shares			
Warrants			
Senior unsecured loan notes			
Unsecured loan notes			
ESURE	58,945	20,823	50,669
C Ordinary shares 6.8%			
Preferred ordinary shares 15.0%			
Priority return shares 15.0%			
Loan note 15.0%			
Perpetual subordinated note 15.0%			
GOLDMAN SACHS	49,828	49,800	25,021
Liquidity fund 0.6%			
INSIGHT	49,828	49,800	25,020
Liquidity fund 0.3%			
JP MORGAN LIQUIDITY FUND	49,828	49,800	25,021
Liquidity fund 0.4%			
KALLE	10,520	9,001	11,487
Ordinary shares			
Preference shares			
Unsecured loan notes			
LABCO	13,236	25,336	13,286
C Ordinary shares 4.6%			
LIL-LETS GROUP	36,265	23,194	41,405
Ordinary shares 44.6%			
B Ordinary shares 100.0%			
Warrants 44.7%			
Unsecured loan notes 96.3%			
LONDON & STAMFORD PROPERTY	34,125	30,195	34,779
B Ordinary shares 7.0%			
NUAIRE	31,960	23,138	27,581
A Ordinary shares 97.1%			
B Ordinary shares 100.0%			
Series A loan notes 99.6%			
Series B loan notes 31.9%			
PARK RESORTS	69,788	68,997	-
Senior debt			
PEVEREL GROUP	33,164	21,972	-
Ordinary shares			
Senior loan notes			
Junior loan notes			

21 Particulars of Holdings continued

	Carrying value at 30 Sept 2012 £'000	Cost 30 Sept 2012 £'000	Carrying value at 30 Sept 2011 £'000
PINE UNIT TRUST	17,200	14,030	16,275
Income units 98.4%			
Capital units 98.4%			
PREMIER ASSET MANAGEMENT	22,843	55,837	27,561
B Ordinary shares 67.8%			
G Ordinary shares 100.0%			
Warrants 100.0%			
B Preference shares 100%			
Deferred shares 38.4%			
PROMONTORIA	33,599	14,082	37,426
B Ordinary shares 10.0%			
Loan notes 10.4%			
ROYAL BANK OF SCOTLAND	49,828	49,800	65,024
Liquidity fund 0.8%			
SCOTTISH WIDOWS	49,828	49,800	65,031
Liquidity fund 0.8%			
SENTINEL	10,032	15,535	11,385
B Ordinary shares			
G Ordinary shares			
Warrants			
Unsecured loan stock			
ZENSAR TECHNOLOGIES (INDIA)	34,413	4,211	16,064
Ordinary shares 22.1%			

22 Related Party Transactions

Certain members of Electra Partners (the "participants") are entitled under various limited partnership agreements to benefit from carried interest and co-investment arrangements. Under these schemes the participants invest in every new investment made by Electra up to 31 March 2006. In return the participants receive a percentage of the total capital and revenue profits made on each investment, "LTI". The participants do not receive any profits until Electra has received back its initial investment.

In addition the participants are entitled to a percentage of the incremental value of unlisted investments held at 31 March 1995, subject to Electra having received in total proceeds equal to the valuation of those investments as at 31 March 1995 and a preferred return "1995 LTI".

Following approval at the Extraordinary General Meeting held on 12 October 2006 the participants entered into two new schemes. The participants are entitled to receive a percentage of the incremental value of certain investments held at 31 March 2006, the "Initial Pool", following Electra receiving total proceeds equal to the opening value and a preferred return, after deduction of related priority profit share ("PPS"). The second scheme entered into under the new arrangements requires the participants to invest in every new investment made by Electra since 1 April 2006, "2006 Pool". On a pooled basis, participants receive a percentage of the total capital and revenue profits once Electra has received back its initial investment, a preferred return and a related priority profit share. Following the same methodology new pools commenced for deals starting 1 October 2009, "2009 Pool".

No Directors of Electra participate in the above schemes.

22 Related Party Transactions continued

As at 30 September 2012	LTI £'000	1995 LTI £'000	Initial Pool £'000	2006 Pool £'000	2009 Pool £'000	Total £'000
Provisional Entitlement	10,046	80	9,977	–	11,506	31,609
Outstanding Entitlement	259	–	428	–	–	687
Total Amount Outstanding	10,305	80	10,405	–	11,506	32,296
Amount Paid in Period	3,800	–	8,669	–	–	12,469

As at 30 September 2011	LTI £'000	1995 LTI £'000	Initial Pool £'000	2006 Pool £'000	2009 Pool £'000	Total £'000
Provisional Entitlement	14,074	72	18,860	–	4,428	37,434
Outstanding Entitlement	–	–	–	–	–	–
Total Amount Outstanding	14,074	72	18,860	–	4,428	37,434
Amount Paid in Period	3,952	–	5,159	–	–	9,111

Electra Partners is a related party and receives a priority profit share of 1.5% on the gross value of the Company's investment portfolio including cash (but excluding any amounts committed to funds established and managed by Electra Partners). For the year ended 30 September 2012 this was an amount of £17,783,000 (2011: £17,048,000).

During the year ended 30 September 2007 Electra Partners exercised its option to cancel all priority profit share reductions by paying Electra in instalments the equivalent of the net present value of the remaining expected priority profit share reductions. An amount of £220,000 was paid during the period from 30 September 2011 to September 2012. The amount was approved by a qualified independent third party.

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

Net Sales of Investments to Electra from Electra Investments Limited amounted to £nil for the year ended 30 September 2012 (2011: £51,000,000). Net loans advanced by Electra to Electra Investments Limited were £33,747,969 (2011: £19,620,004). Interest of £539,000 (2011: £198,000) was paid on these loans.

Net loans for working capital and/or to clear intercompany balances were made from Albion (Electra) for £118,461 (2011: to Albion (Electra) for £26,000), from Electra Holdings, Inc for £27,605 (2011: to Electra Holdings, Inc for £52,000), from Electra Property, Inc for £77,918 (2011: to Electra Property, Inc for £17,000), from Electra Private Equity Investments Plc for £1,950,956 (2011: £1,651,000).

23 Provision for Liabilities and Charges

	£ 000	Group 30 Sept 2012 £ 000	£'000	Company 30 Sept 2012 £'000
Incentive scheme provision				
At 1 October 2011	37,434		48,931	
Amounts paid under incentive schemes	(12,469)		(12,469)	
		24,965		36,462
Increase in incentive scheme provision		7,331		7,331
		32,296		43,793
Liability in subsidiaries		-		(3,302)
At 30 September 2012		32,296		40,491
	£ 000	Group 30 Sept 2011 £ 000	£ 000	Company 30 Sept 2011 £ 000
Incentive scheme provision				
At 1 October 2010	35,358		65,970	
Amounts paid and payable under incentive schemes	(9,111)		(9,111)	
		26,247		56,859
Increase in incentive scheme provision		11,187		11,187
		37,434		68,046
Liability in subsidiaries		-		(19,115)
At 30 September 2011		37,434		48,931

24 Basis of Accounting and Significant Accounting Policies

The Accounts for the year ended 30 September 2012 have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRS"). IFRS comprises standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") as adopted in the European Union as at 30 September 2012.

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

The recommendations of the SORP which have been followed include

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

24 Basis of Accounting and Significant Accounting Policies continued

If the Board decides that this should be so, the management fee should be allocated between revenue and capital in accordance with the Board's expected long term split of returns, and other expenses should be charged to capital only to the extent that a clear connection with the maintenance or enhancement of the value of investments can be demonstrated. The Board has decided that the Company should continue to charge priority profit share and finance costs, other than those in relation to the Zero Dividend Preference shares, as revenue items for the year ended 30 September 2012.

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

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

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

Application of New Standards

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

New Standards to be Applied

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

- IFRS 13 Fair value measurement (effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement)

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRSs.

- Amendment to IAS 34 Interim financial reporting (effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement)

This amendment clarifies the disclosure requirements for segment assets and liabilities in interim financial statements. A measure of total assets and liabilities is required for an operating segment in interim financial statements only if such information is regularly provided to the decision makers and there has been a material change in those measures since the last annual financial statements.

- IFRS 10 Consolidated financial statements (effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement)

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.

- IFRS 9 Financial instruments: Classification and measurement (effective for annual periods beginning on or after 1 January 2015, subject to EU endorsement)

This standard will replace IAS 39 and clarifies and simplifies the classification and measurement of financial instruments.

None of the standards, amendments and interpretations are expected to have a significant effect on the consolidated financial statements of the Group.

24 Basis of Accounting and Significant Accounting Policies continued

Basis of Consolidation

The consolidated Accounts include the Company and its subsidiary undertakings. Where subsidiaries are acquired or sold during the year their results are included in the consolidated accounts from the date of acquisition and up to the date of disposal respectively. A subsidiary is an entity where the Company has the power to govern the financial and operating policies so as to obtain benefit from its activities. The principal subsidiaries comprise wholly owned companies and near wholly owned investment holding limited partnerships set up by the Company through which investments are made and through which external borrowings for investment purposes are raised. These are set out in Note 21. The holdings in investment holding limited partnerships and wholly owned investment holding companies are included in the consolidated financial statements, on the basis that they are considered to be special purpose entities of the Company, which have been set up for the specific purpose of holding investments. These investment holding limited partnerships and wholly owned investment holding companies are considered to be controlled by the Company under the interpretation of SIC 12 'Special Purpose Entities' as the Company enjoys predominantly all the risks and rewards from their activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments

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

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

Principles of Valuation of Investments

(i) General

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

Fair Value represents the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In estimating Fair Value, the Manager uses a methodology which is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio. Methodologies are applied consistently from one period to another except where a change results in a more accurate estimate of Fair Value.

(ii) Unlisted Investments

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

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

24 Basis of Accounting and Significant Accounting Policies continued

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

Typically an earnings multiple basis will be used. In applying the earnings multiple methodology, the Manager applies a market based multiple that is appropriate and reasonable to the maintainable earnings of the portfolio company. In the majority of cases the Enterprise Value of the underlying business is derived by the use of an earnings multiple applied to the current year's earnings where these can be forecast with a reasonable degree of certainty and are deemed to represent the best estimate of maintainable earnings. Where this is not the case, historic earnings will generally be used in their place.

- The Enterprise Value of the underlying business will be calculated using the earnings multiple or other appropriate basis (as above),
- The Enterprise Value of the underlying business will then be adjusted for surplus assets or excess liabilities to arrive at an Enterprise Value for the portfolio company, and
- The valuation of Electra's investment will be calculated from the Enterprise Value for the portfolio company after deduction of prior ranking debt and other financial instruments

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

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

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

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

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

24 Basis of Accounting and Significant Accounting Policies continued

(iii) Listed Investments

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

(iv) Limited Partnership Funds

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

(v) Other Investments

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

Accrued Income

Accrued income is included within investment valuations.

Derivative Financial Instruments

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

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

Cash and Cash Equivalents

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

Foreign Currencies

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

Investment Income/Net Gains

Dividends receivable from equity shares are accounted on the ex-dividend date or, where no ex-dividend date is quoted, are accounted when the Group's right to receive payment is established. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield when it is probable that economic benefit will flow to the Group. Where income accruals previously recognised, but not received, are no longer considered to be reasonably expected to be received, either through investee company restructuring or doubt over its receipt, then these amounts are reversed through expenses.

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

24 Basis of Accounting and Significant Accounting Policies continued

Expenses

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

Finance Costs

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

Priority Profit Share

The majority of the investments are made by the Company through investment holding limited partnerships managed by Electra Partners. Under the terms of the relevant limited partnership agreements the general partner is entitled to appropriate, as a first charge on the net income or net capital gains of the limited partnerships, an amount equivalent to its priority profit share. In periods in which the investment holding limited partnerships have not yet earned sufficient net income or net capital gain to satisfy this priority profit share the entitlement is carried forward to the following period. In all instances the cash amount paid to the general partner in each period is equivalent to the priority profit share.

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

Taxation

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

Zero Dividend Preference Shares

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

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

Convertible Bonds

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

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

24 Basis of Accounting and Significant Accounting Policies continued

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

Provisions

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

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

Revenue and Capital Reserves

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

Bank Loans and Receivables

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

Share Capital

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

Key Estimates and Assumptions

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

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

See note 24 on Principles of Valuation of Investments on page 55.

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

We have audited the accounts of Electra Private Equity PLC for the year ended 30 September 2012 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements and the related Notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 81, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2012 and of the Group's profit and Group's and parent Company's cash flows for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006,
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the information given in the Corporate Governance Statement set out on pages 75 to 80 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following

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

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

Under the Listing Rules we are required to review

- the Directors' Statement, set out on page 68, in relation to going concern,
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on Directors' remuneration



Alison Morris (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 November 2012

Park Resorts

Caravan parks operator

Report of the Directors

To the Members of Electra Private Equity PLC

The Directors present the audited Accounts of the Group for the year ended 30 September 2012 and their Report on its affairs

Investment Trust Status

The Company carries on business as an investment trust. HM Revenue and Customs has approved the Company as an investment trust under Section 1158 of the Corporation Taxes Act 2010 for the accounting period to 30 September 2011. In accordance with the self-assessment of Corporation Tax this approval is based upon the computations submitted by the Company and is subject to the findings of any enquiries that HM Revenue and Customs may make. The Directors are of the opinion that since that date the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under that section.

Business Review

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

Objective and Investment Policy

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

Current and future development

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

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

Performance

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

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

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

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

Details of the KPIs are shown on page 2.

Risk management

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

It is the role of the Board to review and manage all risks associated with the Company, either mitigating these directly or through Electra Partners. The principal risks facing the Company include Market Price Risk, Credit Risk, Interest Rate Risk, Liquidity Risk and Capital Risk as further detailed in Note 19 of the Notes to Accounts.

In addition the Company is also focused on the following risks

Macroeconomic risks

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

Gearing risks

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

At 1 October 2011, the Company had a revolving credit facility of £185 million which was due to expire in January 2013. In October 2011, this was refinanced with the facility increasing in size to £195 million and the loan term being extended to June 2016.

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

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

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

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

Foreign Currency Risk

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

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

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

Long-term strategic risk

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

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

Government policy and regulation risk

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

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

Investment risks

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

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

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

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

Valuation risk

In order to value investments correctly, the Company is primarily dependent on Electra Partners following Accounting Standards, in this case IAS 39 as further detailed on page 55.

Operational risk

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

The Company's system of internal control mainly comprises the monitoring of the services provided by Electra Partners, including the operating controls established by them to ensure they meet the Company's business objectives, as further detailed in the Corporate Governance Statement on pages 75 to 80.

Management Arrangements

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

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

During the year the Company continued to operate carried interest and co-investment schemes for executives of Electra Partners and details of these schemes are contained in Notes 22 and 23 of the Notes to Accounts

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

Electra Partners is responsible for the investment management of a number of limited partnership funds to which the Company has subscribed. Electra Partners manages the Company's investments in accordance with guidelines determined by the Directors and as specified in limited partnership and in management and investment guideline agreements

Social, community, employee and environmental issues

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

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

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

Results

A revenue loss attributable to shareholders of £8,584,000 (2011: profit of £4,205,000) was transferred to Revenue Reserves. No dividend is proposed in respect of the year ended 30 September 2012 (2011: nil)

Share capital

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

During the year, no Subordinated Convertible Bonds were converted into ordinary shares (2011: 35 Subordinated Convertible Bonds were converted into 1,704 ordinary shares)

At 30 September 2012 there were 35,340,391 ordinary shares of 25p each in issue. The Company does not hold any shares in treasury

Authority to Make Market Purchases of Shares

As at 30 September 2012, the Company had authority to purchase for cancellation up to 5,297,524 shares. This authority will lapse at the 2013 Annual General Meeting when a Special Resolution will be proposed to renew the Company's authority to make market purchases of its own shares

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

Multi-Currency Loan Facility

At 30 September 2012 borrowings under the £195 million (2011: £185 million) multi-currency revolving credit facility amounted to £153,629,000 (2011: £163,707,000)

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

Directors

The current Directors of the Company are listed on pages 82 and 83. Dr C Bowe, Ms K Barker, Mr G Cullinan, Mr RK Perkin, and Ms L Webber served as Directors throughout the year ended 30 September 2012. Mr R Yates was appointed as a non-executive Director on 28 May 2012. Mr MED'A Walton retired from the Board on the same day. No other person was a Director of the Company during any part of the year. Dr Bowe will retire at the Annual General Meeting in 2013 and, being eligible, offers herself for re-election.

Mr Yates offers himself for election at the Annual General Meeting in 2013.

Ms L Webber has announced her intention to retire as a Director at the Annual General Meeting in 2013.

Board Diversity

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

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

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

Directors' Conflicts of Interest

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

Directors' Indemnity

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

Directors' Interests

The interests of the Directors (including connected persons) in the ordinary shares and 5% Subordinated Convertible Bonds of the Company are shown below. Save as disclosed, no Director had any notifiable interest in the securities of the Company or of any subsidiary of the Company. There have been no changes in the interests of any of the Directors in the ordinary shares and 5% Subordinated Convertible Bonds of the Company between 1 October 2012 and 27 November 2012.

	30 September 2012 Shares	30 September 2012 Bonds	30 September 2011 Shares	30 September 2011 Bonds
Dr C Bowe	5,000	-	5,000	-
K Barker	1,500	-	1,000	-
G Cullinan	1,500	-	1,500	-
RK Perkin	-	42	-	42
L Webber	2,500	4	2,500	4
R Yates*	-	-	-	-

*Upon appointment Mr Yates did not have an interest in any Ordinary Shares or Bonds of the Company.

Substantial Interests

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

	Direct No	Voting Rights Notified Indirect No	Direct %	Percentage of Voting Rights* Indirect %
Prudential PLC group of companies	3,172,146	1,825	8.98	–
Investec Wealth & Investment Limited	–	2,121,030	–	6.00
Legal & General Group PLC	1,409,952	–	3.99	–
HSBC Holdings PLC	–	2,491,558	–	7.05

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

Audit Information

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

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as Auditors to the Company will be proposed at the Annual General Meeting. A separate resolution will be proposed at the Annual General Meeting authorising the Directors to determine the remuneration of the Auditors.

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

Creditor Payment Policy

The Company agrees the terms of payment with its suppliers when agreeing the terms of each agreement. Suppliers are aware of the terms of payment and the Company abides by the terms of payment. The average number of days a creditor is outstanding is five days.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are described in the Chairman's Statement, the Investment Highlights, the Portfolio Review and the Business Review.

At each Board meeting, the Directors review the Company's latest financial information. The Board regularly considers commitments to private equity investments, long-term cash flow projections for the Company and the use of gearing.

After due consideration of the balance sheet and activities of the Company and the Company's assets, liabilities, commitments and financial resources, the Directors have concluded that the Company has adequate resources to continue in operation for the foreseeable future. For this reason, they consider it appropriate to continue to adopt the going concern basis in preparing the Accounts of the Company.

Annual General Meeting

The Annual General Meeting will be held on Thursday 7 March 2013. In addition to the ordinary business the following special business will be considered:

Adoption of New Articles of Association (Resolution 7)

A special resolution will be proposed to adopt new articles of association (the "New Articles") in substitution for, and to the exclusion of, the existing articles of association (the "Current Articles"). Details of the proposed changes are set out below. Shareholders are being asked to vote on Resolution 7 in order to effect the changes and adopt the New Articles.

Having considered the effects of the proposed Resolution 7, the Directors are of the opinion that it does not pose any material risks. The Directors believe that adopting the New Articles is in the best interests of shareholders as a whole and recommend shareholders to vote in favour of Resolution 7.

The principal change to the Current Articles relates to the Company's status as an investment trust. Certain of the tax and company legislation governing investment trusts has been amended recently, including the repealing of the rule which required investment trusts to contain a provision in their articles of association prohibiting the distribution as dividends of surpluses arising on the realisation of investments (classified as capital).

In compliance with the previous legislative regime, the Current Articles contain articles 131 and 147 which prohibit the payment of dividends out of the Company's capital reserves. The Directors are advised that one of the consequences of the amended legislation is that the Company should now change its Articles so that it could, if required, pay a dividend from capital reserves in order to maintain investment trust status. Accordingly, articles 131 and 147, which contain express prohibitions on making distributions out of capital, are proposed to be deleted.

In addition, the following changes to the Current Articles are being proposed:

- deleting from article 43 the provision regarding capital reduction, as a company no longer requires express power in its articles to reduce share capital,
- amending article 68 to allow shareholders to vote on a show of hands on the basis of 'one man one vote', as is customary,
- amending article 79 to meet the requirements of section 330 of the Companies Act regarding minimum timing requirements for terminating proxy appointments,
- deleting articles 129, 131, 132, 146 and 147, which currently require and/or permit the Directors to (i) maintain a capital reserve and revenue account, and (ii) allocate certain receivables to revenue profits available for dividends. As the result of the legislative amendments outlined above, these provisions are no longer necessary for the purpose of making distributions and it is proposed that they be deleted to avoid any inadvertent inconsistency with the accounting standards applied by the auditors,
- amending article 158 to clarify that the right to cease sending communications and documents to those shareholders who are no longer residing at their last known address extends to annual and interim reports, and
- inserting a number of minor drafting changes, mostly to align the use of defined terms.

A copy of the New Articles marked to show the changes which are proposed to be made to the Current Articles is available for inspection at the address set out on page 92 from the date of this document until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes before and during the meeting.

Authority to Purchase own Shares (Resolution 8)

A special resolution will be proposed to renew the Board's authority to purchase its own shares, so as to permit the purchase of up to 5,297,524 of the Company's ordinary shares (or such lesser number of shares as is equal to 14.99% of the total number of ordinary shares in issue at the date of the passing of the resolution) subject to the constraints set out in the special resolution. The Directors would intend to use this authority to purchase shares only if this would result in an increase in net asset value per share and would be in the best interests of shareholders generally. Should any shares be purchased under this authority, it is the intention of the Board that such shares be cancelled.

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

Additional Information for Shareholders

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

Alteration of Articles of Association

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

Share Capital

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

Dividends and Distributions

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

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

Voting Rights

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

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

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

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

Restrictions on Voting

No member shall have the right to vote at any general meeting or at any separate meeting of the holders of any class of shares, either in person or by proxy, in respect of any share held by him unless all amounts presently payable by him in respect of that share have been paid. In addition, if a person with a 0.25% interest of a class of shares has been served with a notice after failure to provide the Company with information concerning interest in those shares required to be provided under the Companies Act 2006 the member shall not be entitled to vote.

Deadlines for exercising voting rights

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

Variation of rights

The Articles specify that if the capital of the Company is divided into different classes of shares, rights attached to any class may be varied, either in such manner (if any) as may be provided by those rights, or in the absence of any such provision, with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate meeting of the holders of

the shares of that class, but not otherwise. At every such separate meeting other than an adjourned meeting the quorum shall be two persons together holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question (excluding any shares of that class held as treasury shares). At an adjourned meeting, the quorum shall be two persons holding shares of the class in question (other than treasury shares) or his proxy.

Transfer of shares

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

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

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

- (a) is lodged, duly stamped, at the Office or at such other place as the Directors may appoint and (except in the case of a transfer by a financial institution where a certificate has not been issued in respect of the share) is accompanied by the certificate for the share to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer,
- (b) is in respect of only one class of share, and
- (c) is in favour of not more than four transferees.

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

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

Appointment and replacement of Directors

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

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

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

The office of a Director shall be vacated if a Director

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

Powers of the Directors

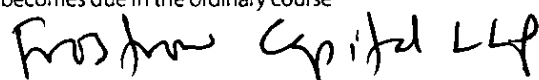
Subject to the Articles, the Companies Act and any directions given by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company

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

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

Significant agreements Change of control

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



By order of the Board of Directors
Frostrow Capital LLP, Company Secretary
25 Southampton Buildings, London WC2A 1AL
27 November 2012

Directors' Remuneration Report

The Directors submit this report in accordance with the requirements of Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008. An Ordinary Resolution for the approval of this report will be put to members at the forthcoming Annual General Meeting.

The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such.

Remuneration and Nomination Committee

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

The Committee met twice in the year.

Ms L Webber was the Chairman of the Remuneration and Nomination Committee and the Senior Independent Director throughout the year.

The Committee resolved during the year that the Chairman's total fee should be reduced, in accordance with her request, from £150,000 to £100,000 per annum comprising a basic Director's fee of £35,000 per annum with a reduced additional fee of £65,000 per annum with effect from 1 February 2012 and that the Chairman of the Management Engagement Committee should receive a fee of £6,000 per annum with effect from 1 October 2011. The Committee resolved at the same time that the non-Chairman members of the Valuations Committee should no longer receive any additional fees for their services on this Committee with effect from 1 January 2012 (previously £3,000 per annum). The Committee did not consider it necessary to recommend any other changes to the existing fee arrangements during the year.

The basic Director's fee for each Director is £35,000 per annum with an additional fee of £65,000 per annum for the Chairman of the Company (which was reduced from £115,000 as discussed above from 1 February 2012). An additional fee of £6,000 per annum is payable to the Chairman of each of the Audit, Valuations and Management Engagement Committees and to the Senior Independent Director. Separate additional fees of £3,000 per annum were payable during the year to the Chairman of the Remuneration and Nomination Committee and, until 1 January 2012, the non-Chairman members of the Valuations Committee.

The Company has no employees.

Policy on Directors' Remuneration

The Company's policy is that remuneration of non-executive Directors should be fair and sufficient to enable Directors properly to oversee the affairs of the Company and should reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue for the year to 30 September 2013 and subsequent years. Non-executive Directors are not eligible to receive bonuses, pension benefits, share options or other benefits. The Remuneration and Nomination Committee relies mainly on general salary surveys in respect of its consideration of the level of Directors' Remuneration. The total remuneration of the Directors is determined by the provisions of the Articles of Association and by shareholders' resolutions.

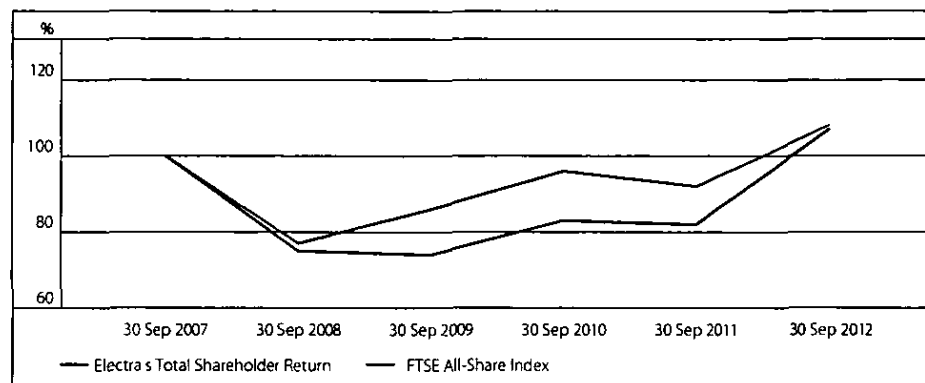
Directors' Service Contracts

None of the Directors has a service contract with the Company. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office.

Total Shareholder Return

The Directors consider that, since the Company invests in a broad range of commercial sectors, the FTSE All-Share Index is the most appropriate index against which to compare the Company's performance.

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



Directors' Remuneration for the Year (audited)

The Directors who served during the year received the following emoluments in the form of salary and fees

	30 September 2012 £000	30 September 2011 £000
Dr C Bowe (Highest paid Director)	117	150
RA Armstrong (retired 24 February 2011)	–	15
K Barker	38	34
G Cullinan	42	29
RK Perkin	42	44
MED'A Walton (retired 28 May 2012)	27	41
L Webber	45	43
JP Williams (retired 24 February 2011)	–	17
R Yates (appointed 28 May 2012)	12	–
Total	323	373

Linda A. Chubb

L Webber, Chairman of the Remuneration and Nomination Committee
 Paternoster House
 65 St Paul's Churchyard, London EC4M 8AB
 27 November 2012

Corporate Governance

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

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

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code during the year to 30 September 2012 except as set out below.

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

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

The Board of Directors

The Board comprised six Directors at 30 September 2012, all of whom were non-executive. The Board appointed Mr R Yates as a non-executive Director on 28 May 2012 following the retirement of Mr MED'A Walton on the same date. The Board has nominated Ms L Webber as the Senior Independent Director. Ms L Webber has announced her intention to retire from the Board at the forthcoming AGM on 7 March 2013. The Directors' terms of appointment are available for inspection on request.

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

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

The number of meetings of the Board and Committees of the Board held during the year and the attendance of the individual Directors at those meetings is shown in the table below. All the Directors attended the 2012 Annual General Meeting.

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

	Board	Audit Committee	Remuneration and Nomination Committee	Valuations Committee	Management Engagement Committee
Number of Meetings	9	4	2	2	3
Dr C Bowe*	9	–	2	–	–
K Barker**	9	4	2	2	1
G Cullinan	9	4	2	2	3
RK Perkin***	9	4	2	2	–
MED'A Walton**	7	4	2	2	–
L Webber	9	4	2	2	3
R Yates**	2	–	–	–	2

* Dr Bowe is not a member of the Audit, Valuations or Management Engagement Committees

** Mr Yates was appointed to the Board on 28 May 2012 following the retirement of Mr Walton on the same date. Mr Walton was not a member of the Management Engagement Committee during the year. Mr Yates was appointed to the Committee on his appointment to the Board at which time Ms Barker retired from the Committee.

***Mr Perkin was not a member of the Management Engagement Committee during the year.

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

The Directors believe that the Board has an appropriate balance of skills and experience, independence and knowledge of the Company to enable it to provide effective strategic leadership and proper governance of the Company. Information about the Directors including their relevant experience can be found on pages 82 and 83.

Independence of the Board

Dr Bowe and Mr Perkin were non-executive Directors of Electra Private Equity Investments PLC throughout the year and Mr Cullinan was appointed as a non-executive Director of Electra Private Equity Investments PLC on 28 May 2012 following the retirement of Mr Walton from the Boards of the Company and Electra Private Equity Investments PLC on the same date. Electra Private Equity Investments PLC is a wholly-owned subsidiary of Electra which was established solely for the purpose of issuing and redeeming Zero Dividend Preference shares.

The Board has carefully considered the independence of each Director under the provisions of the AIC Code and, notwithstanding the cross-directorships detailed above, has concluded that each Director is wholly independent on the basis that the Board firmly believes that independence is a state of mind and the character and judgement which accompany this are distinct from and are not compromised by cross-directorships.

The Board carries out a formal appraisal process of its own operations and performance and those of its Committees each year. In 2012, the Board commissioned Boardroom Review to carry out an externally-facilitated evaluation of its operations and performance and those of its Committees. Issues covered included Board composition, meeting arrangements and communication. Boardroom Review presented a detailed report to the Board on the conclusions of its evaluation and these were discussed with the Board. The report did not identify any material weaknesses or concerns. The Chairman has led on implementing those changes recommended by Boardroom Review that the Board considered should be made.

Boardroom Review does not have any other connection with the Company.

The process was considered by the Board to be constructive in identifying areas for improving the functioning and performance of the Board and of its Committees. The Board concluded that its performance and that of its Committees was satisfactory.

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

Directors' Terms of Appointment

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

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

Therefore the Company did not introduce annual re-election of Directors at the Annual General Meeting held in 2012 and at future Annual General Meetings it will continue to comply with the requirements of the Company's Articles and the Board's policy on Directors' Terms of Appointment in relation to the re-election of Directors.

Re-election of Directors

In accordance with the Company's Articles and the Board's policy on Directors' Terms of Appointment, Dr Bowe will retire at the Annual General Meeting to be held in 2013 and offer herself for re-election. Mr Yates will offer himself for election at the Annual General Meeting to be held in 2013. Biographical details of the Directors seeking election or re-election are set out on pages 82 and 83.

Independent Professional Advice

Individual Directors may seek independent professional advice in furtherance of their duties at the Company's expense within certain parameters. All Directors have access to the advice and services of the Company Secretary.

Company Secretary

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

The Audit Committee

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

The Committee's responsibilities include

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

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

- review and approval of the annual plan of the external auditors,
- discussion and approval of the fee for the external audit,
- detailed review of the Annual and Half Year Report and Accounts and recommendation for approval by the Board,
- discussion of reports from the external auditors following their audit,
- assessment of the effectiveness of the external audit process as described below,
- review of the Company's key risks and internal controls,
- review of Electra Partners' Business Continuity Plan and IT Disaster Recovery Plan,
- consideration of the 2012 UK Corporate Governance Code, Guidance on Audit Committees and the 2012 UK Stewardship Code and the impact of these on the Company,
- consideration of ways of improving the format of the Report and Accounts

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

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

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

The Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises all the Directors of the Company, all of whom are considered to be independent. The Board considers it appropriate, given the number of Directors, that all Directors should comprise the Committee. The Remuneration and Nomination Committee is chaired by Ms Webber.

The Committee met twice in the year under review, to consider the appointment of Mr Yates as a Director and to review Directors' remuneration. During the year the Committee engaged the services of an external search consultant in relation to the appointment of an additional Director.

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

The Valuations Committee

The Valuations Committee adds a further level of oversight to the valuation process carried out by Electra Partners under its contractual arrangements with the Company. The Valuations Committee was chaired by Mr Walton until his retirement from the Board when Ms Barker was appointed as Chairman of the Committee. Ms Barker, Ms Webber, Mr Cullinan and Mr Perkin were members of the Committee throughout the year. Mr Yates was appointed as a member of the Committee during the year.

Management Engagement Committee

A Management Engagement Committee was established in 2011. The Committee is chaired by Mr Cullinan and comprises Ms Webber and Mr Yates, who has been appointed as a member of the Committee in place of Ms Barker. The Committee has written terms of reference which are available on the Company's website.

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

The Committee met three times during the year to agree its terms of reference and to review the performance of the Manager.

Induction and Training

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

The Company's Relationship with its Shareholders

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

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

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

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

Internal Control

The Board confirms that it has an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and has continued since the year end. It is reviewed at regular intervals by the Board.

The Board is responsible for the Company's system of internal control and has reviewed its effectiveness for the year ended 30 September 2012. This review encompasses all controls including financial, operational and compliance controls and risk management. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

Since investment management, custody of assets and many administrative services are provided or arranged for the Company by Electra Partners, the Company's system of internal control mainly comprises the monitoring of the services provided by Electra Partners, including the operating controls established by them to ensure they meet the Company's business objectives. As part of this process Electra Partners is responsible for submitting performance statistics, investment valuations and management accounts to the Board. The key elements designed to provide effective internal control are as follows:

- Financial Reporting – regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analyses of transactions and performance comparisons
- Investment Strategy- regular review by the Board of the Company's Objective and Investment Policy, including commitments to new funds
- Management Agreements and Investment Performance – the Board regularly monitors the performance of Electra Partners to ensure that the Company's assets and affairs are managed in accordance with the Company's Objective and Investment Policy

The Board keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of the key controls of Electra Partners as follows:

- The Board reviews the terms of the management agreements and receives regular reports from Electra Partners executives
- The Board reviews the certificates verifying compliance with documented controls provided by Electra Partners on a six monthly basis

Voting Policy

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

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

Other Information in the Report of the Directors

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

Statement of Directors' Responsibilities

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

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

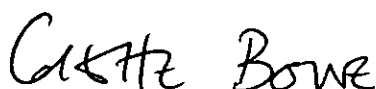
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements,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

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

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

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

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



By order of the Board of Directors
Dr Colette Bowe, Chairman, Paternoster House
65 St Paul's Churchyard, London EC4M 8AB
27 November 2012

Board of Directors



Colette Bowe (Chairman)

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

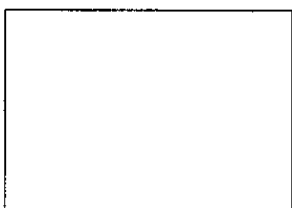
Dr Bowe was appointed a Director in 2007 and as Chairman in 2010.



Kate Barker

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

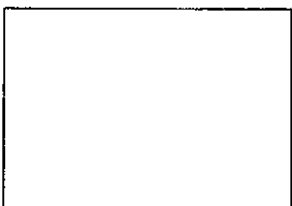
Ms Barker was appointed a Director in 2010. She is Chairman of the Valuations Committee.



Geoffrey Cullinan

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

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



Roger Perkin

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

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

Lucinda Webber

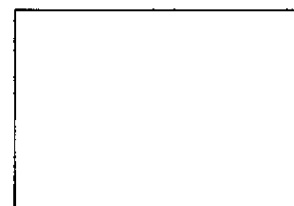
Ms Webber has over 25 years of experience in the private equity industry, having joined Barclays Development Capital Limited from Barclays Merchant Bank in 1984. She became a director of Barclays Development Capital Limited (now Barclays Private Equity) and Barclays Capital Development in 1990. In 1997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



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

Roger Yates

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



Mr Yates was appointed a Director in May 2012.

Notes

All Directors are members of the Remuneration and Nomination Committee.

All Directors apart from the Chairman are members of the Audit Committee and the Valuations Committee.

Mr Cullinan, Mr Yates and Ms Webber are members of the Management Engagement Committee.

Dr Bowe, Mr Cullinan and Mr Perkin are Directors of the Company's wholly owned subsidiary Electra Private Equity Investments PLC.

Information for Shareholders

Financial Calendar

Annual General Meeting	7 March 2013
Interim Management Statement to December 2012	January/February 2013
Half-year Results announced	May 2013
Interim Management Statement to June 2013	July/August 2013
Annual Results announced	November/December 2013

Electra News via Email

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

Trading Information – Ordinary shares

Listing	London Stock Exchange
ISIN	GB0003085445
SEDOL	308544
Ticker/EPIC code	ELTA
Bloomberg	ELTALN
Reuters	ELTAL

Trading Information – Convertible Bond

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

Analysis of Ordinary Shareholders as at 30 September 2012 taken from the Company's Share Register held by Equiniti Limited

Party type	No of shareholders	Holders within type %	No of shares	Issued Capital %
Nominee	742	19.25%	32,330,427	91.48%
Individuals	3,014	78.20%	2,259,460	6.39%
Other Organisation	50	1.30%	464,095	1.31%
Limited Company	43	1.12%	263,508	0.75%
Bank	2	0.05%	21,074	0.06%
Pension Fund	2	0.05%	1,826	0.01%
Public Limited Company	1	0.03%	1	0.00%
Total	3,854	100.00%	35,340,391	100.00%

Convertible Bond

What is a Convertible Bond?

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

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

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

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

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

Registrar

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

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

Share Fraud Warning – 'Boiler Room' Scams

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares. These operations are commonly known as 'boiler rooms' scams.

These 'brokers' can be very persistent and the Financial Services Authority (FSA) has found that it is not just the novice investor that has been duped in this way. The FSA reports that experienced investors have lost an average of £20,000, with around £200 million in total being lost in the UK each year.

Shareholders are advised to be very wary of any unsolicited calls or correspondence. If you are offered unsolicited investment advice, discounted shares or free company reports, you should take the following steps before handing over any money:

- Get the name of the person and organisation contacting you
- Check the FSA Register at www.fsa.gov.uk/fsaregister to ensure they are authorised
- Use the details on the FSA Register to contact the firm
- Call the FSA Consumer Helpline on 0845 606 1234 if there are no contact details on the Register or you are told they are out of date

To report a share scam, or to find out about the latest investment scams, go to www.fsa.gov.uk/scams

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

Other Useful Websites

LPEQ

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

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

For further information visit www.lpeq.com

Association of Investment Companies (AIC)

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

For further information visit www.theaic.co.uk

Ten Year Record

Ten Year Record of Net Assets, Share Price and Earnings

As at 30 Sept	Net Assets £ 000	Diluted Net Asset Value per share p	Diluted earnings per share p	Basic earnings per share p	Dividends paid per share p	Share price ¹ as at 5 April per share p	Share price ¹ as at 30 Sept per share p
2003	495,498	759.6	–	(2.55)	–	522.00	633.50
2004	² 426,723	912.86	–	5.70	–	747.50	793.50
2005	³ 520,883	1,197.22	–	64.09	–	931.00	1,113.00
2006	⁴ 598,292	1,545.07	–	20.58	⁵ 20.00	1,326.00	1,371.00
2007	⁶ 745,506	2,001.21	–	24.60	⁷ 17.00	1,605.00	1,680.00
2008	⁸ 640,949	1,800.64	–	(13.98)	⁹ 25.00	1,570.00	1,235.00
2009	¹⁰ 607,953	1,720.36	–	34.05	–	632.50	1,224.00
2010	724,531	2,050.25	–	4.41	–	1,361.00	1,368.00
2011	821,492	2,224.78	23.00	11.90	–	1,414.00	1,360.00
2012	916,304	2,473.10	(6.46)	(24.29)	–	1,720.00	1,770.00

Notes

The net asset value per share for the years 2003 and 2004 above are as previously reported under UK GAAP 2005 to 2012 have been prepared on an IFRS basis as explained in the Basis of Accounting

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

Notice of Annual General Meeting

Notice is hereby given that the seventy-eighth Annual General Meeting of Electra Private Equity PLC will be held at 12 00 noon on Thursday 7 March 2013 in The Great Hall at The Saddlers' Hall, 40 Gutter Lane, London EC2V 6BR for the following purposes

Ordinary Business

- 1 To receive the reports of the Directors and Auditors and the Group Accounts for the year ended 30 September 2012
- 2 To approve the Directors' Remuneration Report for the year ended 30 September 2012 which is set out in the Annual Report and Accounts of the Company for the year ended 30 September 2012
- 3 To elect Mr R Yates as a Director of the Company
- 4 To re-elect Dr C Bowe as a Director of the Company
- 5 To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company
- 6 To authorise the Directors to fix the remuneration of the Auditors

Special Business

As Special Business, to consider and, if thought fit, to pass the following Resolutions as Special Resolutions

- 7 Special resolution to amend the Company's Articles of Association

That the New Articles produced to the Meeting and initialled by the Chairman of the Meeting for the purpose of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the Current Articles

- 8 Special resolution to renew share buyback authority

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

- (i) the maximum number of ordinary shares hereby authorised to be purchased is 5,297,524 or such lesser number of shares as is equal to 14.99 per cent of the total number of ordinary shares in issue as at the date of the passing of this resolution,
- (ii) the minimum price which may be paid for an ordinary share shall be 25 pence,
- (iii) the maximum price, exclusive of any expenses, which may be paid for an ordinary share shall be an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased,
- (iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors), and
- (v) unless renewed, the authority hereby conferred shall expire on the earlier of 7 June 2014 or the conclusion of the Company's Annual General Meeting in 2014 save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares which will or may be completed or executed wholly or partly after such expiry

Frostrow Capital LLP

By order of the Board of Directors

Frostrow Capital, Secretary, 25 Southampton Buildings, London WC2A 1AL
27 November 2012

Notes

- 1 Members of the Company who are entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to exercise all or any of their rights to attend and to speak and vote at the Meeting. A member may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.
- 2 A member may vote at the Annual General Meeting subject to being on the Register of Members as at 6pm on 5 March 2013.
- 3 A Form of Proxy is enclosed. To be effective, the Form of Proxy and any power of attorney under which it is executed (or a duly certified copy of any such power) must reach the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6DA, not less than 48 hours before the time of the Meeting or adjourned Meeting or (in the case of a poll taken otherwise than at or on the same day as the Meeting or adjourned Meeting) for the taking of the poll at which it is to be used. Completion and return of the Form of Proxy will not prevent a member from attending and voting at the Meeting. Replacement forms of proxy may be obtained from the Company's Registrar.
- 4 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those holders of ordinary shares entered on the Register of Members of the Company as at 6.00 pm on 5 March 2013 ("the Specified Time") shall be entitled to attend and vote at the Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the register of members after the Specified Time shall be disregarded in determining the rights of any person to attend and vote at the Meeting. If the Meeting is adjourned to a time not more than 48 hours after the Specified Time applicable to the original Meeting, that time will also apply for the purposes of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period, then to be so entitled, members must be entered on the Company's register of members at a time which is not more than 48 hours before the time fixed for the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.
- 5 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 7 March 2013 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. For a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with CREST specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (www.euroclear.com/CREST). The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 6 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
- 7 Shareholders are entitled to attend and vote at general meetings of the Company. On a vote by show of hands, every member and every duly appointed proxy who is present in person shall have one vote. On a poll vote, every member who is present in person or by proxy shall have one vote for every share of which he is the holder.
- 8 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. A member that is a company may appoint either a proxy or a corporate representative. Members wishing to appoint a corporate representative should examine the Company's Articles of Association and the provisions of the Companies Act 2006.
- 9 Under Regulation 12, Section 319A of the Shareholder Rights Directive, the Company must answer any question relating to the business being dealt with at the Meeting put by a member at the Meeting. However, the Company need not answer if a) to do so would interfere unduly with the preparation for the Meeting or b) to answer would involve the disclosure of confidential information or c) the answer has already been given on a website in the form of an answer to a question or d) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
- 10 Information about the Annual General Meeting is published on www.electraequity.com.
- 11 The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this Notice until the close of the Annual General Meeting, and will be available at the place of the Annual General Meeting from 11.45 am until the conclusion of the Meeting:
 - (a) the current Articles of Association of the Company,
 - (b) a copy of the Articles of Association as proposed to be adopted by Resolution 7, and
 - (c) the terms and conditions of appointment of all Directors.No Director has a service contract with the Company.
- 12 Short biographical details regarding Mr Yates and Dr Bowe are contained on pages 82 and 83.
- 13 The total number of issued ordinary shares/voting rights in the Company on 21 November 2012, which is the latest practicable date before the publication of this document, is 35,340,391.
- 14 Shareholders may require the Company to place on its website a statement, made available also to the Company's auditors, setting out any matter relating to the audit of the Company's accounts, including the Auditor's Report and the conduct of the audit, which shareholders intend to raise at the Annual General Meeting. The Company becomes required to place such a statement on the website once a) members with at least 5% of the total voting rights of the Company or b) at least 100 members who are entitled to vote and on whose shares an average sum per member of at least £100 has been paid have submitted such a request to the Company. Members seeking to do this should write to the Company providing their full name and address.
- 15 You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

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

Notes

Contact Details

Board of Directors

Colette Bowe Chairman
Kate Barker
Geoffrey Cullinan
Roger Perkin
Lucinda Webber
Roger Yates
Telephone +44 (0)20 7214 4200
www.electraequity.com

Secretary

Frostrow Capital LLP
25 Southampton Buildings
London WC2A 1AL
Telephone +44 (0)20 3008 4910

Registered Office

Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

Company number

303062

Manager

Electra Partners LLP
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB
Telephone +44 (0)20 7214 4200
www.electrapartners.com

Investor Relations

Andrew Kenny and Nicholas Board
Telephone +44 (0)20 7214 4200

Registered Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants &
Statutory Auditors
7 More London Riverside
London SE1 2RT

Stockbroker

J P Morgan Cazenove

Financial Advisor

Evercore Partners
15 Stanhope Gate
London W1K 1LN

Registrar and Transfer Office

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone (UK) 0871 384 2351*
Textel/Hard of hearing line (UK) 0871 384 2255*
Telephone (Overseas) +44 121 415 7047

*Calls to these numbers cost 8p per minute
from a BT landline. Other providers' costs may
vary. Lines open 8.30am to 5.30pm, Monday
to Friday.

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