

## Electra Private Equity PLC Annual Financial Report Announcement For the Year Ended 30 September 2009

Following the Company's voluntary disclosure of its results for the year ended 30 September 2009 by way of a preliminary announcement dated 1 December 2009, the Company has now published its annual report and accounts for the year ended 30 September 2009.

The financial information set out below does not constitute the Company's statutory accounts for the years ended 30 September 2008 or 2009. The annual report and accounts will shortly be available on the Company's website at [www.electraequity.com](http://www.electraequity.com).

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

### Financial Highlights

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

#### As at 30 September 2009

Net asset value per share	1,720p
Share price	1,224p
Net asset value per share increase over five years (including Special Dividends)	95.3%
Share Price increase over five years	54.3%
Return on equity over five years (annualised)	13.3%

For the year ended 30 September	2005	2006	2007	2008	2009
Net asset value per share (p)	1,197	1,545	2,001	1,801	1,720
Increase/(decrease) in net asset value per share (%)	31.2	29	29.5	(10)	(4.5)
Increase/(decrease) in FTSE All-Share Index (%)	20.9	11.1	8.7	(25.1)	6.1
Increase/(decrease) in Share price (%)	40.3	23.2	22.5	(26.5)	(0.9)

#### Percentage Change in Electra's Net Asset Value Per Share Compared to FTSE All-Share Index

Period	Electra's Net Asset Value per Share %	FTSE All-Share Index %
1 year period 2008-2009	(4.46)	6.08
2 year period 2007-2009	(14.03)	(20.56)
3 year period 2006-2009	11.35	(13.63)
4 year period 2005-2009	43.72	(4.04)
5 year period 2004-2009	88.46	15.98
6 year period 2003-2009	126.48	29.94
7 year period 2002-2009	125.20	46.26
8 year period 2001-2009	107.00	12.57
9 year period 2000-2009	59.00	(13.00)
10 year period 1999-2009	81.00	(7.00)

Each period of performance is based on the opening net asset value per share at 30 September. The net asset value per share for the years 1999 to 2004 are as previously reported under UK GAAP. The net asset value per share for the years 2005 and 2006 are on an IFRS basis.

## Investment Portfolio – £547 million (£505 million)

	2009 %	2008 %
Unlisted 45 Companies (10 at nil value)	66	61
Funds 29 Funds (198 underlying investments)	13	20
Listed 19 investments	21	19

## Classification and Distribution of the Investment Portfolio

	2009 %	2008 %
Building and Construction	7	10
Senior Bank Debt	4	0
Listed Private Equity Funds	5	6
Agriculture	13	10
Other	4	4
Speciality Engineering	7	5
Healthcare	13	11
Transport	1	0
Property Investment	17	17
Financial Services	2	4
Private Equity Funds	13	20
Oil and Gas	1	0
Consumer Goods	9	10
Software and Computing	4	3

## Objective and Investment Policy

The business and affairs of Electra are managed on an exclusive and fully discretionary basis by Electra Partners, an independent private equity fund manager. Electra is managed as an HM Revenue and Customs approved investment trust.

Electra's objective is to achieve a rate of return on equity of between 10–15% per annum over the long term by investing in a portfolio of private equity assets. Unless required to do so as an investment trust, Electra's Directors would not recommend the payment of dividends on a regular basis.

Electra Partners, on behalf of Electra, will aim to achieve this target rate of return by:

- exploiting a track record of successful private equity investment;
- utilising the proven skills of its senior management team, its strong record of deal flow generation and long-term presence in the private equity market;
- 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 total capital position and levels of gearing in light of prevailing economic conditions.

Total bank borrowings by Electra will always be less than 40% of its total assets.

Electra Partners will target private equity opportunities (including direct investment, fund investment and secondary buy-outs of portfolios and funds) so that the perceived risks associated with such investments are justified by expected returns. These investments will be made across a broad range of sectors and types of financial instrument such as equity, senior equity, convertibles and mezzanine debt.

The investment focus will be principally on Western Europe, with the majority of investments expected to be made in the United Kingdom where Electra Partners has historically been most active. Electra Partners would expect there to be an emphasis on areas where its senior management team 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 will be 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 investment strategy, Electra Partners typically targets investments at a cost of £20–75 million in companies with an enterprise value of £60–200 million.

Electra will not invest more than 15% of its total assets at the time of investment in any other listed closed-ended investment funds.

## **Chairman's Statement**

### **Overview**

Despite the challenging environment, Electra ended the year in good shape. Whilst the operating environment for many of our portfolio companies has been difficult, with varying degrees of pressure on working capital, the diverse and defensive characteristics of our investments mean that Electra is well positioned for the future.

During the year, the priority for Electra's Manager, Electra Partners, has been to protect and enhance the existing portfolio. Our holdings were not impervious to the near collapse of bank finance and the cessation of supplier credit insurance, and we had to write off our investment in Vasanta. However, the agreement to combine Baxi and De Dietrich Remeha has delivered a significant uplift in value.

### **Results**

At 30 September 2009 Electra's net asset value per share was 1,720p compared with 1,801p at 30 September 2008, a decline of 4.5%. Over the same period the FTSE All-Share Index increased by 6.1%. Over the five years to 30 September 2009 the net asset value per share, inclusive of Special Dividends, increased by 95% and Electra achieved an annualised return on equity of 13.3%.

### **Share Price Performance**

The fall in Electra's share price of 53% over the first half of the year was driven by an overall decline in the stock market as well as the perception that risks associated with the listed private equity sector outweighed its upside potential. The perception of risk arose from concerns on corporate leverage, over-commitment to third party funds and exposure to highly priced, excessively geared leveraged buyouts – none of which applies to Electra. In recent months there has been a recovery in Electra's share price (an increase of 112% over the six months to 30 September 2009) which has resulted in a year on year decrease of just 1%. Over the five years to 30 September 2009 Electra's share price increased by 54.3% compared to a 16.0% increase in the FTSE All-Share Index.

### **Investment Activity**

The mid-market buyout sector was relatively quiet during the year as many participants struggled with existing portfolio problems and the absence of bank debt. Electra Partners considered 139 investment opportunities (2008: 186) and bid on 14 possible transactions (2008: 19). However, in contrast to last year, many of these were co-investment or bolt-on acquisitions to existing investments, or mezzanine type opportunities. As expected, valuation uncertainties and difficult bank conditions resulted in low levels of new investment and realisations over the last year.

In total £88 million was invested over the year compared with £114 million in the previous year. Of the £88 million invested, £31 million was to acquire a secondary position in the Frankfurt-based Steadfast Capital Fund I, £17 million was invested in Credit Opportunities, a special purpose fund established by Electra to invest in stressed debt situations and £10.4 million was invested in London & Stamford Property rights issue. Realisations in the year, which mainly comprised sales of quoted investments and proceeds from secondaries, amounted to £27 million compared to £192 million in the previous year. Full details of the investment activity over the year are included below in this announcement.

### **Bank Facilities and Zero Dividend Preference Shares**

Although Electra's existing bank facilities were not due for renewal until September 2010, Electra agreed terms in July with its existing lenders for a new multi-currency revolving credit facility of £185 million for three and a half years. Shortly afterwards Electra's new wholly-owned subsidiary, Electra Private Equity Investments plc, undertook an institutional cash placing and raised £42 million net by the issue of seven year Zero Dividend Preference Shares ("ZDP shares"). Mr Armstrong, Mr Williams and I have been appointed Directors of the new subsidiary.

The combination of the funding available from the new banking facilities and ZDP shares diversifies and lengthens the maturity of Electra's sources of funding. The Board believes this extra liquidity and access to capital puts Electra in a strong position at this stage of the economic cycle.

### **Resources and Commitments**

At 30 September 2009 Electra had cash, liquidity funds and floating rate notes of £266 million and £170 million of borrowings drawn down under the new banking facility. Available investment capacity amounted to £281 million comprising £54 million of net liquid resources together with banking facilities of £185 million and £42 million of net proceeds from the ZDP share issue. At that date Electra also had a quoted portfolio valued at £117 million and commitments to third party funds, which may be drawn down over the next five years, amounting to £103 million.

### **Buy-Backs of Shares for Cancellation**

During the year to 30 September 2009 Electra repurchased for cancellation 257,000 (2008: 1.66 million) shares for a total cost of £2.1 million (2008: £26 million). The shares were acquired at an average discount of 52.3% to the net asset value of 1,720p per share at 30 September 2009.

Over the last five years 11.4 million shares have been purchased for cancellation resulting in a repayment to shareholders of £143.9 million. With the need to fund the future redemption of the ZDP shares and anticipating attractive investment opportunities, the Board considers that purchases of shares for cancellation will be less likely in the medium term. Directors will, however, 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.

### **Appointment of non-executive Director**

The Board announced the appointment of Roger Perkin as a non-executive Director of Electra with effect from 24 November 2009. Part of Mr Perkin's role will be to assume the chairmanship of the Audit Committee after the Annual General Meeting in 2010. Mr Perkin is a former senior partner at Ernst & Young and brings with him a significant amount of global accounting experience, having specialised in financial services.

### **Corporate Governance**

Having reviewed the AIC Code and Guide in the light of Sir David Walker's review of corporate governance in the UK banking industry, the Board decided during the year to appoint an independent Company Secretary. Accordingly, since June 2009 the services of Company Secretary have been undertaken by Frostrow Capital LLP, in addition to its existing role as Board adviser. Frostrow took over from Philip Dyke, a Partner of Electra Partners LLP, who undertook the duties of Company Secretary for the previous 20 years. We thank him for his invaluable contribution. Philip remains a Partner of Electra Partners LLP.

### **Articles of Association**

Shareholders last approved a number of changes to the Articles of Association at the Annual General Meeting held in 2008. Following final implementation of the Companies Act 2006 on 1 October 2009, together with the recent implementation of the EU Shareholder Rights Directive in the UK, the Board has decided to seek shareholders' approval to update the Company's Articles of Association to bring them in line with current legislation.

### **Alternative Investment Fund Managers Directive**

The Board continues to monitor the draft Alternative Investment Fund Managers Directive and supports the representations of UK private equity trade bodies that have been made to the EU concerning this Directive.

### **Outlook**

In recent months global capital markets have seen a number of developments. In particular Electra Partners believes that distressed sellers exist across the capital structure and a shortage of capital to pursue opportunities means that competition for deals is likely to be reduced. These factors, together with Electra's flexible investment mandate, will enable Electra Partners to target the growing number of investment opportunities in the market including capital for restructuring, buyouts, private equity into public companies, development capital, secondary investments and debt.

With a stable portfolio our Manager is not firefighting and can devote its energies to seeking new opportunities. This, together with £281 million of investment capacity, means that Electra is in a good position for the future.

Sir Brian Williamson  
Chairman  
7 December 2009

## **Portfolio Highlights**

### Purchases

Year to 30 September	£m
2005	82
2006	131
2007	322
2008	114
2009	88

### Realisations

Year to 30 September	£m
2005	250
2006	257
2007	303
2008	192
2009	27

### Portfolio performance\*

Year to 30 September	%
2005	26
2006	43
2007	58
2008	(6)
2009	(4)

\* Net capital gains as a percentage of the opening portfolio.

### Geographic Split of Investment Portfolio – £547 million (£505 million)

	2009	2008
	%	%
UK	55	40
USA	6	11
Continental Europe	33	33
Asia and elsewhere	6	16

### Valuation Basis of Investment Portfolio – £357 million (£307 million) (excluding listed investments and funds)

	2009	2008
	%	%
Other basis	6	9
Earnings basis	59	67
Yield basis	12	18
Loan Value	5	6
Market Price	18	0

### Age Analysis of Investment Portfolio – £357 million (£307 million) (excluding listed investments and funds)

	2009	2008
	%	%
Less than 1 year	26	18

1 – 2 years	17	51
Over 3 years	16	14
2 – 3 years	41	17

## The Manager

Electra's investment portfolio is managed by Electra Partners, an independent private equity fund manager. As at 30 September 2009, it had funds under management and available investment capacity of over £900 million on behalf of Electra and other clients. Over the last 15 years Electra Partners has invested in excess of £3 billion in private equity investments, accumulating considerable expertise and building a strong track record.

Electra Partners' senior management team has worked together since 1992 and the investment professionals average over 15 years in private equity. They are backed by a 30-strong team skilled in finance, compliance, investor relations and marketing.

### Senior Management Team

Hugh Mumford	Managing Partner
Tim Syder	Deputy Managing Partner
David Symondson	Deputy Managing Partner
Rhian Davies	Partner
Philip Dyke	Partner
Steve Ozin	Partner

### Investment Team

Alex Cooper-Evans	Investment Partner
Ian Dyke	Investment Partner
Charles Elkington	Investment Partner
Nigel Elsley	Investment Partner
Roger Isaac	Investment Partner
Peter Carnwath	Portfolio Manager
Oliver Huntsman	Portfolio Manager
John Levack	Portfolio Manager
John Martin	Investment Manager
Sarah Williams	Investment Manager

## The Portfolio

Electra's portfolio consists of investments in companies and other investment vehicles (the "investment portfolio"). In addition, at 30 September 2009 the Company held cash, liquidity funds and floating rate notes valued at £266 million.

The investment portfolio consists primarily of direct investments in unquoted and quoted companies together with investments in funds where investments are held in limited partnerships managed by other private equity managers. Electra will normally invest in unquoted companies but may invest in quoted companies when the management team, which Electra wishes to support, operates through a quoted vehicle. Quoted investments may also be held where they arise from previously unquoted investments and continue to generate the returns required under the investment mandate. In general these are likely to be sold when resources for new unquoted transactions are required. Investments in funds are made principally to gain exposure to geographic areas outside the UK and which, because of the relationship with the fund manager, are likely to generate co-investment opportunities for Electra.

At 30 September 2009 Electra's available investment capacity amounted to £281 million comprising net liquid resources of £54 million, together with banking facilities of £185 million and £42 million of net proceeds from the ZDP share issue.

As at 30 September	2009	2008
	£m	£m

Investment Portfolio \*

Direct investments	474	403
Funds	73	102
	547	505
Available Investment Capacity	281	336
Investment Portfolio and Available Investment Capacity *	828	841

\* Excludes accrued income on the investment portfolio of £29,450,000 (2008: £9,034,000).

At 30 September 2009 Electra held direct investments in 64 companies with an aggregate value of £474 million and investments in 29 funds with an aggregate value of £73 million.

The top ten and twenty investments account for 51% and 69% respectively of the investment portfolio.

Geographically, 55% of the investment portfolio was situated in the UK, 33% in Continental Europe, 6% was based in the USA and 6% in Asia and elsewhere.

## Investment Portfolio Analysis

Overall, Electra has performed well in the year under review given the volatile market, the decline in the UK and Continental European economies and the difficulties in the banking sector. In the year to 30 September 2009, Electra's net asset value per share declined from 1,801p per share at the beginning of the period to 1,720p per share at 30 September 2009, a decline of 4.5%. This compares to a decline of 10% in the previous year.

The last financial year undoubtedly posed many challenges. Several of Electra's portfolio companies entered a period of lower profitability at a time when refinancing options were limited. The loss of the investment in Vasanta, which led to a write-off of £29 million in the year, is an example of the difficulties caused by market conditions. In this case the removal of credit insurance placed too great a burden on the financing available to the company causing the loss of customers and a lowering of profitability.

While the stock market rebounded strongly in the second half of the year, this was only partially reflected in the valuation of Electra's portfolio, as a result of the nature of the investments. However, with few exceptions the portfolio is conservatively financed and is poised to resume value growth when conditions allow.

Year ended 30 September	2009	2008	2007
	£m	£m	£m
Opening portfolio	505	620	380
Investments	88	114	322
Realisations	(27)	(192)	(303)
Net capital (decrease)/increase	(19)	(37)	221
Closing portfolio *	547	505	620

\*Excludes accrued income on the investment portfolio. 2009: £29,450,000 (2008: £9,034,000, 2007: £13,419,000).

The economic situation in the UK and elsewhere continues to have an impact on portfolio activity both in terms of new investment and realisations. New investment has continued to fall, the total reaching £88 million compared to £114 million in 2008 and £322 million in 2007. Realisations were the most affected with only one investment being sold from the unlisted portfolio. Total realisations for the year amounted to £27 million compared to £192 million in 2008 and £303 million in 2007.

## Prospects

For the second year running, conditions in the UK economy and financial markets have made the process of adding value to the portfolio difficult to achieve without taking significant risk. In the last few months, however, there has been some evidence of an improvement in the markets in which Electra operates. While banking finance remains difficult to obtain, it appears that the pricing of potential transactions is beginning to reflect the current environment. Should this trend continue, the current year will see an increase in the investment rate. In addition, we continue to seek opportunities to enhance the existing portfolio and, based on transactions currently in the pipeline, we expect further progress to be made in this respect.

With a realistically valued portfolio and the liquidity available to make significant further purchases, Electra remains in a good position to make progress as soon as market conditions improve.

## Investment Portfolio Review

### Investments

In the year to 30 September 2009 new investments totalled £88 million compared to £114 million in the previous year. This is the second year running that investment has been made at a comparatively low level. While the number of potential new deals reviewed during the year has remained at a reasonable level, we declined to pursue the majority of these as in our view the prices being asked did not reflect economic reality. Indeed, because of the difficulties in judging future levels of profitability and obtaining adequate bank financing, new investment became challenging. During the year we concentrated on existing portfolio companies with a view to increasing profitability and reducing bank lending ratios.

We have also taken advantage of pricing anomalies in the debt market. A new special purpose vehicle, Credit Opportunities, was set up to purchase senior debt at a discount. During the year, £17 million was spent in the purchase of senior debt securities in 14 companies at an average price of 73%, a discount of 27% to nominal value. In another transaction, £11.5 million nominal value of mezzanine debt in Baxi was purchased at a discount of 65%. The debt market has moved favourably since these investments have been made.

The most significant investment made during the year was the purchase of a secondary interest in the Steadfast Capital Fund I based in Germany. The total cost of this secondary investment was £30.8 million and it was acquired at a discount to the local manager's valuation. The portfolio acquired included a significant investment in MPS, a market leader in the manufacture and distribution of abattoir equipment. MPS accounted for approximately 60% of the total consideration, the remainder of the consideration being spread over a number of further investments.

In accordance with the strategy of improving existing portfolio investments, we have commenced a number of initiatives. In the case of Baxi, we provided support in the form of a further capital investment of £6.2 million in addition to the mezzanine debt purchase mentioned above, prior to its agreement to combine with De Dietrich Remeha to form BDR Thermea. BDR Thermea will benefit from significant synergies and will have a leading position in the European heating products market. In the case of Safeland, we repurchased for a nominal consideration the securities sold approximately two years ago for £12.5 million. A number of further portfolio initiatives remain ongoing which, if successful, will bring benefit in the current year.

### Realisations

In view of the economic conditions prevailing for much of the year, realisations from the portfolio fell sharply. Total realisations for the year amounted to £27 million compared with £192 million in the previous year. Realisations of unlisted investments amounted to only £10 million of which £7.5 million was accounted for by the sale of an investment from a secondary portfolio in France. Realisations from funds also fell to a low level, with total redemptions during the year falling to just under £5 million, most of which arose from the sale of two investments, one in Argentina and the other in the USA. During the year, we realised £12 million from the sale of quoted securities including £7.4 million in respect of eTelecare, a company based in the Philippines, originally acquired as part of another investment over 15 years ago.

### Performance

Over the year to 30 September 2009 Electra's investment portfolio declined in value by a net amount of £19 million, a decrease of 3.8%. The two halves of the financial year were a marked contrast with the decline in the first half year of £78 million offset by an increase in the second half of £59 million. Most of the performance in the second half came from the listed portfolio which increased in value by £43 million, an increase of 70%, whereas the unlisted portfolio, including direct unlisted, secondaries and funds, increased by £16 million, a percentage increase of 4.0%. The marked difference in performance between the listed and unlisted portfolios was due to a number of factors. These include a significant part of the unlisted portfolio being carried at a value which is not directly related to stock market levels and due recognition being given to reduced liquidity where market multiples were applied.

During the financial year the listed portfolio increased in value by 13% after taking account of a £13.3 million decline in the valuation of Candover. Excluding Candover, the listed portfolio increased by 34% with significant contributions from London & Stamford Property in the UK and Zensar in India, whose value increased over the year by 136%.

Over the financial year, the unlisted portfolio declined by 7.6%. The performance was negatively impacted by Vasanta which was sold at a loss of £29.4 million. The combination of Baxi with De Dietrich Remeha on the other hand gave rise to an increase in value over the year of £20.4 million

together with an increase in accrued income of £14.6 million giving an overall increase in value of £35 million.

### Largest Valuation Changes

Company	Valuation at	Valuation	
	30-Sep-09	Increase/(Decrease)	%
	£m	£m	
<b>Increases</b>			
Baxi	41.3	20.4	98
Zensar	15.6	9	136
London & Stamford Property	38	7.8	26
CH-Pharma	12.7	5.8	83
Allflex	50.7	5.5	12
Supervia	5.5	5.5	–
Thermocoax	12.5	5.4	76
<b>Decreases</b>			
Vasanta	–	(29.4)	(100)
Candover	5.4	(13.3)	(71)
Capital Safety	6.2	(10)	(62)
Premier Asset Management	3.3	(7.1)	(68)
Amtico	6.5	(6.3)	(49)
Bizspace	0.2	(5.5)	(96)

Other significant increases included CH-Pharma and Thermocoax where higher profitability was responsible for the valuation increases of £5.8 million and £5.4 million respectively, while the increase of £5.5 million of Allflex was due to currency movements. We also increased the value of Electra's investment in Supervia by £5.5 million to reflect the turnaround of an investment previously written off. Supervia holds the franchise of a commuter railroad in Rio de Janeiro, which currently has 14 years to run. After a number of years of financial restructuring, this railroad is now profitable and Electra's interest has been revalued accordingly.

Decreases in valuation included Capital Safety and Amtico, which were written down by £10 million and £6.3 million respectively to reflect declines in profitability and Bizspace where the increase in property yields led to a decline in value of £5.5 million.

Electra Partners LLP  
7 December 2009

### Schedule of Top Twenty Investments\*

Company	Fair Value	Net		Fair Value	Cost of
	of holding at	purchases/	Performance	of holding	holding
	30-Sep-08	(sales)	in year	at	at
	£'000	£'000	£'000	30-Sep-09	30-Sep-09
				£'000	£'000
<b>Allflex Holdings</b>	45,629	(413)	5,533	<b>50,749</b>	40,482
Animal identification tags					
<b>Baxi Holdings</b>	11,174	9,678	20,447	<b>41,299</b>	32,132
Heating products					
<b>London &amp; Stamford Property †</b>	19,800	10,395	7,821	<b>38,016</b>	30,195
Property holding company					
<b>Promontoria</b>	27,683	(2)	2,704	<b>30,385</b>	16,479
Property holding company					
<b>MPS</b>	–	17,529	3,946	<b>21,475</b>	17,529

Abattoir equipment					
<b>Lil-lets Group</b>	21,412	–	(263)	<b>21,149</b>	21,412
Feminine hygiene products					
<b>Credit Opportunities</b>	–	17,103	3,483	<b>20,586</b>	18,051
Senior debt portfolio					
<b>Labco</b>	23,536	102	(3,292)	<b>20,346</b>	23,709
Medical diagnostics					
<b>Nuaire</b>	22,691	(265)	(3,271)	<b>19,155</b>	23,140
Ventilation systems manufacturer					
<b>Volution (Vent-axia)</b>	15,840	–	–	<b>15,840</b>	15,840
Fan manufacturer					
<b>Zensar Technologies †</b>	6,597	–	8,953	<b>15,550</b>	4,211
Software					
<b>Dinamia †</b>	13,198	–	(451)	<b>12,747</b>	11,274
Spanish private equity					
<b>CH-Pharma</b>	6,921	–	5,755	<b>12,676</b>	5,300
Contract pharmaceuticals manufacturer					
<b>Moser Baer †</b>	12,972	–	(366)	<b>12,606</b>	1,900
Manufacturer of photovoltaic cells					
<b>Thermocoax</b>	7,166	–	5,362	<b>12,528</b>	4,429
Specialist engineering products					
<b>Pine</b>	9,900	170	(1,170)	<b>8,900</b>	13,790
Property investment					
<b>Antico</b>	12,689	–	(6,233)	<b>6,456</b>	22,275
Luxury flooring manufacturer					
<b>Capital Safety Group</b>	16,135	–	(9,885)	<b>6,250</b>	17,586
Specialist safety equipment					
<b>Orthofix †</b>	3,443	–	2,582	<b>6,025</b>	122
Orthopaedic related medical devices					
<b>Supervia</b>	–	–	5,469	<b>5,469</b>	17,085
Commuter railroad					
	276,786	54,297	47,124	<b>378,207</b>	336,941

The investments shown above represent 80% of the Group's direct investments at 30 September 2009 as shown above in the announcement.

\* Excludes floating rate notes, liquidity funds and accrued income

† Listed

## Largest Private Equity Investments

### ALLFLEX HOLDINGS

Location: International

Equity Ownership	33.0%
Valuation	£50,749,000
Cost	£40,482,000

Valuation based on multiple of earnings

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 ("Rfid") with factories in France, Brazil and China. In August 2007 the business was refinanced with Electra retaining a significant ongoing holding in the business.

In the year ended 31 December 2008, Allflex generated sales of \$201.6 million (2007: \$170.9 million) and completed three small acquisitions, securing complementary products and access to new markets. In addition Allflex won a genetic traceability contract from Switzerland.

On a constant currency basis the business is experiencing further growth in 2009. The pending introduction of new identification regulations will provide a further stimulus in future.

#### **BAXI HOLDINGS**

Location: UK and Europe

Equity Ownership	11.3%
Valuation	£41,299,000
Accrued income	£15,435,000
Cost	£32,132,000

Valuation based on multiple of earnings

In 2004 Electra invested £14.9 million in the buyout of Baxi Group. Through this investment Electra maintained an exposure to a business considered to have good long term growth potential.

Baxi is a significant manufacturer of heating products and is a leading supplier of domestic boilers. Turnover of the group is split approximately 67% in the UK and 33% in Continental Europe.

In July 2009 Baxi announced that it had reached agreement with De Dietrich Remeha Group to form a combined group with a leading position in the European heating market. This transaction completed on 30 October 2009. Pro forma 2008 turnover and EBITDA of the combined group, BDR Thermea Group, were approximately €1,700 million and €220 million respectively.

#### **PROMONTORIA**

Location: Germany and Austria

Equity Ownership	10.9%
Valuation	£30,385,000
Cost	£16,479,000

Valuation based at a discount to March 2008 vacant possession value

Promontoria is a property investment company which owns more than 100 retail properties tenanted to Deutsche Woolworth ("DW"). The freehold and long leasehold stores are situated throughout the major towns and cities in Germany and Austria.

Promontoria is unleveraged and its properties were professionally valued on a vacant possession basis in 2008 at over €400 million. Although DW is in administration, full rent continues to be paid and it is anticipated that a new management team will operate the business on a revised basis with a majority of the Promontoria stores. Of the balance, some significant development opportunities are believed to exist.

#### **MPS**

Location: The Netherlands

Equity Ownership	28.1%
Valuation	£21,475,000
Cost	£17,529,000

Valuation based on multiple of earnings

In November 2008, Electra invested €36 million in the acquisition of a 51% limited partnership interest in Steadfast Capital Fund I GmbH; through this transaction, Electra has invested €21 million in MPS (Meat Processing Systems).

Based in the Netherlands, MPS is the global leader in the manufacture of abattoir equipment and employs 400 people worldwide.

MPS traded ahead of its budget during the first half of 2009. In the year ended 31 December 2008, MPS generated sales of over €80 million. Cash generation has again been strong during 2009.

#### **LIL-LETS GROUP**

Location: UK and South Africa

Equity Ownership	61.7%
Valuation	£21,149,000
Accrued income	£7,574,000
Cost	£21,412,000

Valuation based on multiple of earnings

In 2006 Electra invested in the management buy-out of Lil-lets from Accantia. Lil-lets is best known for its branded tampons and has operations in the UK and South Africa.

In the UK the company has responded to the current economic climate by increasing promotional activity and by bolstering its sales team. The product livery has been refreshed and new listings have been achieved with most major retailers for Lil-lets' compact applicator product. This latter initiative significantly extends the brand's footprint. South Africa remains a growth business and the brand's dominant market position has enabled profitability to be extended into other categories with the result that Lil-lets is now the feminine hygiene market leader by volume.

Group sales in the year to 31 December 2008 were £34.8 million (2007: £36.3 million).

### **CREDIT OPPORTUNITIES**

Location: UK

Equity Ownership	n/a
Valuation	£20,586,000
Cost	£18,051,000

Valuation based on market prices

In November 2008, Electra committed €32.5 million to a special purpose vehicle established to take advantage of the discounted senior debt available in the market due to the large volume of sellers of such paper and the lack of buyers.

At 30 September 2009, Electra had invested £21.2 million, which has been valued at current market prices, in senior debt tranches of 14 different companies. The focus has been on managing both the capital gain and yield available across a portfolio of companies and sectors with a view to holding the individual investments until repayment.

In the last six months, senior debt prices have increased significantly. The current average market price for the portfolio is approximately 15% above the average acquisition price.

### **LABCO**

Location: France

Equity Ownership	4.7%
Valuation	£20,346,000
Cost	£23,709,000

Valuation based on multiple of earnings

In July 2008, Electra invested €30 million in the €150 million equity capital increase by Labco SAS.

Paris-based Labco is Europe's largest private network of clinical laboratories. With a presence in six countries, Labco has over 300 laboratories conducting over 250,000 blood and urine tests per day and serving ten million patients each year.

Market growth is derived from an ageing European population, advances in medical technology and an increasing propensity for preventative testing. With a dominant market position in France and Spain, Labco is a leading consolidator of the European laboratory sector which is currently highly fragmented.

The capital increase was used to finance the acquisition of a number of laboratories in Belgium, France, Germany, Italy and Spain. Financial performance in the eight months to August 2009 was in line with budget with revenues of over €300 million.

### **NUAIRE**

Location: UK and France

Equity Ownership	38.8%
Valuation	£19,155,000
Cost	£23,140,000

Valuation based on multiple of earnings

In 2007 Electra invested in the £83 million management buy-out of Nuaire. Nuaire is a leading UK based manufacturer and distributor of ventilation equipment for commercial and residential applications, with factories in Caerphilly, South Wales and St. Brisson-sur-Loire, France.

Nuaire had a satisfactory year's trading, delivering profits only marginally behind the prior year in a very challenging environment. In the year to 30 September 2009 Nuaire generated unaudited group sales of £55.9 million (2008: £58.9 million). Nuaire continues to seek to increase its addressable market and has committed to increasing its investment in new product development during the next year.

### **VOLUTION (VENT-AXIA)**

Location: UK

Equity Ownership	nil
Valuation	£15,840,000
Accrued income	£1,062,000
Cost	£15,840,000

Valuation based on redemption value of debt instruments

In 2006 Electra invested £16 million in the mezzanine and subordinated debt layer of the secondary management buy-out of Volution. The total debt package was £132.5 million.

Volution, whose principal trading subsidiary is Vent-Axia, is one of the leading brand suppliers of ventilation equipment.

In the year to 31 July 2009 the group had sales of £82.5 million and operating profits of £7.3 million. The business has repaid £17.6 million of bank debt.

The current year is a challenging environment for businesses associated with the construction industry.

## **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 2009 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 842 of the Income and Corporation Taxes Act 1988 for the accounting period to 30 September 2007. 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 in the Report of the Directors 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 above in this announcement.

### **Current and future development**

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

The Board regularly reviews the development and strategic direction of the Company, a process which last culminated in the approval by the Company's shareholders of the new investment strategy in October 2006. The Board believes this investment strategy remains effective in the light of prevailing market conditions. The Board's main focus continues to be on the Company's long-term investment return.

### **Performance**

A detailed review of performance during the year is contained in the Investment Portfolio Analysis and Investment 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 above in this announcement in the Financial Highlights and the Chairman's Statement.

### **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 comprised 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. Further details of how the Company views socially responsible investment are set out below in this announcement.

### **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 the spread of holdings in terms of overall portfolio analysis, age and geographic split in accordance with the Company's Objective and Investment Policy. The breakdown of the portfolio is shown above in this announcement.

The principal risks facing the Company include Market Price Risk, Credit Risk, Interest Rate Risk, Liquidity Risk, and Foreign Currency Risk as further detailed in Note 17 of the Notes to the Accounts.

In addition the Company is also focused on the following risks:

#### **Macroeconomic risks**

The performance of the Company's underlying investment portfolio is principally influenced by a combination of economic growth, 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 and on the Company's ability to exit from its underlying portfolio or on the levels of profitability achieved on exit.

#### **Long term strategic risk**

The Company is subject to the risk that its long-term strategy and its level of performance fails 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. The Company has, in the last year, repurchased shares within parameters set by the Board and subject to shareholder authority.

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.

#### **Gearing risks of Zero Dividend Preference shares ("ZDP shares")**

Electra Private Equity Investments plc, a wholly owned subsidiary of the Company, issued ZDP shares during the year, which represents a form of gearing for the Company. The principal gearing risk of these ZDP shares is that they rank prior to the Company's ordinary shares in respect of their final capital entitlement due in 2016 and that there may therefore be an adverse impact on the Company's performance. Secondary risks relate to whether the cost of this gearing is too high and whether the length of gearing is appropriate. The Board regularly monitors and reviews the impact of the ZDP shares and their final capital entitlement cost to the Company.

#### **Government policy and regulation risk**

The Company carries on business as an investment trust under section 842 of the Income and Corporation Taxes Act 1988. Continuation of approval by HM Revenue and Customs is subject to the Company conducting its affairs in a manner which will satisfy the conditions for continual approval as an investment trust. Anticipated 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 to execute successfully 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.

#### **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 below in this announcement.

#### **Management Arrangements**

On 12 October 2006 Electra Partners was appointed as the Manager following shareholders' approval of new management arrangements. The new management agreement dated 12 October 2006 ran for an initial three year period with a 12 month rolling notice period. Neither party could serve notice to terminate during the first two years of the agreement. Electra could have terminated the new management agreement on 12 months' notice, expiring at any time after the initial two year period. After three years, it has the right to terminate on a shorter notice period. 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).

Electra Partners was also able to terminate the new management agreement on 12 months' notice, after the initial two year period. If Electra Partners terminates the new management agreement at any time after the initial three year period, Electra may pay compensation in lieu of any part of the notice period but Electra Partners is not entitled to any additional compensation.

Electra Partners 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).

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 Note 22 of the Notes to the Accounts.

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

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 Directors and as specified in limited partnership and in management and investment guideline agreements.

### **Socially Responsible Investment**

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.

Electra Partners does not screen out companies from its investment universe purely on the grounds of poor social, environmental or ethical performance. Instead, it adopts a positive engagement approach whereby, if it is appropriate, it discusses these issues with the management of the companies in which it invests. The information gathered during these meetings is used both to assist Electra Partners' investment decisions and also to encourage investee company management to improve procedures and attitudes. Electra Partners strongly believes that this is the most effective way to improve the CSR policies of the businesses in which it invests and the Board endorses this view.

### **Results**

A revenue profit attributable to shareholders of £12.047 million (2008: loss of £5.058 million) was transferred to Revenue Reserves. No dividend is proposed in respect of the year ended 30 September 2009 (year ended 30 September 2008: nil).

### **Authority to Make Market Purchases of Shares**

As at 30 September 2009, the Company had authority to purchase for cancellation up to a further 5,297,269 shares. This authority will lapse at the 2010 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 made the following purchases of its own shares in the market under authority granted by shareholders at a total cost of £2.1 million:

Shares Purchased for Cancellation	Date of Purchase	% of Issued Capital at Date of Purchase	Price per share
7,000	26-Nov-08	0.20%	851p
250,000	02-Dec-08	0.70%	808p

The Company does not hold any shares in treasury. At 30 September 2009 a total of 35,338,687 ordinary shares of 25p each were in issue.

### **Multi-Currency Loan Facility**

At 30 September 2009 borrowings under the £185 million (2008: £250 million) multi-currency facility amounted to £169,732,000 (2008: £158,870,000).

### **Directors**

The current Directors of the Company are listed below in this announcement. Sir Brian Williamson, Mr RA Armstrong, Ms C Bove, Mr MED'A Walton, Ms L Webber and Mr JP Williams served as Directors throughout the year ended 30 September 2009. No other person was a Director of the Company during any part of the year. In accordance with either the Company's Articles of Association or the AIC Code of Corporate Governance, Sir Brian Williamson, Mr RA Armstrong, Mr MED'A Walton and Mr JP Williams will all retire at the Annual General Meeting in 2010 and, being eligible, offer themselves for re-election.

The Board appointed Mr R Perkin as a non-executive Director on 24 November 2009. Mr Perkin is a former senior partner at Ernst & Young with significant global accounting experience and financial services expertise. It is intended that Mr Perkin will become Chairman of the Audit Committee after the Annual General Meeting. Mr Perkin offers himself for election at the Annual General Meeting in 2010.

#### Directors' Conflicts of Interest

The Board met on 24 November 2009 to consider conflicts of interest when it was agreed that none of the Directors had an actual conflict of interest.

The Board has agreed that the Remuneration and Nomination Committee would in future be 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. The terms of reference of the Remuneration and Nomination Committee have been amended accordingly.

#### Directors' Interests

The interests of the Directors (including connected persons) in the ordinary shares 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 of the Company between 1 October 2009 and 7 December 2009.

	30-Sep 2009	01-Oct 2008
	Shares	Shares
Sir Brian Williamson	840	–
RA Armstrong	23,723	23,723
C Bowe	1,129	1,129
MED'A Walton	16,016	16,016
L Webber	1,500	1,500
JP Williams	10,000	10,000

Upon appointment Mr R Perkin did not have an interest in any ordinary shares 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:

	Voting Rights Notified		Percentage of Voting Rights *	
	Direct No	Indirect No	Direct %	Indirect %
Asset Value Investors Limited as discretionary manager	3,496,024	–	9.89	–
Prudential Plc group of companies	2,580,081	–	7.30	–
The Cooperative Asset Management	2,027,730	–	5.74	–
Rensburg Sheppards Investment Management Limited	–	1,780,564	–	5.04
HBOS plc	67,208	1,633,324	0.19	4.62
Bear, Stearns International Trading Limited	1,441,394	–	4.08	–
British Empire Securities and General Trust PLC	1,440,112	–	4.08	–
Legal & General Group Plc	1,409,952	–	3.99	–

\* Percentage shown as a percentage of 35,338,687 ordinary shares, being the number of shares in issue at the latest practicable date before the publication of this Directors' Report.

#### Charitable and Political Donations

During the year the Group made no charitable or political donations (2008: £nil).

#### 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.

### **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.

### **Going Concern**

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Accounts as the Company has adequate resources to continue in operational existence for the foreseeable future.

### **Annual General Meeting**

The Annual General Meeting will be held on Tuesday 2 February 2010. In addition to the ordinary business the following special business will be considered:

#### **Adoption of new Articles of Association (Resolution 10)**

A special resolution will be proposed to adopt new Articles of Association in substitution for, and to the exclusion of, the existing Articles of Association of the Company. This resolution is being put to shareholders so that the Company may align its Articles with the Companies Act 2006. The Directors believe that the proposed adoption of new Articles of Association is in the best interests of shareholders as a whole and recommend shareholders to vote in favour of Resolution 10.

#### **Authority to purchase own shares (Resolution 11)**

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 5,297,269 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 11.

### **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 1985 and the Companies Act 2006, together the 'Companies Acts'). This is a summary only and the relevant provisions of the Articles or the Companies Acts should be consulted if further information is required.

#### **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 Acts, 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 or other monies payable in respect of the Company's shares from a person with a 0.25% interest (as defined in the Articles) 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 Acts.

#### **Voting rights**

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting or class meeting, every member present in person and every duly appointed proxy has, upon a show of hands, one vote and on a poll every member who is present in person or by proxy has one vote for every complete 25p in nominal amount of the shares of which he is the holder. In the case of joint holders of a share the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be

determined by the order in which the names stand in the Register of Members in respect of the shares. Under the Companies Acts members are entitled to appoint a proxy, who need not be a member of the Company, to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting or class meetings as a corporate representative. The person or any one of such persons so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company.

#### **Restrictions on voting**

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition no member shall be entitled to vote if he has been served with a notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

#### **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 proxy forms of not than less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

#### **Variation of rights**

Subject to statute, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

#### **Transfer of shares**

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the Directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members of the Company. The Directors may, at any time after the allotment of any share, but before any person has been entered in the Register of Members as the holder, recognise a renunciation by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The Directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares) provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

The Directors may also refuse to register an allotment or transfer of shares (whether fully-paid or not) in favour of more than four persons jointly. If the Directors refuse to register an allotment or transfer they shall within two months after the date on which the letter of allotment or transfer was lodged with the Company send to the allottee or transferee a notice of the refusal.

The Directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share and when submitted for registration is accompanied by the relevant share certificates and such other evidence as the Directors may reasonably require.

Subject to statutes and applicable CREST rules, the Directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A shareholder does not need to obtain the approval of the Company, or of other shareholders of shares in the Company, for a transfer of shares to take place.

### **Appointment and replacement of Directors**

Directors shall be no less than three and no more than fifteen in number. A Director is not required to hold any shares of the Company by way of qualification. The Company may by ordinary resolution increase or reduce the maximum or minimum number of Directors.

At each Annual General Meeting, any Director who was elected or last re-elected a Director at or before the Annual General Meeting held in the third calendar year before the current calendar year shall retire 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 (if their number is not a multiple of three, the number shall be the number nearest to but not greater than one-third). The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. The additional Directors to retire shall be those who have been longest in office since their last re-election or in the case of those who were appointed or re-elected on the same date, shall be determined by lot. A retiring Director is eligible for re-election.

The Board may appoint any person to be a Director (so long as the total number of Directors does not exceed the limit prescribed in the Articles). Any such Director shall hold office only until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

The office of Director shall be vacated if a Director:

- (i) resigns in writing or offers to resign in writing and the Board resolves to accept such offer;
- (ii) becomes bankrupt or compounds with his creditors generally;
- (iii) is prohibited by law from being a Director;
- (iv) 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
- (v) notice is served upon a Director in writing by all other co-Directors.

### **Powers of the Directors**

Subject to the Articles, the Companies Acts 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 Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertakings, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The aggregate amount remaining undischarged of all money borrowed by the Company or its subsidiaries may not, without the prior sanction of an ordinary resolution, exceed the aggregate of (i) the amount paid up or credited as paid up on the share capital of the Company or (ii) the total of the capital and revenue reserves of the Company and its subsidiaries, subject to certain adjustments.

The Company may by ordinary resolution declare dividends but no dividend shall be payable in excess of 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, Secretary  
25 Southampton Buildings, London WC2A 1AL  
7 December 2009

## **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”). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. Copies of the Combined Code can be found on the Financial Reporting Council’s website [www.frc.org.uk](http://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](http://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 Combined Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code during the year to 30 September 2009.

### The Board of Directors

The Board was comprised of six Directors throughout the year to 30 September 2009 all of whom were non-executive. The Board appointed Mr R Perkin as a non-executive Director on 24 November 2009. The Board has nominated Mr JP Williams as the Senior Independent Director.

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 agreements with Electra Partners, together with the monitoring of the performance thereunder. The management agreements set out the matters over which Electra Partners has authority in accordance with the policies and directions of the Board. The Board meetings 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 Board considers that it meets sufficiently regularly to discharge its duties effectively.

The number of scheduled 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 Annual General Meeting.

### Directors’ Attendance at Scheduled Meetings of the Board and Committees of the Board

	Board	Audit Committee	Remuneration and Nomination Committee	Valuations Committee
<b>Number of Meetings</b>	<b>9</b>	<b>2</b>	<b>1</b>	<b>4</b>
Sir Brian Williamson *	9	–	1	–
RA Armstrong **	9	2	1	–
C Bowe	7	2	–	4
MED’A Walton	9	2	† –	4
L Webber	9	2	1	4
JP Williams **	9	2	1	–

\* Sir Brian Williamson was not a member of the Audit or Valuations Committees.

\*\* Mr RA Armstrong and Mr JP Williams were not members of the Valuations Committee.

† Mr MED’A Walton was asked not to attend the meeting of the Remuneration and Nomination Committee.

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 the balance of skills and experience which enables it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience can be found below in this announcement.

### Independence of the Board

Sir Brian Williamson, Mr RA Armstrong, Mr MED’A Walton and Mr JP Williams have served on the Board for more than nine years. The Board has carefully considered the independence of each Director under the provisions of the AIC Code and 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 length of service. The Directors (including the Chairman) who have been in office for more than nine years will submit themselves for annual re-election.

The Board carried out a formal appraisal process of its own operations and that of its Committees and its and their performances during the year. This was implemented by means of questionnaires circulated to the Directors, the results of which were then reviewed by the Board. Issues covered included Board composition, meeting arrangements and communication. 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 the performance of each of the Directors being proposed for re-election continues to be effective and that each of them continues to show commitment to his 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.

#### **Re-election of Directors**

In accordance with the AIC Code's provisions and or the Company's Articles, each of Sir Brian Williamson, Mr RA Armstrong, MED'A Walton and Mr JP Williams will retire at the Annual General Meeting to be held in 2010 and each offers himself for re-election. Mr R Perkin will offer himself for election at the Annual General Meeting to be held in 2010.

#### **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**

Having reviewed the AIC Code and Guide in the light of Sir David Walker's review of corporate governance in the UK banking industry, the Board decided during the year to appoint an independent Company Secretary. Accordingly, since June 2009 the services of Company Secretary have been undertaken by Frostrow Capital LLP, in addition to its existing role as Board adviser. Frostrow took over from Philip Dyke, a Partner of Electra Partners LLP, who undertook the duties of Company Secretary for the previous 20 years. We thank him for his invaluable contribution. Philip remains a Partner of Electra Partners LLP.

#### **The Audit Committee**

The Board is supported by the Audit Committee which comprises all the Directors, other than the Chairman of the Board with Mr RA Armstrong as 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 annually reviews the performance of PricewaterhouseCoopers LLP, the Company's external auditor. 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 external auditors to tender for the audit work. The external auditors are required to rotate the audit partner every five years and the current partner has been in place for three years. There are no contractual obligations restricting the choice of external auditor. Under Company Law the reappointment of the external auditor is subject to shareholder approval at the Annual General Meeting.

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. An internal audit function, specific to the Company, is therefore considered unnecessary.

#### **The Remuneration and Nomination Committee**

The Remuneration and Nomination Committee, chaired by Mr JP Williams, comprises all non-executive Directors of the Company, the majority of whom will always be independent.

The Committee met once during the year to review the remuneration of Mr MED'A Walton.

The Committee's duties in relation to remuneration, include determining and agreeing with the Board the policy for the remuneration of the Company's Directors. The Committee's duties in relation to nomination include identifying and nominating, for the approval of the Board, candidates to fill Board vacancies to maintain a balanced Board. 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 is chaired by Mr MED'A Walton. The other members of the Committee are Ms C Bowe and Ms L Webber.

#### **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 and senior executives of Electra Partners. Following appointment, Directors continue to receive other relevant training and advice as necessary to enable them to discharge their duties.

#### **The Company's Relationship with its Shareholders**

The Company places great importance on communication with the Company's shareholders. The Company, in conjunction with Electra Partners, maintains a regular dialogue with its institutional shareholders and City analysts, with a number of presentations and visits being undertaken 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 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 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 2009. This encompasses a review of 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. 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 – agreement by the Board of the Company's Objective and Investment Policy.
- 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 provided by Electra Partners on a six monthly basis verifying compliance with documented controls.

## **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' policy has adopted and applies the Statement of Principles drawn up by the Institutional Shareholders Committee when it considers these in its reasonable judgement to best serve the financial interests of the Company's shareholders. Electra Partners' policy has 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 the Directors, authority to make market purchases of shares, substantial interests in the Company's shares and details concerning amendment 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 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. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable;
- state that the financial statements comply with IFRSs as adopted by the European Union;

- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements 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 confirm 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 loss of the Group; and
- the Directors' 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.

By order of the Board of Directors  
 Sir Brian Williamson, Chairman, Paternoster House  
 65 St Paul's Churchyard, London EC4M 8AB  
 7 December 2009

## Consolidated Income Statement

Note	For the year ended 30 September	2009			2008		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
1	Net profit/(loss) on investments held at fair value	35,325	(25,276)	10,049	26,188	(46,538)	(20,350)
1	Loss on revaluation of foreign currencies	–	(19,006)	(19,006)	–	(18,384)	(18,384)
		35,325	(44,282)	(8,957)	26,188	(64,922)	(38,734)
3	Other income	1,142	–	1,142	2,857	9,556	12,413
24	Incentive schemes	–	(6,037)	(6,037)	–	(9,496)	(9,496)
	Priority profit share paid to general partners	(11,891)	–	(11,891)	(13,435)	–	(13,435)
4	Other expenses	(5,564)	–	(5,564)	(8,381)	–	(8,381)
	<b>Net Loss before Finance Costs and Taxation</b>	<b>19,012</b>	<b>(50,319)</b>	<b>(31,307)</b>	<b>7,229</b>	<b>(64,862)</b>	<b>(57,633)</b>
7	Finance costs	(6,865)	(452)	(7,317)	(7,921)	–	(7,921)
	<b>Loss on Ordinary Activities before Taxation</b>	<b>12,147</b>	<b>(50,771)</b>	<b>(38,624)</b>	<b>(692)</b>	<b>(64,862)</b>	<b>(65,554)</b>
8	<b>Taxation Credit/(Charge)</b>	<b>(100)</b>	<b>12,233</b>	<b>12,133</b>	<b>(4,366)</b>	<b>567</b>	<b>(3,799)</b>
	<b>Loss on Ordinary Activities after Taxation</b>	<b>12,047</b>	<b>(38,538)</b>	<b>(26,491)</b>	<b>(5,058)</b>	<b>(64,295)</b>	<b>(69,353)</b>
19	<b>Attributable to Equity Shareholders</b>	<b>12,047</b>	<b>(38,538)</b>	<b>(26,491)</b>	<b>(5,058)</b>	<b>(64,295)</b>	<b>(69,353)</b>
11	<b>Basic and Diluted Earnings per Ordinary Share</b>	<b>34.05p</b>	<b>(108.92)p</b>	<b>(74.87)p</b>	<b>(13.98)p</b>	<b>(177.69)p</b>	<b>(191.67)p</b>

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 below in this announcement.

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

2009

2008



	<b>Non-Current Liabilities</b>	<b>232,516</b>	<b>188,177</b>
	<b>Net Assets</b>	<b>607,953</b>	<b>640,949</b>
	<b>Capital and Reserves</b>		
18	Called-up share capital	8,835	8,899
19	Share premium	24,147	24,147
19	Capital redemption reserve	34,440	34,376
19	Translation reserve	(3,375)	1,034
19	Realised capital profits	780,882	834,672
19	Unrealised capital losses	(260,916)	(274,072)
19	Revenue reserves	23,940	11,893
		<b>599,118</b>	<b>632,050</b>
	<b>Total Equity Shareholders' Funds</b>	<b>607,953</b>	<b>640,949</b>
	<b>Net Asset Value per Ordinary Share</b>	<b>1,720.36p</b>	<b>1,800.64p</b>
	<b>Ordinary Shares in issue 30 September</b>	<b>35,338,687</b>	<b>35,595,687</b>

The notes below in this announcement are an integral part of the financial statements.

## Balance Sheet

Note		As at 30 Sept 2009 £'000	As at 30 Sept 2008 £'000
	<b>Non-Current Assets</b>		
12	Investments held at fair value:		
	Subsidiary undertakings	334,660	290,548
	Unlisted and listed	140,857	130,154
	Other investments	229,322	276,467
		<b>704,839</b>	<b>697,169</b>
	<b>Current Assets</b>		
13	Trade and other receivables	8,076	6,217
	Cash and cash equivalents	34,006	42,920
		<b>42,082</b>	<b>49,137</b>
	<b>Current Liabilities</b>		
14	Trade and other payables	66,779	63,784
	<b>Net Current Liabilities</b>	<b>(24,697)</b>	<b>(14,647)</b>
		<b>680,142</b>	<b>682,522</b>
23	Deferred tax	–	11,751
24	Provision for Liabilities and Charges	72,189	16,990
	<b>Non Current Liabilities</b>	<b>72,189</b>	<b>28,741</b>
		<b>607,953</b>	<b>653,781</b>
	<b>Capital and Reserves</b>		
18	Called-up share capital	8,835	8,899
19	Share premium	24,147	24,147
19	Capital redemption reserve	34,440	34,376
19	Realised capital profits	779,619	844,266
19	Unrealised capital losses	(239,549)	(260,585)
19	Revenue reserve	461	2,678
		<b>599,118</b>	<b>644,882</b>
	<b>Total Equity Shareholders' Funds</b>	<b>607,953</b>	<b>653,781</b>

The notes below in this announcement are an integral part of the financial statements.

The Accounts were approved by the Directors on 7 December 2009 and were signed on their behalf by:

Sir Brian Williamson, Chairman  
Electra Private Equity Plc  
Company Number: 303062

## Consolidated Cash Flow Statement

For the year ended 30 September	2009	2008
	£'000	£'000
<b>Operating Activities</b>		
Purchases of unlisted and listed investments	(87,233)	(100,132)
Purchase of other investments	(252,000)	(245,138)
Amounts paid under incentive schemes	(2,287)	(31,808)
Sales of unlisted and listed investments	24,138	190,825
Sales of other investments	297,000	269,000
Dividends and distributions received	1,669	2,514
Other investment income received	12,842	22,376
Interest income received	844	2,559
Other income received	297	297
Expenses paid	(11,669)	(16,580)
Taxation paid	(2,229)	(3,295)
<b>Net Cash (Outflow)/Inflow from Operating Activities</b>	<b>(18,628)</b>	<b>90,618</b>
<b>Financing Activities</b>		
Bank loans drawn	376,726	55,466
Bank loans repaid	(396,006)	(75,599)
Issue of Zero Dividend Preference shares	41,444	–
Purchase of own shares	(2,096)	(26,492)
Finance costs	(5,015)	(7,583)
Other finance costs	(4,443)	(338)
Dividend paid	–	(9,149)
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<b>10,610</b>	<b>(63,695)</b>
<b>Changes in cash and cash equivalents</b>	<b>(8,018)</b>	<b>26,923</b>
<b>Cash and cash equivalents at 1 October</b>	<b>43,791</b>	<b>16,948</b>
<b>Translation difference</b>	<b>727</b>	<b>(80)</b>
<b>Cash and Cash Equivalents at 30 September</b>	<b>36,500</b>	<b>43,791</b>

## Cash Flow Statement

For the year ended 30 September	2009	2008
	£'000	£'000
<b>Operating Activities</b>		
Purchases of unlisted and listed investments	(70,601)	(357,253)
Purchase of other investments	(252,000)	–
Amounts paid under incentive scheme	(2,287)	(31,808)
Sales of unlisted and listed investments	53,407	426,156
Sales of other investments	297,000	–
Dividends and distributions received	1,495	2,514
Other investment income received	14,697	21,885
Interest received	717	2,540
Other income received	297	297
Expenses paid	(15,878)	(15,723)
Taxation paid	(2,747)	(3,641)
<b>Net Cash Inflow from Operating Activities</b>	<b>24,100</b>	<b>44,967</b>
<b>Financing Activities</b>		
Purchase of own shares	(2,096)	(26,492)
Intercompany loans	(29,344)	17,614
Zero Dividend Preference shares	(452)	–
Other finance costs	(1,849)	(338)
Dividend paid	–	(9,149)

<b>Net Cash Outflow from Financing Activities</b>	<b>(33,741)</b>	(18,365)
<b>Changes in cash and cash equivalents</b>	<b>(9,641)</b>	26,602
<b>Cash and cash equivalents at 1 October</b>	<b>42,920</b>	16,398
<b>Translation difference</b>	<b>727</b>	(80)
<b>Cash and Cash Equivalents at 30 September</b>	<b>34,006</b>	42,920

## Basis of Accounting

The Accounts for the year ended 30 September 2009 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 2009.

In order to reflect the activities of an investment trust company, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the 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 trusts issued by the Association of Investment Companies in December 2005 (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 and loss should be shown in the capital column of the income statement. Realised gains are taken to the realised reserves in equity and unrealised gains are transferred to the unrealised reserves in equity.
- Returns on any share or debt security (whether in respect of dividends, interest or otherwise) should be shown in the revenue column of the income statement. The total of the revenue column of the income statement is taken to the revenue reserve in equity.
- The Board should determine whether the indirect costs of generating capital gains should also be shown in the capital column of the income statement.

If the Board decides that this should be so, the management fee should be allocated between revenue and capital in accordance with the Board's expected long term split of returns, and other expenses should be charged to capital only to the extent that a clear connection with the maintenance or enhancement of the value of investments can be demonstrated. The Board has decided that the Company should continue to charge priority profit share and finance costs other than those in relation to the Zero Dividend Preference shares, as revenue items for the year ended 30 September 2009.

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

The Accounts have been prepared on the historical cost basis of accounting, modified to include the revaluation of certain assets.

## Application of new standards

Amendments to existing standards and IFRIC interpretations, that became effective in the year, have been applied by the Group but none have had a material impact on the financial statements or accounting policies.

## New Standards and Interpretations not Applied

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:

International Accounting Standards	Application Date
IAS 1 (Revised) – presentation of Financial Statements: Items of Income and Expenses	01-Jan-09
IAS 23 (Revised) – Borrowing Costs	01-Jan-09
IFRS3 (Revised) – Business Combinations	01-Jul-09
IAS27 (Revised) – Consolidated and Separate Financial Statements	01-Jul-09

The Directors do not anticipate that the adoption of these standards and interpretations will have any significant impact on the financial statements other than to require some additional disclosures.

A revised Statement of Recommended Practice for investment trusts was issued by the Association of Investment Companies in January 2009. The recommendations are applicable for all accounting records beginning on or after 1 January 2009.

### **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. These are distinct from the investments held by the special purpose entities described below.

### **Investments**

The Board have appointed 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 and 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

In applying the Earnings Multiple methodology, the Manager applies a market based multiple that is appropriate and reasonable to the maintainable earnings of the company. In the majority of cases the Enterprise Value of the underlying business is derived by the use of an Earnings Before Interest and Tax multiple applied to 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.

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 Fair Value of an investment in a company which has not been valued by reference to a recent transaction will be arrived at through the following process:

- The Enterprise Value of the underlying business will be calculated using the earnings multiple or net assets basis;
- 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 company; and
- The valuation of Electra's investment will be calculated from the Enterprise Value for the company after deduction of prior ranking debt and other financial instruments and an appropriate marketability discount.

In terms of the marketability discount, this will normally be in the range of 10-30% applied to the Enterprise Value of the company after deducting prior ranking debt and other financial instruments.

The amount of the marketability discount will primarily reflect the ability of the Manager to control or influence the timing and nature of any realisation. Where the Manager has the ability to control an exit, or is part of a syndicate of like-minded investors who can control the exit, a marketability discount of 15% will normally be applied. This may vary according to market and investee company circumstances. Where the likelihood of an exit is high, the discount is likely to be lower. Where there is no ability to control an exit and exit is not under discussion, the discount is likely to be higher. In cases where no exit is contemplated by controlling shareholders, the investment may be valued by discounting the cash flow from the investment itself.

#### **(iii) Listed Investments**

Listed investments are stated at the last traded bid price on the balance sheet date without discount.

#### **(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 purchase and sales between the date of the valuation and 30 September 2009.

#### **(v) Floating Rate Notes and Liquidity Funds**

Floating rate notes and 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 to the 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.

#### **Dividends**

Dividend distributions to shareholders are recognised as a liability in the period in which they are approved unconditionally.

### **Foreign Currencies**

The Group's presentational currency and the Company's functional and presentational currency is pounds sterling ("sterling"). 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.

### **Income**

Dividends receivable from equity shares are brought into account on the ex-dividend date or, where no ex-dividend date is quoted, are brought into account 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 receipt, then these amounts are reversed through expenses.

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

### **Expenses**

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

### **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.

### **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**



(loss)/gain								
on foreign currency	(17,719)	(2,968)	1,681	(19,006)	(5,448)	(12,936)	–	(18,384)
	(29,258)	9,274	11,027	(8,957)	15,033	(24,754)	(29,013)	(38,734)
Other income				1,142				12,413
Incentive schemes				(6,037)				(9,496)
Priority profit share				(11,891)				(13,435)
Other expenses				(5,564)				(8,381)
<b>Net Loss before Finance Costs and Taxation</b>				<b>(31,307)</b>				<b>(57,633)</b>
Finance costs				(7,317)				(7,921)
<b>Loss on Ordinary Activities before Taxation</b>				<b>(38,624)</b>				<b>(65,554)</b>
<b>Portfolio Additions and Sales</b>								
Purchases at cost	338,085	2,373	–	340,458	353,985	4,743	–	358,728
Disposal proceeds	316,202	194	6,618	323,014	414,549	44,634	–	459,183
<b>Balance Sheet</b>								
Investments held at fair value	722,494	50,135	32,984	805,613	725,618	37,012	28,086	790,716

Geographical segments are considered to be the primary reporting segment. The secondary reporting segment is the Group's activity as an investment trust company. This activity is the Group's single business segment.

## 2 Net Revenue Gain on Investments Held at Fair Value

For the year ended 30 September	2009		2008	
	£'000	£'000	£'000	£'000
<b>Income of the Investment Trust</b>				
<b>UK Dividend Income from Non-current Assets</b>				
Unlisted – UK	–		1,723	
Listed – UK	181		1,153	
Partnership interests – UK *	902		–	
		1,083		2,876
<b>Other Investment Income from Non-current Assets</b>				
Unlisted – UK	8,949		22,819	
Unlisted – overseas	1,716		493	
Partnership interests – UK *	5,166		–	
		15,831		23,312
<b>Net Income of Subsidiary Undertakings</b>				
<b>Other Investment Income from Non-current Assets</b>				
Unlisted – UK	18,411		–	
		18,411		–
		35,325		26,188

\* This represents the income that has been appropriated in accordance with the limited partnership agreements by the general partners of the limited partnership funds.

## 3 Other Income

For the year ended 30 September	2009		2008	
	£'000	£'000	£'000	£'000
<b>Interest and Other Income</b>				
Bank interest income	787		2,503	

Other income	297	297
	1,084	2,800
<b>Interest Receivable and Other Income</b>		
Other interest	58	57
	58	57
	1,142	2,857

#### 4 Expenses

	<b>Year to 30 Sept 09 £'000</b>	<b>Year to 30 Sept 09 £'000</b>
Priority profit share paid to general partners	11,891	13,435

<b>For the year ended 30 September</b>			<b>2009</b>			2008
	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Other Expenses</b>						
Administrative expenses	1,881	–	1,881	1,579	–	1,579
Income reversals	2,490	–	2,490	6,074	–	6,074
Directors' remuneration (see Note 5)	369	–	369	330	–	330
Auditors' remuneration	377	–	377	398	–	398
Derivative expenses	447	–	447	–	–	–
	5,564	–	5,564	8,381	–	8,381

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

During the year PricewaterhouseCoopers LLP earned the following fees. In addition, an amount of £20,000 (2008: £68,000) was earned by PricewaterhouseCoopers LLP, USA in relation to taxation advisory and compliance services.

	<b>Year to 30-Sep-09 £'000</b>	Year to 30-Sep-08 £'000
Audit fees		
Statutory audit of the company	215	209
Statutory audit of subsidiary companies	55	40
Tax and compliance	45	83
	315	332
Other services pursuant to legislation	42	57
Other services	20	9
<b>Auditors' Remuneration</b>	<b>377</b>	<b>398</b>

#### 5 Directors' Remuneration

	<b>Year to 30-Sep-09 £'000</b>	Year to 30-Sep-08 £'000
Chairman's remuneration for year	150	150
Directors' fees	219	180
	369	330
<b>Emoluments</b>		
Chairman and highest paid Director:	150	150

The Board of Directors are considered to be the Key Management Personnel.

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 (2008: none) waived remuneration.

## 6 Employees (Excluding Directors)

The Company has no employees (2008: none).

## 7 Finance Costs

For the year ended 30 September	2009			2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Loans Repayable After More Than One Year</b>						
Interest on Bank loan	6,465	–	6,465	7,583	–	7,583
Loan commitment fees	400	–	400	338	–	338
	6,865	–	6,865	7,921	–	7,921
Zero Dividend Preference costs	–	452	452	–	–	–
	6,865	452	7,317	7,921	–	7,921

The bank loan is a new £185,000,000 committed multi-currency revolving facility entered into on 17 July 2009 and is repayable on 17 January 2013. The Facility Agreement states that the Group is liable to pay interest at LIBOR rates plus a margin of 3.0%. The old £250,000,000 committed multi-currency revolving facility was repaid on 17 July 2009.

## 8 Taxation on Ordinary Activities

A tax credit of £12,133,000 arose in the year to 30 September 2009 (2008: tax charge of £3,799,000). Corporation tax at 28% (2008: 29%).

For the year ended 30 September	2009			2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>(a) UK Corporation Tax</b>						
Current tax	–	–	–	3,681	–	3,681
Adjustment in respect of prior periods	87	–	87	681	–	681
Overseas tax adjustments in respect of prior periods	13	–	13	4	(241)	(237)
	100	–	100	4,366	(241)	4,125
Deferred tax overseas	–	(12,233)	(12,233)	–	(326)	(326)
<b>Tax (Credit)/Charge</b>	<b>100</b>	<b>(12,233)</b>	<b>(12,133)</b>	<b>4,366</b>	<b>(567)</b>	<b>3,799</b>

The actual tax charge reconciles to the tax charge on revenue before tax based on the standard rate of corporation tax of 28% (2008: 29%) as follows:

For the year ended 30 September	2009			2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>(b) Factors Affecting the Tax Charge for the Year</b>						
Profit on ordinary activities before taxation	12,147	(50,771)	(38,624)	(692)	(64,862)	(65,554)
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 28% (2008: 29%)	3,401	(14,216)	(10,815)	(201)	(18,810)	(19,011)

Effects of:						
Prior year adjustments	87	–	87	681	–	681
Overseas prior year adjustments	13	–	13	4	(241)	(237)
Dividend income	(173)	–	(173)	(834)	–	(834)
Disallowable expenses	40	–	40	67	–	67
Priority profit share of partnership income appropriated by general partners	1,630	(1,630)	–	3,896	(3,896)	–
Current losses utilised	–	–	–	540	(540)	–
Capital allowances	–	–	–	(2)	–	(2)
Unutilised losses arising in the year	6,522	–	6,522	27	–	27
Deferred tax overseas	–	(12,233)	(12,233)	–	(326)	(326)
Subsidiary current tax	–	–	–	221	–	221
Transaction fees	–	–	–	(33)	33	–
Capital profits not chargeable due to Investment Trust status	–	4,535	4,535	–	23,213	23,213
Non-taxable income	(109)	–	(109)	–	–	–
Loss on subsidiary loan	(11,311)	11,311	–	–	–	–
<b>Tax (Credit)/Charge</b>	<b>100</b>	<b>(12,233)</b>	<b>(12,133)</b>	<b>4,366</b>	<b>(567)</b>	<b>3,799</b>

## 9 Dividends

<b>For the year ended 30 September</b>		
	<b>2009</b>	2008
	<b>£'000</b>	£'000
Dividends paid in the period	–	9,149
Dividends paid per share	–	25p

No dividend was paid during the year ended 30 September 2009.

## 10 Revenue Return Attributable to Equity Shareholders

The Revenue Return attributable to shareholders includes a loss of £2,217,000 (2008: loss of £2,888,000) which has been dealt with in the Accounts of the Company.

## 11 Earnings Per Share

	<b>2009</b>	2008
	<b>p</b>	p
Revenue return per ordinary share	<b>34.05</b>	(13.98)
Capital return per ordinary share	<b>(108.92)</b>	(177.69)
Earnings per ordinary share (basic and diluted)	<b>(74.87)</b>	(191.67)

The calculation of revenue return per share is based on the revenue profits attributable to shareholders of £12,047,000 (2008: loss £5,058,000) on a weighted average number of 35,382,926 (2008: 36,184,369) ordinary shares of 25p in issue. The calculation of capital return per share is based on the capital loss attributable to ordinary shareholders of £38,538,000 (2008: loss £64,295,000) on a weighted average number of 35,382,926 (2008: 36,184,369) ordinary shares of 25p in issue. There were no potentially dilutive shares in either year.

## 12 Non-Current Assets

### Investments Held at Fair Value

<b>For the year ended 30 September for the Group</b>					
	<b>2009</b>			<b>2008</b>	
	<b>Total</b>	Valuation	Income	<b>Total</b>	Total
	<b>£'000</b>	£'000	£'000	£'000	£'000

### Unlisted at Fair Value

UK and Continental Europe	283,896	27,520	311,416	277,995	7,564	285,559
UK floating rate notes	54,200	48	54,248	274,252	2,215	276,467
UK and Continental Europe liquidity funds	175,000	74	175,074	–	–	–
USA and Other	13,157	1,930	15,087	4,171	–	4,171
Partnership interests – UK and Continental Europe	107,582	–	107,582	102,266	–	102,266
Partnership interests – USA and other	24,990	–	24,990	24,412	–	24,412
	<b>658,825</b>	<b>29,572</b>	<b>688,397</b>	<b>683,096</b>	<b>9,779</b>	<b>692,875</b>
<b>Listed at Fair Value</b>						
UK, Continental Europe and other	117,216	–	117,216	96,371	1,470	97,841
	<b>776,041</b>	<b>29,572</b>	<b>805,613</b>	<b>779,467</b>	<b>11,249</b>	<b>790,716</b>

	Group 30-Sep-09 £'000	30-Sep-08 £'000	30-Sep-09 £'000	Company 30-Sep-08 £'000
<b>Subsidiary Undertakings at Fair Value</b>				
Unlisted – UK and Continental Europe	–	–	50	1,319
Unlisted – USA and other	–	–	14,670	6,085
Investment partnerships – UK and Continental Europe	–	–	276,455	249,255
Investment partnerships – USA and other	–	–	43,485	33,889
	–	–	<b>334,660</b>	<b>290,548</b>

**For the year ended 30 September for the Company**

	2009			2008		
	Valuation £'000	Accrued Income £'000	Total £'000	Valuation £'000	Accrued Income £'000	Total £'000
<b>Unlisted at Fair Value</b>						
UK and Continental Europe	44,468	457	44,925	32,306	–	32,306
UK floating rate notes	54,200	48	54,248	274,252	2,215	276,467
UK and Continental Europe liquidity funds	175,000	74	175,074	–	–	–
USA and other	5,469	–	5,469	–	–	–
Partnership interests – UK and Continental Europe	59,483	–	59,483	63,098	–	63,098
Partnership interests – USA and other	15,095	–	15,095	17,519	–	17,519
	<b>353,715</b>	<b>579</b>	<b>354,294</b>	<b>387,175</b>	<b>2,215</b>	<b>389,390</b>
<b>Listed at Fair Value</b>						
UK, Continental Europe and other	15,885	–	15,885	17,143	88	17,231
	<b>369,600</b>	<b>579</b>	<b>370,179</b>	<b>404,318</b>	<b>2,303</b>	<b>406,621</b>

**Investments Held at Fair Value**

For the year ended 30 September 2009

	Group			Company		
	Valuation £'000	Accrued Income £'000	Total £'000	Valuation £'000	Accrued Income £'000	Total £'000
<b>Valuation at 1 October 2008</b>						
Investments	779,467	–	779,467	694,546	–	694,546
Accrued income at 1 October 2008	–	11,249	11,249	–	2,623	2,623

	779,467	11,249	790,716	694,546	2,623	697,169
Purchases	340,458	–	340,458	322,601	–	322,601
	1,119,925	11,249	1,131,174	1,017,147	2,623	1,019,770
Accrued income realised	–	5,936	5,936	–	2,402	2,402
Disposals	350,940	–	350,940	327,368	–	327,368
	350,940	5,936	356,876	327,368	2,402	329,770
Increase in accrued income provision	–	24,259	24,259	–	358	358
Increase in valuation	7,056	–	7,056	14,481	–	14,481
<b>Valuation at 30 September 2009</b>	<b>776,041</b>	<b>29,572</b>	<b>805,613</b>	<b>704,260</b>	<b>579</b>	<b>704,839</b>
Cost at 30 September 2009	963,746	–	963,746	840,749	–	840,799

### 13 Trade and Other Receivables – Current

	30-Sep-09	Group 30-Sep-08	30-Sep-09	Company 30-Sep-08
	£'000	£'000	£'000	£'000
Sales for future settlement	1,876	–	132	–
Taxation recoverable	123	872	–	–
Prepayments	2,596	–	2,596	–
Amounts owed by subsidiary undertakings	–	–	5,121	4,667
Other debtors	518	2,171	227	1,550
	5,113	3,043	8,076	6,217

### 14 Trade and Other Payables – Current

	30-Sep-09	Group 30-Sep-08	30-Sep-09	Company 30-Sep-08
	£'000	£'000	£'000	£'000
<b>Amounts Falling Due within One Year</b>				
Amounts owed to subsidiary undertakings	–	–	63,524	58,288
Corporation tax	477	1,744	477	1,522
Overseas taxation	–	1,603	–	1,603
Purchases for future settlement	1,225	–	–	–
Other creditors	5,055	5,077	2,778	2,371
	6,757	8,424	66,779	63,784

### 15 Creditors

	30-Sep-09	Group 30-Sep-08	30-Sep-09	Company 30-Sep-08
	£'000	£'000	£'000	£'000
Bank loan				
Due between one to four years (2008: one to two years)	169,732	158,870	–	–

A variable rate of interest is charged on the bank loan. The bank loan relates to a new £185,000,000 committed multi-currency revolving credit facility, entered into on 17 July 2009 and repayable on 17 January 2013. 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 3.6%.

### 16 Zero Dividend Preference Shares

Group

Company

	<b>30-Sep-09</b> £'000	30-Sep-08 £'000	<b>30-Sep-09</b> £'000	30-Sep-08 £'000
Zero Dividend Preference Shares	<b>41,896</b>	–	–	–

On 5 August 2009, the Group issued 43,000,000 Zero Dividend Preference Shares at 100p each. Each share has a par value of 0.01p and is redeemable on 5 August 2016 for 155.41p. The fair value of the Zero Dividend Preference Shares at 30 September 2009 was £45,903,000 based on the quoted offer price of 106.75p per Zero Dividend Preference Share.

## 17 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 floating rate notes.
2. A loan facility and issuance of Zero Dividend Preference shares, 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 financial instruments are fluctuations in market price, interest rate, 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.

### Market Price Risk

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

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

The Group is exposed to the risk of the change in value of its fund investments, listed and unlisted equity and non-equity shares, fixed income securities and floating rate notes. For funds, listed investments, floating rate notes 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 floating rate notes, liquidity funds and its cash deposits. Only major clearing houses are used when making cash deposits and the level of cash versus floating rate notes is reviewed on a regular basis.

A well diversified portfolio of floating rate notes and liquidity funds is maintained with no more than 10% of gross assets held with any one institution. The total invested in floating rate notes was £54,200,000 with associated accrued interest of £48,000 (2008: £274,252,000 with associated interest of £2,215,000). The cost of this investment was £55,051,000 (2008: £275,528,000), the variance to valuation is in respect of deal related costs and market pricing. The total invested in liquidity funds was £175,000,000 with associated accrued income of £74,000 (2008: nil). The cost of this investment was £175,000,000. Cash held on deposit was principally with two UK banks and one Irish bank and totalled £36,500,000 (2008: £43,791,000).

### 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 were entered into during the year to manage the risk of interest rate fluctuation in interest payable on the new Multi-currency facility.

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

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

### Liquidity Risk

The Group's assets comprise listed and unlisted equity and non-equity shares, fixed income securities, floating rate notes and liquidity funds whilst the unlisted equity is intentionally illiquid. Short-term flexibility is achieved through the revolving loan facility, floating rate notes 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 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 £185,000,000 committed multi-currency revolving credit facility or issue new shares. During the year the Group paid no special dividend (2008: £9,149,000). 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 continued to pursue an active share buy-back policy and to return value to shareholders, manage the levels of cash deposits held whilst maintaining sufficient liquidity for investments. This amounted to £2,096,000 (2008: £26,492,000) during the period.

The new £185,000,000 committed multi-currency revolving credit facility was drawn down such that a balance of £169,732,000 was outstanding at the year end (2008: £250,000,000 credit facility drawn down to £158,870,000). The loan is repayable on 17 January 2013. On 5 August 2009 the Group issued 43,000,000 Zero Dividend Preference shares at 100p each (Note 16). The level of outstanding borrowings is reviewed on an ongoing basis taking into account the need to buy back shares, future levels of investment and any foreign currency hedging concerns.

The Group's capital at 30 September 2009 comprises:

	<b>30-Sep-09</b>	30-Sep-08
	<b>£'000</b>	£'000
<b>Debt</b>		
Borrowing under the credit facility	<b>169,732</b>	158,870
Zero Dividend Preference shares	<b>41,896</b>	–
	<b>211,628</b>	158,870
<b>Equity</b>		
Equity share capital	<b>8,835</b>	8,899
Retained earnings and other reserves	<b>599,118</b>	632,050
	<b>607,953</b>	640,949
<b>Total capital</b>	<b>819,581</b>	799,819
Debt as a percentage of total capital	<b>25.80%</b>	19.90%

### Foreign Currency Risk

The Group'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.

Revenue received in currencies other than sterling is converted into sterling at the date of the transaction. Foreign currency assets and liabilities are translated at the year-end rate. The treatment of foreign currency transactions has been described in greater detail in the Basis of Accounting note commencing above in this announcement.

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

During the year, the Group 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

	2009		2008	
	Increase in variable £'000	Decrease in variable £'000	Increase in variable £'000	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	72,224	(71,182)	75,249	(73,269)
Impact as a percentage of profit after tax	272.60%	(268.70)%	108.50%	(105.60)%
Impact on shareholders' equity	72,224	(71,182)	75,249	(73,269)
Impact as a percentage of shareholders' equity	11.90%	(11.70)%	11.70%	(11.40)%

\* 1% movement on floating rate notes and liquidity funds.

† For individual unlisted investments a marketability discount is applied (see above in this announcement). Changes in such discounts to reasonably possible alternatives would not significantly change fair values.

## (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 2009.

Currency As at 30 September	Foreign currency monetary assets		Foreign currency monetary liabilities		Net foreign currency monetary assets	
	2009	2008	2009	2008	2009	2008
	£'000	£'000	£'000	£'000	£'000	£'000
US Dollar	146,970	129,791	(33,690)	(52,803)	113,280	76,988
Euro	198,743	165,123	(131,043)	(106,067)	67,700	59,056
Total	345,713	294,914	(164,733)	(158,870)	180,980	136,044

Currency	2009		2008	
	Sterling appreciation £'000	Sterling depreciation £'000	Sterling appreciation £'000	Sterling depreciation £'000
<b>10% Movement in Euro</b>				
Impact on profit after tax	(2,062)	2,755	(2,840)	3,498
Impact as a percentage of profit after tax	(7.80)%	10.40%	(4.10)%	5.00%
Impact on shareholders' equity	(2,062)	2,755	(2,840)	3,498
Impact as a percentage of shareholders' equity	(0.30)%	(0.50)%	(0.40)%	0.50%
<b>10% Movement in US Dollar</b>				
Impact on profit after tax	(9,008)	10,804	(5,613)	8,167
Impact as a percentage of profit after tax	(34.00)%	40.80%	(8.10)%	11.80%
Impact on shareholders' equity	(9,008)	10,804	(5,613)	8,167
Impact as a percentage of	(1.50)%	1.80%	(0.90)%	1.30%

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

The financial instruments held by the Group include equity and non-equity shares as well as fixed interest securities. The type of income generated from these financial instruments is shown as at 30 September 2009.

<b>Currency</b>	<b>Total</b>	<b>Floating rate financial assets</b>	<b>Fixed rate financial assets</b>	<b>Financial assets on which no interest is earned</b>
<b>As at 30 September 2009</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Sterling	496,400	265,637	114,916	115,847
US Dollar	146,970	6,785	7,183	133,002
Euro	198,743	30,538	–	168,205
<b>Total</b>	<b>842,113</b>	<b>302,960</b>	<b>122,099</b>	<b>417,054</b>

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

<b>Currency</b>	<b>Total</b>	<b>Floating rate financial assets</b>	<b>Fixed rate financial assets</b>	<b>Financial assets on which no interest is earned</b>
<b>As at 30 September 2008</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Sterling	539,593	326,911	119,030	93,652
US Dollar	129,791	4,583	14,446	110,762
Euro	165,123	716	–	164,407
<b>Total</b>	<b>834,507</b>	<b>332,210</b>	<b>133,476</b>	<b>368,821</b>

<b>Currency</b>	<b>Fixed rate financial assets weighted average interest rate</b>		<b>Fixed rate financial assets on which no interest is paid weighted average period until maturity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>As at 30 September</b>	<b>%</b>	<b>%</b>	<b>years</b>	<b>years</b>
Sterling	14.2	14.0	–	–
US Dollar	13.0	15.0	–	–
Euro	–	11.9	–	–

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

**Financial Liabilities**

The interest rate profile of the financial liabilities:

<b>Currency</b>	<b>Total</b>		<b>Fixed rate financial liabilities</b>		<b>Floating rate financial liabilities</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>As at 30 September</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Sterling	46,896	–	41,896	–	5,000	–
US Dollar	33,690	52,803	–	–	33,690	52,803
Euro	131,042	106,067	–	–	131,042	106,067
<b>Total</b>	<b>211,628</b>	<b>158,870</b>	<b>41,896</b>	<b>–</b>	<b>169,732</b>	<b>158,870</b>

The floating rate financial liabilities comprise a new £185,000,000 committed multi-currency revolving credit facility, based on a rate per annum, the aggregate of margin, LIBOR and mandatory cost, entered into on 17 July 2009. The margin is 3.0%. The floating rate liability prior to 17 July 2009 was a £250,000,000 committed multi-currency credit facility. The margin rate was determined by the ratio of portfolio value plus cash to borrowed funds, the range of the variable margin rate being between 0.5% and 0.75%. During the period from 1 October 2008 to 17 July 2009 the margin rate was between 0.5% and 0.675% (2008: 0.5%). The weighted average effective interest rate for the year was 3.6% (2008: 4.53%). The fixed rate financial liabilities comprise 43,000,000 Zero Dividend Preference shares at 100p each issued on 5 August 2009. Each share has a par value of 0.01p and is redeemable on 5 August 2016 for 155.41p.

	<b>Increase in variable £'000</b>	<b>2009 Decrease in variable £'000</b>	<b>Increase in variable £'000</b>	<b>2008 Decrease in variable £'000</b>
<b>1% movement in interest rates</b>				
Impact on interest income from cash	492	(369)	449	(449)
Impact on interest income on floating rate notes and liquidity funds	2,032	(2,221)	3,068	(3,068)
Impact on interest payable on credit facility	(1,913)	1,907	(1,781)	1,781
<b>Total impact on profit/(loss) after tax and shareholders' equity</b>	<b>611</b>	<b>(683)</b>	<b>1,736</b>	<b>(1,736)</b>
<b>Total impact as a percentage of profit/(loss) after tax</b>	<b>2.30%</b>	<b>(2.60)%</b>	<b>2.50%</b>	<b>(2.50)%</b>
<b>Total impact as a percentage of shareholders' equity</b>	<b>0.10%</b>	<b>(0.10)%</b>	<b>0.30%</b>	<b>(0.30)%</b>

#### (v) Maturity of Financial Liabilities

The maturity profile of the Group's financial liabilities as at 30 September 2009 was:

<b>As at 30 September</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Between one and four years (2008: one and two years)	169,732	158,870
Over five years	41,896	–

The financial liability between one and four years (2008: one and two years) relates to a £185,000,000 committed multi-currency revolving credit facility. The facility was entered into on 17 July 2009 and is repayable on 17 January 2013. The financial liability over five years relates to the 43,000,000 Zero Dividend Preference shares issued on 5 August 2009. These are redeemable on 5 August 2016.

#### (vi) Fair Values of Financial Assets and Liabilities

All the financial assets of the Group are held at fair value.

<b>As at 30 September</b>	<b>Fair Value 2009 £'000</b>	<b>Fair Value 2008 £'000</b>
<b>Primary Financial Assets Held</b>		
Equity shares	419,995	369,388
Non-equity shares	6,250	17,324
Fixed interest securities	116,320	115,493
Floating rate securities	263,048	288,522
Cash at bank and in hand	36,500	43,780
<b>Primary Financial Liabilities held to Finance the Group's Operations</b>		
Bank loans	169,732	158,870
Zero Dividend Preference shares	41,896	–

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.

## 18. Share Capital

	30-Sep- 09 £'000	30-Sep- 08 £'000
Allotted, called-up and fully paid 35,338,687 (2008: 35,595,687) ordinary shares of 25p each	8,835	8,899
Unissued 164,661,313 (2008: 164,404,313) ordinary shares of 25p each	41,165	41,101
Authorised 200,000,000 ordinary shares of 25p each	50,000	50,000

During the year ended 30 September 2009, the Company purchased from shareholders 257,000 ordinary shares of 25p at prices between £8.08 and £8.51 per share. The cost of acquiring 257,000 ordinary shares of 25p including expenses of £16,000 amounted to £2,096,000.

## 19. Capital and Reserves

### For the year ended 30 September 2009 for the Group

	Called-up		<sup>1</sup> Capital		<sup>2</sup> Translation reserve	<sup>3</sup> Realised capital	<sup>4</sup> Unrealised capital	<sup>5</sup> Revenue reserve	Total Shareholders' funds
	share capital	Share premium	redemption reserve	Translation reserve	profits/(losses)	(losses)/ profits	Revenue reserve	Shareholders' funds	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Opening balance at 1 October 2008	8,899	24,147	34,376	1,034	834,672	(274,072)	11,893	640,949	
Net revenue transferred to reserves	-	-	-	-	-	-	12,047	12,047	
Net losses on realisation of investments during the year	-	-	-	-	(27,926)	-	-	(27,926)	
Increase in value of non-current investments	-	-	-	-	-	3,359	-	3,359	
Increase in incentive provisions	-	-	-	-	-	(6,037)	-	(6,037)	
Losses on foreign currencies	-	-	-	(4,409)	(11,428)	(7,578)	-	(23,415)	
Net fees	-	-	-	-	(1,161)	-	-	(1,161)	
Unrealised net appreciation at 1 October 2008 on investments sold during the year	-	-	-	-	(23,412)	23,412	-	-	
Purchase of own shares	(64)	-	64	-	(2,096)	-	-	(2,096)	
Tax liabilities on capital	-	-	-	-	12,233	-	-	12,233	
<b>At 30 September 2009</b>	<b>8,835</b>	<b>24,147</b>	<b>34,440</b>	<b>(3,375)</b>	<b>780,882</b>	<b>(260,916)</b>	<b>23,940</b>	<b>607,953</b>	

### For the year ended 30 September 2008 for the Group

	Called-up share capital £'000	Share premium £'000	<sup>1</sup> Capital redemption reserve £'000	<sup>2</sup> Translation reserve £'000	<sup>3</sup> Realised capital profits/ (losses) £'000	<sup>4</sup> Unrealised capital (losses)/ profits £'000	<sup>5</sup> Revenue reserve £'000	Total Shareholders' funds £'000
Opening balance at 1 October 2007	9,313	24,147	33,962	597	792,960	(141,573)	26,100	745,506
Net revenue transferred to reserves	–	–	–	–	–	–	(5,058)	(5,058)
Dividend payment	–	–	–	–	–	–	(9,149)	(9,149)
Net profits on realisation of investments during the year	–	–	–	–	79,429	–	–	79,429
Increase in value of non-current investments	–	–	–	–	–	(125,632)	–	(125,632)
Increase in incentive provisions	–	–	–	–	–	(9,496)	–	(9,496)
Gains and losses on foreign currencies	–	–	–	437	(23,420)	14,591	–	(8,392)
Net fees	–	–	–	–	(334)	–	–	(334)
Unrealised net appreciation at 1 October 2007 on investments sold during the year	–	–	–	–	11,962	(11,962)	–	–
Purchase of own shares	(414)	–	414	–	(26,492)	–	–	(26,492)
Tax liabilities on capital	–	–	–	–	567	–	–	567
At 30 September 2008	8,899	24,147	34,376	1,034	834,672	(274,072)	11,893	640,949

- 1 The capital redemption reserve is established by the Group on the redemption or repurchase of its own shares.
- 2 The translation reserve consists of foreign exchange differences arising on retranslation of the equity and reserves of subsidiaries with functional currencies other than sterling.
- 3 The realised capital reserve recognises all realised profits that are capital in nature or have been allocated to capital.
- 4 The unrealised capital reserve recognises all unrealised profits that are capital in nature or have been allocated to capital.
- 5 The revenue reserve shows all profits that are revenue in nature or have been allocated to revenue.

#### For the year ended 30 September 2009 for the Company

	Called-up share capital £'000	Share premium £'000	<sup>1</sup> Capital redemption reserve £'000	<sup>2</sup> Realised capital profits/ (losses) £'000	<sup>3</sup> Unrealised capital (losses)/ profits £'000	<sup>4</sup> Revenue reserve £'000	Total Shareholders' funds £'000
Opening balance at 1 October 2008	8,899	24,147	34,376	844,266	(260,585)	2,678	653,781
Net revenue transferred to reserves	–	–	–	–	–	(2,217)	(2,217)

Net profits on realisation of investments during the year	-	-	-	23,171	-	-	23,171
Increase in value of non-current investments	-	-	-	-	23	-	23
Increase in incentive provisions	-	-	-	-	(5,641)	-	(5,641)
Losses on foreign currencies	-	-	-	(17,502)	(7,576)	-	(25,078)
Net fees	-	-	-	(1,161)	-	-	(1,161)
Unrealised net appreciation at 1 October 2008 on investments sold during the year	-	-	-	(34,230)	34,230	-	-
Revaluation of subsidiaries	-	-	-	(44,580)	-	-	(44,580)
Purchase of own shares	(64)	-	64	(2,096)	-	-	(2,096)
Tax liabilities on capital	-	-	-	11,751	-	-	11,751
<b>At 30 September 2009</b>	<b>8,835</b>	<b>24,147</b>	<b>34,440</b>	<b>779,619</b>	<b>(239,549)</b>	<b>461</b>	<b>607,953</b>

**For the year ended 30 September 2008 for the Company**

	Called-up share capital £'000	Share premium £'000	<sup>1</sup> Capital redemption reserve £'000	<sup>2</sup> Realised capital profits/(losses) £'000	<sup>3</sup> Unrealised capital (losses)/profits £'000	<sup>4</sup> Revenue reserve £'000	Total Shareholders' funds £'000
Opening balance at 1 October 2007	9,313	24,147	33,962	805,203	(143,021)	14,715	744,319
Net revenue transferred to reserves	-	-	-	-	-	(2,888)	(2,888)
Dividend payment	-	-	-	-	-	(9,149)	(9,149)
Net profits on realisation of investments during the year	-	-	-	77,269	-	-	77,269
Increase in value of non-current investments	-	-	-	-	(110,697)	-	(110,697)
Increase in incentive provisions	-	-	-	-	(9,496)	-	(9,496)
Gains and losses on foreign currencies	-	-	-	(23,583)	14,591	-	(8,992)
Net fees	-	-	-	(334)	-	-	(334)
Unrealised net appreciation at 1 October 2007 on investments sold during the year	-	-	-	11,962	(11,962)	-	-
Purchase of own shares	(414)	-	414	(26,492)	-	-	(26,492)

Tax liabilities on capital	-	-	-	241	-	-	241
At 30 September 2008	8,899	24,147	34,376	844,266	(260,585)	2,678	653,781

- 1 The capital redemption reserve is established by the Group on the redemption or repurchase of its own shares.
- 2 The realised capital reserve recognises all realised profits that are capital in nature or have been allocated to capital.
- 3 The unrealised capital reserve recognises all unrealised profits that are capital in nature or have been allocated to capital.
- 4 The revenue reserve shows all profits that are revenue in nature or have been allocated to revenue.

## 20. Contingent Liabilities and Commitments

The Company has undertaken to invest up to a further US\$40,271,000 (2008: US\$19,195,000) in various syndicates of investors in the USA and elsewhere.

The Company has undertaken to make further investments through various limited partnership funds in the UK and Continental Europe amounting to £84,883,517 (2008: £100,898,000).

At 30 September 2009 the Company had uncalled commitments of £1,670,808 to a limited partnership fund advised by Electra Partners (2008: £1,446,000).

As a limited partner in a number of limited partnership funds, the Company has entered into agreements with Electra Partners for the management of the Company's portfolio of investments. In consideration for this the limited partnership funds pay a priority profit share to the general partners. The management agreements are rolling contracts which now allow for termination by either party as set out in the section entitled 'Management Arrangements' above in this announcement.

## 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.

### Principal Subsidiary Undertakings

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

#### **Credit Opportunities**

Capital contributions of £308. Incorporated in Jersey.  
The subsidiary is wholly owned and held through Electra Investments Limited.

#### **Electra Investments Limited (Investment Holding Company)**

87,000 ordinary shares of £10 (par value). Paid-in capital £1,027,389. Incorporated in England and Wales.  
The subsidiary is 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.

**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.

**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.

**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.

**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-Sep-08 £'000	Carrying value at 30-Sep-09 £'000	Cost 30-Sep-09 £'000
<b>Allflex Holdings III</b>	45,629	50,749	40,482
Class 'A' common stock 1.9%			
Class 'G' common stock 100.0%			
A Warrants 98.8%			
Loan notes 100.0%			
<b>Barclays Global Investments</b>	–	63,000	63,000
Accrued income		22	
Liquidity fund 0.4%			
<b>Baxi Holdings</b>	11,174	41,299	32,132
Accrued income	853	15,435	
Ordinary shares 10.6%			
Unsecured deep discount bond 23.6%			
A2 shares 18.6%			
Series II unsecured deep discount bond 18.6%			
Series IV unsecured deep discount bond 100.0%			
Series VI unsecured deep discount bond 66.2%			
Bond 12.2%			

<b>CH-Pharma</b>	6,921	12,676	5,300
Ordinary shares 23.8%			
Series I convertible bond 28.8%			
Series II convertible bond 9.0%			
<b>Credit Opportunities</b>	–	20,586	18,051
Partnership interest 100.0%			
<b>Dinamia</b>	13,198	12,747	11,274
Ordinary shares 10.4%			
<b>Insight</b>	–	51,000	51,000
Accrued income		31	
Liquidity fund 0.4%			
<b>Labco</b>	23,536	20,346	23,709
C Ordinary shares 4.7%			
<b>Lil-lets Group</b>	21,412	21,149	21,412
Accrued income	3,279	7,574	
Ordinary shares 44.6%			
'B' Ordinary shares 100.0%			
Warrants 44.7%			
Unsecured loan notes 96.3%			
<b>London &amp; Stamford Property</b>	19,800	38,016	30,195
Accrued income	317	–	
B Ordinary shares 7.0%			
<b>Moser Baer</b>	12,972	12,606	1,900
Ordinary shares 6.0%			
<b>MPS</b>	–	21,475	17,529
Ordinary shares 12.1%			
<b>Nationwide Building Society</b>	44,958	24,500	25,023
Accrued income	258	38	
Floating rate note 100.0%			
<b>Nuaire</b>	22,691	19,155	23,140
Ordinary shares 100.0%			
'A' Ordinary shares 56.4%			
'B' Ordinary shares 100.0%			
'C' Ordinary shares 22.2%			
Series 'A' loan notes 66.4%			
Series 'B' loan notes 38.3%			
<b>PINE Unit Trust</b>	9,900	8,900	13,790
Income units 98.4%			
Capital units 98.4%			
<b>Promontoria</b>	27,683	30,385	16,479
'B' Ordinary shares 10.0%			
Loan notes 10.4%			
<b>Royal Bank of Scotland (Liquidity Fund)</b>	–	61,000	61,000
Accrued income		21	
Liquidity funds 1.1%			
<b>Royal Bank of Scotland</b>	54,892	29,700	30,028
Accrued income	342	10	
Floating rate note 100.0%			
<b>Thermocoax</b>	7,166	12,528	4,429
Ordinary shares 23.0%			
Series I convertible bond 30.1%			
<b>Volution (Vent-Axia)</b>	15,840	15,840	15,840
Accrued income	903	1,062	
Mezzanine loan 45.7%			
Senior loan 47.1%			
<b>Zensar Technologies</b>	6,597	15,550	4,211
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 the Company up to 31 March 2006. In return the participants receive a percentage of the total capital and revenue profits made on each investment. The participants do not receive any profits until the Company has received back its initial investment. During the year ended 30 September 2009 the participants received £1,717,000 (2008: £37,762,000) and are entitled to receive an additional amount of £nil (2008: £nil) under these schemes and had unrealised gains of £7,727,000 (2008: £8,144,000). The participants are entitled to a percentage of the incremental value of unlisted investments held at 31 March 1995, subject to the Company having received in total proceeds equal to the valuation of those investments as at 31 March 1995 and a preferred return. During the year ended 30 September 2008 the participants had unrealised gains of £1,001,000 (2008: £999,000).

Following approval at the Extraordinary General Meeting held on 12 October 2006 the participants entered two new schemes. The participants are entitled to receive a percentage of the incremental value of certain investments held at 31 March 2006 following the Company receiving total proceeds equal to the value at that date and a preferred return, after deduction of related priority profit share. During the year ended 30 September 2009 the participants received £570,000 (2008: £10,110,000) and had unrealised gains of £11,616,000 (2008: £7,847,000) under this scheme. The second scheme entered into under the new arrangements requires the participants to invest in every new investment made by the Company since 1 April 2006. On a pooled basis participants receive a percentage of the total capital and revenue profits once the Company has received back its initial investment, a preferred return and a related priority profit share.

As detailed in Note 24, members of Electra Partners, the Manager, are entitled to incentives based on the performance of investments in Electra. Under the arrangements relating to the management of the listed portfolio, certain executives of Electra Partners will receive bonuses over a one year period if the listed portfolio outperforms a composite index.

No Directors of Electra participated in the above schemes.

During the year ended 30 September 2007 Electra Partners exercised its option to cancel all priority profit share reductions by paying Electra the equivalent of the net present value of the remaining expected priority profit share reductions. An amount of £1.1 million will be payable over the period to October 2011. The amount was approved by a qualified independent third party.

Net sales of investments to Electra Investments Limited from Electra amounted to £27,644,000 for the year ended 30 September 2009 (2008: from Electra Investments Limited to Electra of £14,608,000). Net loans advanced by Electra to Electra Investments Limited were £10,851,000 (2008: loans advanced by Electra Investments Limited to Electra of £28,342,000). Interest of £1,399,000 (2008: £3,383,000) was paid on the outstanding balance.

Net loans for working capital and/or to clear intercompany balances were made from Albion (Electra) for £371,000 (2008: £418,000), to Booker Globe for £nil (2008: £3,000), to Cloverdown Investments for £nil (2008: £48,000), from Electra Holdings Inc for £212,000 (2008: to Electra Holdings Inc for £257,000), from Electra Property Inc for £242,000 (2008: to Electra Property Inc for £282,000), to Electra Private Equity Investments Plc for £41,959,000 (2008: £nil) and to EUK for £nil (2008: £10,000).

## 23. Deferred Tax

	30-Sep-09	Group 30-Sep-08	30-Sep-09	Company 30-Sep-08
	£'000	£'000	£'000	£'000
Deferred tax overseas	148	12,317	–	11,751

The deferred tax position relates to overseas tax provided on unrealised gains on investment.

## 24. Provision for Liabilities and Charges

Group 30-Sep-	Company 30-Sep-
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	09	09
	£'000	£'000
Incentive scheme provision		
At 1 October 2008	16,990	16,990
Amounts paid and payable under incentive schemes	(2,287)	(2,287)
	14,703	14,703
Incentive scheme provision		
Increase in incentive scheme provision	6,037	5,641
	20,740	20,344
Liability in subsidiaries	–	51,845
<b>At 30 September 2009</b>	<b>20,740</b>	<b>72,189</b>

Current and former executives of Electra Partners are entitled to incentives based on the performance of investments in Electra. Under the current contractual terms of the Realisation Incentive Schemes, executives receive the value of any amounts that were due at 30 September 2000 and 8% on uplifts in value from that date, on a pooled basis, 10% on uplifts from 31 March 2006 valuations after a 15% preferred return and on deals invested at cost on 31 March 2006, 18% on a 3 year pooled basis on uplifts after an 8% preferred return.

## Board of Directors

### Sir Brian Williamson CBE

Chairman

Sir Brian is a non-executive Director of HSBC Holdings, NYSE Euronext and Climate Exchange. He is former Chairman of The London International Financial Futures and Options Exchange, Gerrard Group and Resolution Life Group and a former non-executive Director of the Financial Services Authority and the Court of the Bank of Ireland.

Sir Brian was appointed a Director in 1994.

### Ronald Armstrong

Most of Mr Armstrong's career has been spent in companies in which the application of technology is critical to success and he has considerable experience of this process across a wide range of industries and countries.

He is a founder Director of E-Synergy, which specialises in venture funding for early-stage technology companies, Chairman of Offshield and a director of other private companies. Previously, he was CEO of Pera Group and a Director of J.P. Morgan Fleming Worldwide Income Investment Trust and several other quoted Fleming investment trusts between 1991 and 2005. Mr Armstrong is Chairman of the Audit Committee.

Ron Armstrong was appointed a Director in 1994.

### Colette Bowe \*

An economist by profession, Ms Bowe has worked in Whitehall, City regulation and the fund management industry. She is currently a Director of Morgan Stanley Bank International, London and Continental Railways, Chairman of the Ofcom board and a member of the supervisory board of Axa Investment Managers Deutschland. She is also Chairman of the Council of Queen Mary, University of London.

Colette Bowe was appointed a Director in 2007.

### Roger Perkin

Mr Perkin is a former senior partner at Ernst & Young with significant 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.

Roger Perkin was appointed a Director on 24 November 2009.

**Michael Walton \***

Mr Walton has over 35 years experience of the private equity industry, having joined the Electra House Group in 1972, with responsibility for unlisted investments. He was a Director of Electra from 1981 to 1986. Subsequently, Mr Walton was Managing Director of Gartmore Private Capital from 1987 to 1996 and was a Director of NatWest Ventures and Bridgepoint Capital. He has served on the Council of the British Venture Capital Association. He is Chairman of the Valuations Committee.

Michael Walton was appointed a Director in 2000.

**Lucinda Webber \***

Ms Webber has over 20 years experience in the private equity industry, having joined Barclays Development Capital Limited ("BDCL") from Barclays Merchant Bank in 1984. She became a Director of BDCL (now Barclays Private Equity) and Barclays Capital Développement ("BCD") in 1990. In 1997 she moved to working part-time as a Director for Barclays Private Equity and BCD and, since 1999, she has worked as a consultant in private equity, remaining on the Barclays Ventures Investment and Valuation Committees.

Lucinda Webber was appointed a Director in 2007.

**Peter Williams**

Mr Williams is a Director of Xenos Group, a software company listed on the Toronto Stock Exchange, and several private companies. He was formerly Chairman of RPC Group plc and Chief Executive of David S. Smith (Holdings). He is Chairman of the Remuneration and Nomination Committee and has been nominated the Senior Independent Director under the AIC Code of Corporate Governance.

Peter Williams was appointed a Director in 1994

\* Member of the Valuations Committee.

All Directors are members of the Remuneration and Nomination Committee.  
All Directors, other than the Chairman, are members of the Audit Committee.

END

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