Electra Private Equity PLC
Preliminary Announcement for the Full Year ended 30 September 2018

This Preliminary Announcement for the Full Year ended 30 September 2018 has been extracted from the audited Annual Report and Financial Statements.

Highlights

- NAV at 30 September 2018 of £342m (892.4 pence per share)
- Pro forma NAV of £202m (527.4 pence per share) following the £140m initial Special Dividend of FY19 being paid on 14 December 2018
- Fully controlled assets (TGI, Hotter and SPC) have combined LTM maintainable EBITDA of £33.3m with Net Debt of £29m - including cash held centrally (post dividend)
- Investment Policy and Objective changed at shareholder meeting in October 2018 with over 99% support
- Strategy to conduct a managed wind-down of the portfolio over a period of time, allowing optimisation of returns, the return of cash to shareholders, and ultimately the winding-up of the Company
- Operating costs and Board composition being reduced to reflect the reduced scale and activities of the Company
- Further dividend announcements will follow in the first quarter of 2019

Portfolio

- Concentration of portfolio leads to volatility as difficult conditions in UK retail and casual dining impacted TGI Fridays (£124.6m) and Hotter Shoes (£6.8m). Both impacted by exceptional weather conditions in 2018 as well as underlying markets. Recovery plans for both businesses are in place intended to increase resilience and value prior to exits in an acceptable timeframe
- Special Product Company (£7.3m) performing strongly in US cable and telecom infrastructure market whilst Sentinel (£4.1m) is experiencing a challenging end to a strong year as customers supply chains adjust to end user demand in UK building products sector
- Tail assets continue to provide expected value realisations
- Photobox sold post year end and Knight Square disposal expected to complete later this month

Composition of NAV

	30 September 2018		Pro Forma After Announced Disposals and Dividend	
	NAV £m	NAV pence per share	NAV £m	NAV pence per share
TGI Fridays	124.6	326	124.6	326
Hotter Shoes	6.8	18	6.8	18
SPC	7.3	19	7.3	19
Sentinel	4.1	11	4.1	11
Other	6.9	17	6.9	17
Photobox	96.1	251	-	-
Knight Square	20.7	54	-	-
Cash & cash equivalents	75.8	198	52.6	138
Other Assets / (Liabilities)	(0.6)	(2)	(0.6)	(2)
Net Asset Value	341.7	892	201.7	527

Commenting, Neil Johnson, Chairman of Electra Private Equity, said:

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

For further information:
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The audited Annual Report and Financial Statements for the Year ended 30 September 2018 have not yet been delivered to the Registrar of Companies but are expected to be published in January 2019. The Financial Statements for the year to 30 September 2018 are audited. The financial information set out below does not constitute the Company's statutory accounts for the years to 30 September 2018 or 2017 but is derived from those accounts. The auditors have reported on those accounts; their reports (i) were unqualified, (ii) included a reference to matters to which the auditors drew attention by way of emphasis in relation to the basis of preparation other than going concern, without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for the year to 30 September 2018 or 30 September 2017. Statutory accounts for the year to 30 September 2017 were approved by the Board of Directors on 6 December 2017, published on 31 January 2018 and delivered to the Registrar of Companies.

The information contained in this announcement is restricted and is not for release, publication or distribution, directly or indirectly, nor does it constitute an offer of securities for sale, in the United States, Canada, Japan, Australia, New Zealand or South Africa. References in this announcement to Electra Private Equity PLC and its subsidiaries have been abbreviated to 'Electra' or the 'Company' or the 'Group'. References to Epiris Managers LLP (formerly Electra Partners LLP) have been abbreviated to 'Epiris'.

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

Chairman's Statement

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

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

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

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

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

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

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

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

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

Neil Johnson
Chairman
10th December 2018

Strategic Report

The Strategic Report provides a review of the Company's business, the operating performance during the year to 30th September 2018, and its strategy going forward. It also considers the principal risks and uncertainties facing the Company. References to other sections of this Annual Report and Financial Statements are provided where appropriate.

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

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

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

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

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

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

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

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

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

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

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

Principal Risks and Risk Management
The Board consider that the risks detailed below are the principal risks currently facing the Company, along with the risks detailed in Note 18 of the Notes to the Financial Statements ("the Notes"). These are the risks that could affect the ability of the Company to deliver its recently announced strategy.

The Board can confirm that the principal risks of the Company, including those which would threaten its future performance, solvency or liquidity, have been robustly assessed throughout the year ended 30th September 2018, and that processes are in place to continue this assessment.

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

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

Strategy Implementation Risk
The Company is subject to the risk that implementation of its strategy and its level of performance fail to meet the expectations of its shareholders. The Board has undertaken a thorough review of the Company's investment strategy and policy and its structure, with the objective of maximising shareholder value.

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

Investment Risk
The performance of the Company's portfolio is influenced by a number of factors. These include, but are not limited to: (i) the quality of the initial investment decision; (ii) reliance on co-investment parties; (iii) the quality of the management team of each underlying portfolio company and the ability of that team to implement its business strategy successfully; (iv) the success of the executive team in building an effective working relationship with each team in order to agree and implement value-creation strategies; (v) changes in the market or competitive environment in which each portfolio company operates; and (vi) the macroeconomic risks described below. Any one of these factors could have an impact on the valuation of an investment and on the Company's ability to realise the investment in a profitable and timely manner.

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

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

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

Macroeconomic Risk
The performance of the Company's investment portfolio is materially influenced by economic conditions. These may affect demand for products or services supplied by investee companies, foreign exchange rates, the price of commodities or other input costs, interest rates, debt and equity capital markets and the number of active trade and financial buyers. All of these factors could be influenced by the outcomes of the Brexit negotiations and all have an impact on the Company's ability to realise a return from its investment portfolio and cannot be directly controlled by the Company. The Board does not consider the level of these risks to be significantly higher or lower than at the same time last year.

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

Operational Risk
The Company is exposed to a range of operational risks including those relating to human resources, legal and regulatory matters, financial reporting, information technology systems, business disruption and shortcomings in internal controls. The Company's investment management, control systems and many administrative systems are managed by the executive team or outsourced partners and overseen by the Board. Reviews of the controls are carried out by independent parties. These risks are considered lower than for the prior financial year.

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

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

Foreign Currency Risk
Foreign exchange exposures also exist across the Company's investment portfolio as a result of the denomination of revenues, costs, assets and liabilities in different currencies. The executive directors work with the Company's investment portfolio to make use of natural, financing and derivative hedges to mitigate these exposures.

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

Viability Statement
The Directors have carefully assessed the Company's current position and prospects as well as the Principal Risks stated above and have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three financial years, irrespective of the timing of portfolio wind-down events. Should appropriate conditions exist the Directors may recommend the winding-up of the Company sooner.

The particular factors the Directors have considered in assessing the prospects of the Company and in selecting a suitable period in making this assessment are as follows:

- The Company is presently invested primarily in long-term illiquid investments which are not publicly traded. The Company will not make any new investments although it has committed to support its existing portfolio to the extent required to optimise returns
- The Board considers that each of the remaining corporate investments represents an opportunity for value creation within a medium-term timeframe
- The Board reviews the liquidity of the Company and regularly considers any commitments it has, cash flow projections and the use of gearing
- The Valuations Committee oversees the valuation process. Typically, the medium-term prospects of each portfolio company form an important part of the valuation process
- A thorough review of the Company's investment objective and policy has recently been undertaken with the objective of optimising returns and distributing cash to shareholders

Taking account of the above factors, the term periods of gearing facilities of the portfolio companies, the liquidity of the Company and the valuations and medium-term prospects of its portfolio companies, the Directors have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three financial years.

In making this assessment, the Directors have assumed that the threats to the Company's solvency and liquidity incorporated in the Principal Risks will be managed or mitigated as outlined there.

Community, Social, Employee, Human Rights, Environmental Issues, Anti-bribery and Anti-corruption
The Company is committed to carrying out business in an honest and fair manner with a zero-tolerance approach to bribery and corruption. As such, policies and procedures are in place to prevent bribery and corruption. In carrying out its activities and in its relationships with the community, the Company aims to conduct itself responsibly, ethically and fairly, including in relation to social and human rights issues.

As an investment trust, with limited internal resource, the Company has little impact on the environment. However, the Company believes that high standards of corporate social responsibility ("CSR") make good business sense and have the potential to protect and enhance investment returns. Consequently, the Group's investment process ensures that social, environmental and ethical issues are taken into account and best practice is encouraged.

Diversity
There are currently seven male Directors and one female Director on the Board. The Company aims to have a balance of relevant skills, experience and background amongst the Directors on the Board and believes that all Board appointments should be made on merit and with due regard to the benefits of diversity, including gender.

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

Performance and Prospects

Performance
The summary of performance of results can be seen on the Consolidated Income Statement.

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

- **Return on Equity (ROE) over the long term**
  ROE is calculated as the total return divided by opening shareholder funds. Electra's ROE has been calculated by taking the annualised percentage change in diluted NAV per share after adding back dividends paid per share.

  During the year the Company's objective was to achieve a return on equity of between 10% and 15% per year over the long term. Over the 10 years to 30th September 2018 the Company's annualised ROE was 12% (2017: 11%).

- **The Net Asset Value (NAV) per ordinary share total return**
  This is the aggregate of income and capital profits of the investment portfolio for the period less all costs. It is expressed as a percentage of the opening NAV. Electra compares its NAV per ordinary share total return over twelve months, three years and ten years to the Morningstar Private Equity Index.

  The Company's Net Asset Value per share total return was negative 8% (2017: positive 9%) over the twelve months, 43% (2017: 76%) over the three years and 213% (2017: 190%) over the ten years to 30th September 2018. These compared with 9%, 91% and 89% respectively by the Morningstar Private Equity index.

- **The Total Shareholder Return (TSR)**
  This is expressed as a percentage and is calculated by dividing the sum of the closing share price and adjusted for dividends paid in the period by the opening share price. Electra compares its total shareholder return with the FTSE 250 Index over twelve months and ten years.

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

Prospects
The Company's prospects are described in the Chairman's Statement.

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

Neil Johnson
Chairman
10th December 2018

CFO Review

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

Portfolio

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

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

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

Going Concern and Viability

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

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

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

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

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

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

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

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

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

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

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

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

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

Gavin Manson
Chief Financial Officer
10th December 2018

Consolidated Income Statement

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

The "Total" columns of this statement represent the Group's Consolidated Income Statement prepared in accordance with International Financial Reporting Standards adopted by the EU ("IFRS"). The supplementary Revenue and Capital columns are both prepared under guidance published by the Association of Investment Companies. This is further explained in the Basis of Accounting and Significant Accounting Policies in Note 25.

All activities represent continuing operations. The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

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

Consolidated Statement of Changes in Equity

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

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

The accompanying notes are an integral part of these financial statements.

Company Statement of Changes in Equity

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

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

The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheet

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

The accompanying notes are an integral part of these financial statements.

These financial statements were approved by the Board of Directors and signed on their behalf by:

Neil Johnson
Executive Chairman
10th December 2018

Gavin Manson
Chief Financial Officer
10th December 2018

Electra Private Equity PLC
Company Number: 00303062

Company Balance Sheet

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

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

The accompanying notes are an integral part of these financial statements.

These financial statements were approved by the Board of Directors and signed on their behalf by:

Neil Johnson
Executive Chairman
10th December 2018

Gavin Manson
Chief Financial Officer
10th December 2018

Electra Private Equity PLC
Company Number: 00303062

Consolidated Cash Flow Statement

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

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

1 Segmental Analysis

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

Geographic information

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

2 Investment Income - Revenue

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

3 Income Reversal

Accrued income is recognised when the value of investment is greater than the value of any loan note associated with the investment. Income reversal is the reversal of accrued income recognised in previous periods arising from changes in valuation of certain investments. The £26m income reversal presented in the Consolidated Income Statement for the year ended 30th September 2018 relates to accrued income reversed on the Company's loan investment in TGI Fridays, while the £6m income reversal for the year ended 30th September 2017 related to accrued income reversed on the Company's loan investment in Photobox.

4 Other Expenses

For the year ended 30 September	2018 £m	2017 £m
Administrative expenses	**4**	5
Directors' remuneration (see Note 5)	**2**	1
Exceptional expenses (see page 18)	**3**	7
Auditor's remuneration (see page 18)	**-**	-
Total expenses	**9**	13

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

4 Other Expenses (continued)

Exceptional expenses (included in the table on page 17) For the year ended 30 September	2018 £m	2017 £m
Strategic review	**2**	5
Office establishment	**-**	1
Enterprise Resource Planning (ERP) systems implementation	**-**	1
Corporate transactions and rationalisation	**1**	-
Total exceptional expenses	**3**	7

Exceptional expenses for 2018 relate to costs incurred on strategic review, simplification of group structure, and one-off transaction services, while the 2017 amount included expenses incurred on completing the handover of the investment portfolio and operational responsibilities from the former external manager and building a robust and sustainable corporate governance structure, establishing a new office and implementing an ERP system appropriate for reporting.

For the purpose of tax computation, £1m (2017: £2m) of the total exceptional expenses are treated as disallowable. £3m (2017: £6m) of the total exceptional expenses have been settled in cash during the year.

Auditor's Remuneration – Deloitte LLP

For the year ended 30 September	2018 Group £'000	2018 Company £'000	2017 Group £'000	2017 Company £'000
Audit of group accounts pursuant to legislation	**138**	**141**	204	204
Audit of subsidiaries accounts pursuant to legislation	**56**	**-**	60	-
Sub total	**194**	**141**	264	204
Other assurance services*	**84**	**84**	126	126
Total auditor's remuneration	**278**	**225**	390	330

* The other assurance services in 2018 include £48,000 related to services associated with the strategic review and £36,000 related to the half year review (2017: £90,000 related to services associated with the strategic review and £36,000 related to the half year review).

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

5 Directors' Remuneration

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

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

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

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

6 Employees Costs

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

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

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

7 Operating Leases

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

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

	2018	2017
As at 30 September	**Land and Buildings**	Land and Buildings
	£m	£m
Within one year	**1**	1
Between two and five years	**2**	3
After five years	**-**	-
	3	4

8 Taxation Expenses

			2018			2017
For the year ended 30 September	**Revenue**	**Capital**	**Total**	Revenue	Capital	Total
	£m	**£m**	**£m**	£m	£m	£m
Current tax:						
UK corporate tax on profits for the period	**(4)**	**4**	**-**	3	(1)	2
Deferred tax:						
Origination and reversal of timing differences	**-**	**(2)**	**(2)**	-	2	2
Total tax (credit)/expense	**(4)**	**2**	**(2)**	3	1	4

The difference between the income tax expense shown above and the amount calculated by applying the effective rate of UK corporation tax, currently 19% (2017: 19.5% pro-rata) to the (loss)/profit before tax is as follows:

8 Taxation Expenses (continued)

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

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

9 Dividends

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

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

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

10 Earnings per share

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

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

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

11 Net Asset Value per Ordinary Share

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

There were no dilutive potential shares in 2017 or 2018.

12 Investments Held at Fair Value

Non-current Investments Held at Fair Value

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

Current Investments Held at Fair Value

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

12 Investments Held at Fair Value (continued)

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

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

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

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

13 Assets Held for Sale

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

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

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

14 Trade and Other Receivables

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

15 Trade and Other Payables

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

Other payables include accrued expenses, including bonuses.

16 Provision for Liabilities and Charges

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

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

17 Deferred Tax Liability

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

Deferred Tax	**2018 Revaluation of financial assets Group £m**	**2018 Revaluation of financial assets Company £m**	2017 Revaluation of financial assets Group £m	2017 Revaluation of financial assets Company £m
At 1 October	**2**	**2**	-	-
Charge during the period	**(2)**	**(2)**	2	2
At 30 September	**-**	**-**	2	2

18 Financial Instruments

(i) Management of Risk
During the year as an investment trust, the Group’s investment objective was to seek capital growth from a portfolio of securities drawn from markets both within the UK and worldwide. The holding of these financial instruments to meet this objective results in certain risks.

The Group’s financial instruments comprise securities in unlisted companies, partnership interests, trade receivables, trade payables, money market funds and cash.

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

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

The Group is exposed to the risk of the change in value of its fund investments, unlisted equity, non-equity shares, fixed and floating rate securities. For unlisted equity and non-equity shares the market risk is deemed to be the price/earnings ratio or other appropriate valuation methodology as set out in the accounting policy. The impact on profit or loss after tax and on shareholders’ equity, in absolute and percentage terms of those figures, due to movements in these variables, is set out in part (vi) of this note.

Foreign Currency Risk
The Group’s total return and net assets are affected by foreign exchange translation movements as a proportion of the investments held are denominated in or impacted by currencies other than sterling. The foreign investments held are principally held in the USA and Continental Europe. The Board monitors the Group's exposure to foreign currencies on a regular basis and assesses the risks by considering the effect of currency movements on the Group's net asset value and income.

The impact on profit after tax and on shareholders’ equity due to increases and decreases in the value of the US Dollar and Euro, in absolute terms and as a percentage of those figures, are analysed in part (iii) of this note.

Interest Rate Risk
The Group finances its operations through retained profits including realised capital profits. These profits are held as cash balances to the extent they have not been distributed. The Company had no gearing at 30th September 2018.

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

Liquidity Risk
The Group’s assets comprise unlisted equity and non-equity shares, fixed income securities, liquidity funds and secondaries. Whilst unlisted equity is illiquid, short-term flexibility is achieved through cash which is available on demand and liquidity funds which are available within twenty-four hours. The Group’s financial liabilities are expected to be settled within the next twelve-month period.

Credit Risk
The Group’s exposure to credit risk principally arises from its cash deposits. Only major banks (with market capitalisation above £20bn) are used when making cash deposits and the level of cash is reviewed on a regular basis. Cash was principally held with two UK banks (see table below) and totalled £3m (2017: £54m).

Bank Credit Ratings at 30 September 2018	Moody's
HSBC	Aa3 (stable)
Royal Bank of Scotland	Baa2 (positive)

18 Financial Instruments (continued)

Capital Risk Management

The Group's capital comprised:

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

The Group’s objective in the management of capital risk is to safeguard its liquidity in order to provide returns for shareholders and to maintain an optimal capital structure. In doing so the Group may adjust the amount of dividends paid to shareholders (whilst remaining within the restrictions imposed by its investment trust status) or issue new shares or debt. During the year the Group paid dividends totalling £359m (2017: £1,394m).

The Group manages the levels of cash deposits held whilst maintaining sufficient liquidity for investments. The Group has an existing authority to implement an on-market share buy-back programme to generate shareholder value. During 2017, £94m, including transaction fees, were utilised to repurchase shares for cancellation. There were no share repurchases during 2018.

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

(ii) Market Price Exposure

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

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

(iii) Foreign Currency Exposures

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

Currency

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

18 Financial Instruments (continued)

(iii) Foreign Currency Exposures (continued)

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

(iv) Interest Rate Risk Exposures

The financial instruments held by the Group include equity and non-equity shares as well as floating interest securities. The financial instruments shown below are separated into the type of income they generated as at 30th September 2018. Base interest rate in the UK has less than 1% for a number of years and for the purpose of sensitivity analysis, the Group analysed a 1% rate change scenario, which is considered to be a reasonable movement in light of the recent rise in the base interest rate.

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

				Group				**Company**
As at 30 September 2018	**Fixed rate £m**	**Floating rate £m**	**Non-interest bearing £m**	**Total £m**	**Fixed rate £m**	**Floating rate £m**	**Non-interest bearing £m**	**Total £m**
Financial Assets								
Cash and cash equivalent	**-**	**-**	**3**	**3**	**-**	**-**	**3**	**3**
Investments held at fair value through profit and loss	**134**	**75**	**13**	**222**	**7**	**75**	**36**	**118**
Held for sale investments	**108**	**-**	**9**	**117**	**11**	**-**	**-**	**11**
Loans and receivables	**-**	**-**	**3**	**3**	**-**	**-**	**231**	**231**
	242	**75**	**28**	**345**	**18**	**75**	**270**	**363**
Financial Liabilities								
Held at amortised cost	**-**	**-**	**(2)**	**(2)**	**-**	**-**	**(20)**	**(20)**
	-	**-**	**(2)**	**(2)**	**-**	**-**	**(20)**	**(20)**
Total	**242**	**75**	**26**	**343**	**18**	**75**	**250**	**343**

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

18 Financial Instruments (continued)

(iv) Interest Rate Risk Exposures (continued)

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

Group

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

Company

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

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

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

(v) Financial Assets and Liabilities

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

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

18 Financial Instruments (continued)

The unlisted financial assets held at fair value are valued in accordance with the Principles of Valuation of Unlisted Equity Investments as detailed within Note 25.

(vi) Fair Value Hierarchy

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

The Group complies with IFRS 13 in respect of disclosures about the degree of reliability of fair value measurements. This requires the Group to classify, for disclosure purposes, fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The levels of fair value measurement bases are defined as follows:

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

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

Level 3: fair values measured using valuation techniques for which any significant input to the valuation is not based on observable market data (unobservable inputs).

The Group considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The following tables represent the Group's and Company's assets by hierarchy levels, and all fair value measurements disclosed are recurring fair value measurements.

Financial assets and liabilities at fair value through profit or loss

Group

As at 30 September 2018	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Unlisted and listed investments	**72**	**-**	**267**	**339**

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

Company

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

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

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. The Group does not adjust the quoted price for these instruments. Investments classified within Level 1 are liquidity funds only for 2018, but also included a listed investment in 2017.

18 Financial Instruments (continued)

(vi) Fair Value Hierarchy (continued)

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

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

The main inputs into the Group's valuation models for private equity investments are EBITDA multiples (based on the budgeted EBITDA or most recent EBITDA achieved or a rolling 12 months basis of the issuer and equivalent corresponding EBITDA multiples of comparable listed companies), quality of earnings assessments, assessments of third party external debt, comparability difference adjustments, cost of capital adjustments and probabilities of default. The Group also considers the original transaction prices, recent transactions in the same or similar instruments and completed third party transactions in comparable companies' instruments and adjusts the model as deemed necessary.

In determining the valuation for the Group's equity instruments, comparable trading multiples are used in arriving at the valuation for private equity. In accordance with the Group's policy, appropriate comparable public companies based on industry, size, developmental stage, revenue generation and strategy are determined and a trading multiple for each comparable company identified is then calculated. The multiple is calculated by dividing the enterprise value of the comparable group by its EBITDA. The trading multiple is then adjusted for considerations such as illiquidity, marketability and other differences, advantages and disadvantages between the Group's portfolio company and the comparable public companies based on company specific facts and circumstances.

The value of private equity funds is primarily based on the latest available financial/capital account statement of the private equity fund. The Company may make adjustments to the value as set out in Note 25.

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

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

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

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

18 Financial Instruments (continued)

(vi) Fair Value Hierarchy (continued)

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

The tables below present those investments in portfolio companies whose fair values are recognised in whole or in part using valuation techniques based on assumptions that are not supported by prices or other inputs from observable current market transactions in the same instrument and the effect of changing one or more of those assumptions behind the valuation techniques adopted based on reasonable possible alternative assumptions.

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

Group

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

18 Financial Instruments (continued)

(vi) Fair Value Hierarchy (continued)

Group

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

18 Financial Instruments (continued)

(vi) Fair Value Hierarchy (continued)

Company

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

18 Financial Instruments (continued)

(vi) Fair Value Hierarchy (continued)

Company

Description	Fair value 2017 £m	Valuation Technique	Unobservable Inputs	Weighted Average Input	Reasonable possible shift +/- (absolute value/%)	Change in Valuation +/- £m
UK						
Investment in subsidiaries	137	NAV valuation	NAV	n/a	5%	6/(6)
Property	3	Yield	Yield %	n/a	1%	-
Continental Europe						
Private equity funds	13	NAV valuation	NAV	n/a	5%	1/(1)
US						
Investment in subsidiaries	2	NAV valuation	NAV	n/a	5%	-
Private equity funds	1	NAV valuation	NAV	n/a	5%	-
Total	156					

The changes in valuations disclosed in the above table show the relative increase or decrease in the input variables deemed to be subject to the most significant and the respective impact on the fair value of the financial assets. Increases in the EBITDA multiple would each lead to an increase in estimated value. However, an increase in the comparability difference adjustment would lead to a decrease in value.

No inter-relationships between unobservable inputs used in the Group's or Company's valuation of its Level 3 equity investments have been identified.

There has been no transfer between levels on assets held by the Group or Company during the year ended 30th September 2018 (2017: £nil).

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

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

Group	Consumer goods, leisure and hospitality £m	Property £m	Business services £m	Fund positions £m	Total £m
Opening balance at 1 October 2016	650	46	772	174	1,642
Purchases	39	-	3	4	46
Realisations	(453)	(52)	(939)	(137)	(1,581)
Increase/(decrease) in valuation	50	10	195	(13)	242
Closing balance at 30 September 2017	286	4	31	28	349

18 Financial Instruments (continued)

(vi) Fair Value Hierarchy (continued)

For the purposes of the above tables:

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

19 Called up Share Capital and Reserves

Share Capital

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

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

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

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

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

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

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

20 Share Based Payments

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

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

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

The cost of share based payment is recognised as an expense with a corresponding increase in share based payment reserves. Expenses are recognised over the period in which vesting conditions are fulfilled. No expense is recognised for awards that do not ultimately vest.

The total charge in the Consolidated Income Statement for the year was £602,868 (2017: £44,482).

20 Share Based Payments (continued)

Details of the LTIP scheme are as follows:

Grant Date	13th July 2017	20th June 2018
Number of options granted	Initial grant of 47,783 options followed by two additional grants of 45,828* and 2,568** options respectively during 2018	24,307
Market Price on Grant Date	£795,102	£225,181
Performance period	3 years	3 years
Vesting conditions	1. Continued services over the vesting period. 2. The Group's total shareholder return ("TSR") performance relative to that of a comparator group of companies, comprised of the constituents of the FTSE 250 index (excluding investment trusts) over the vesting period. Vesting percentage of the award are as follows: TSR against comparator group over performance period — Percentage of award that vests Below median — 0% Median — 20% Between median and upper quartile — Between 20% and 100% straight-line Upper quartile or more — 100%	
Change in corporate control and other corporate events	All unvested awards shall vest on date of such event, at the discretion of the Group Remuneration Committee.	
Settlement method	Equity settled, with option of cash alternative determined by the Group Remuneration Committee.	

* the additional 45,828 options were granted to existing participants of the 2017 LTIP to cover the reduction in the Company's share price following the third Special Dividend 2017 paid on 1st December 2017.
** the additional 2,568 options were granted to existing participants of the 2017 LTIP to cover the reduction in the Company's share price following the Special Dividend 2018 paid on 28th June 2018.

The Directors consider that the market value of shares at grant date materially reflects the variable inputs in the fair valuation of the nil-cost options granted. Assumptions that may result in changes to the share based payment expense and reserves in the Group financial statements will be reassessed at all future reporting dates. The shares purchased are held in the Group's Employee Benefit Trust, which waives its dividend entitlement and abstains from voting at general meetings.

Details of the SOVP scheme are as follows:

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

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

20 Share Based Payments (continued)

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

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

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

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

21 Particulars of Holdings

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

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

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

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

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

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

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

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

21 Particulars of Holdings (continued)

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

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

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

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

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

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

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

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

Partnership Undertakings
The results and balances of the following partnerships are included in the consolidated Financial Statements of the Group. Each partnership is 100% owned by the Group.

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

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

21 Particulars of Holdings (continued)

The following partnerships have been dissolved during the year.

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

Significant Interests in Investee Undertakings

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

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

22 Related Party Transactions

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

Sherborne
Sherborne Investors Management LP ("Sherborne") was appointed as adviser to the Group on 22nd December 2015. Their role is to advise the Group in connection with research and the formulation and making of proposals to the Board of Directors of the Group. Under the terms of the contract Sherborne are not entitled to a fee but are entitled to be reimbursed for all reasonable expenses. In the year ended 30th September 2018 the Group paid Sherborne £63,342 (2017: £127,981) as reimbursement for travel and subsistence costs. Edward Bramson, a Director of Electra, is the managing member of Sherborne Investors Management LP.

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

Termination Payment
On 26th May 2016, the Company served notice of termination of the Management and Investment Guideline Agreement on Epiris effective on 31st May 2017. Under the terms of their contract, Epiris were paid £34m compensation based on the Priority Profit Share received in the year to 31st May 2017.

Carried interest schemes
Certain members of Epiris (the "participants") were entitled to benefit from carried interest schemes under the terms of the limited partnerships through which Electra invested. Details of these schemes are as follows:

22 Related Party Transactions (continued)

Long-term incentive scheme ("LTI")
Under this scheme participants invested in every new investment made by Electra between 1995 and March 2006. In return, the participants were entitled to a percentage of the total capital and revenue profits made on each such investment. The participants did not receive any profit until Electra had received back its initial investment.

1995 LTI
Participants were entitled to a percentage of the incremental value of unlisted investments held at 31st March 1995, subject to Electra having received total proceeds equal to the valuation of those investments as at 31st March 1995 plus a preferred return.

The Initial Pool
This related to a pool of investments valued at £160m at 31st March 2006 (the "initial pool"). Under this arrangement participants were entitled to 10% (the "carried interest") of the aggregate realised profits of the initial pool. The realised profits were calculated as being the aggregate of income and sale proceeds received by Electra less the £160m opening value, less any additional purchases and less Priority Profit Share. Carried interest was payable only once realised profits exceed a preferred return of 15% compounded annually on the opening value of the initial pool plus the cost of further investments less realisations. A full catch-up was payable once the realised profits of the initial pool exceeded the preferred return. This catch-up meant that all proceeds above the cumulative preferred return accrued to participants until they had been paid an amount equating to 10% of the total realised profits of the initial pool. Thereafter proceeds were split 90%:10% between Electra and the participants.

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

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

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

No Directors of Electra participated in the above schemes.

Summary of carried interest pools

The following tables are for the comparative period only.

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

22 Related Party Transactions (continued)

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

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

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

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

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

Priority Profit Share paid to Epiris was calculated at 1.5% per annum on the gross value of the Company’s investment portfolio including cash (but excluding any amounts committed to funds established and managed by Epiris).

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

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

23 Contingent Liabilities

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

24 Post Balance Sheet Events

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

25 Basis of Accounting and Significant Accounting Policies

The Group Financial Statements for the year ended 30th September 2018 have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRS"). IFRS comprises standards and interpretations approved by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRS IC") as adopted in the European Union as at 30th September 2018.

In order to reflect the activities of an investment trust company, supplementary information which analyses the Consolidated Income Statement between items of a revenue and capital nature has been presented alongside the Consolidated Income Statement. In analysing total income between capital and revenue returns, the Directors have followed the guidance contained in the Statement of Recommended Practice for investment companies issued by the Association of Investment Companies in November 2014 (the "SORP").

The recommendations of the SORP which have been followed include:

- Realised and unrealised profits or losses arising on the revaluation or disposal of investments classified as held at fair value through profit or loss should be shown in the capital column of the Consolidated Income Statement.
- Realised gains are taken to the realised reserves in equity and unrealised gains are transferred to the unrealised reserves in equity.
- Returns on any share or debt security (whether in respect of dividends, interest or otherwise) should be shown in the revenue column of the Consolidated Income Statement. The total of the revenue column of the Consolidated Income Statement is taken to the revenue reserve in equity.
- The Board should determine whether the indirect costs of generating capital gains should also be shown in the capital column of the Consolidated Income Statement. If the Board decides that this should be so, the management expenses should be allocated between revenue and capital in accordance with the Board's expected long-term split of returns, and other expenses should be charged to capital only to the extent that a clear connection with the maintenance or enhancement of the value of investments can be demonstrated. The Board has decided that the Company should continue to charge management expenses as revenue item for the year ended 30th September 2018.

The separate financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 ("FRS 101") and the Companies Act 2006. The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 and accordingly has not presented a separate Company Income Statement.

In preparing these financial statements, the Company applies recognition, measurement and disclosure requirements of FRS 101 and the following exemptions have been applied:

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

Going Concern

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

25 Basis of Accounting and Significant Accounting Policies (continued)

Basis of Consolidation
The Consolidated Financial Statements include the Company and its subsidiary undertakings. Where subsidiaries are acquired or sold during the year their results are included in the Consolidated Financial Statements from the date of acquisition and up to the date of disposal respectively. Subsidiaries are entities controlled by the Group. Control, as defined by IFRS 10, is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

The Company has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- The Company has multiple unrelated investors which are not related parties and holds multiple investments.
- Ownership interests in the Company are exposed to variable returns from changes in the fair value of the Company's net assets.
- The Company has obtained funds for the purpose of providing investors with investment management services.
- The Company's business purpose is investing solely for returns from capital appreciation and investment income.
- The performance of investments is measured and evaluated on a fair value basis.

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

Application of New Standards
The following new amendments to IFRSs became effective for accounting period commencing on or after 1st January 2017 and have had no material impact on the Group.

- IFRS 2 (amendments) *Classification and Measurement of Share Based Payment Transactions*
- IAS 7 (amendments) *Disclosure Initiative*
- IAS 12 (amendments) *Recognition of Deferred Tax Assets for Unrealised Losses*
- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12

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

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

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

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

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

25 Basis of Accounting and Significant Accounting Policies (continued)

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

Principles of Valuation of Investments

(i) General
The Group estimates the fair value of each investment at the reporting date in accordance with IFRS 13 and the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines.

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

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

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

(ii) Unlisted Equity Investments
In respect of each unlisted investment the Group selects one or more of the following valuation techniques:

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

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

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

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

The Group usually derives a multiple by reference to current market-based multiples, reflected in the market valuations of quoted comparable companies or the price at which comparable companies have changed ownership. Differences between these market-based multiples and the investee company being valued are reflected by adjusting the multiple for points of difference which might affect the risk and earnings growth prospects which underpin the earnings multiple. Such points of difference might include the relative size and diversity of the entities, rate of earnings growth, reliance on a small number of key employees, diversity of product ranges, diversity and quality of customer base, level of borrowing, any other reason the quality of earnings may differ.

25 Basis of Accounting and Significant Accounting Policies (continued)

Principles of Valuation of Investments (continued)

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

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

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

(iii) Listed Investments
The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and transactions for an asset take place with sufficient frequency and volume to provide pricing information on an on-going basis. The quoted market price used for listed financial instruments held by the Group is the bid price on the reporting date.

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

(v) Money Market Investments
Investments in money market funds are held at the current fair value of the units invested.

(vi) Subsidiary Undertakings
Investments in subsidiaries are stated in the Company Balance Sheet at the fair value of the subsidiary.

(vii) Accrued Income
Accrued income is included within investment valuations.

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

Foreign Currencies
The Group's and Company's presentational and functional currency is Pounds Sterling ("Sterling"), since that is the currency of the primary economic environment in which the Group operates. Transactions in currencies other than Sterling are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currencies of the Group's respective entities at rates prevailing at the balance sheet date. Foreign currency revenue and expenses are translated into the functional currencies of the Group's respective entities at the month end rate for the period the transaction occurred. Exchange differences arising are recognised through the Consolidated Income Statement.

At each balance sheet date, assets and liabilities of foreign operations are translated into sterling at the rates prevailing on the balance sheet date. Foreign exchange differences arising on retranslation of the equity and reserves of subsidiaries with functional currencies other than sterling, are recognised directly in the Translation Reserve in equity. Foreign exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the Consolidated Income Statement for the year.

25 Basis of Accounting and Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

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

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

25 Basis of Accounting and Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

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

Critical Accounting Judgements and Key Sources of Estimation Uncertainty
Critical accounting judgements and key sources of estimation uncertainty used in preparing the financial information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting judgements and estimates will, by definition, seldom equal the related actual results.

In the course of preparing the financial statements, no judgements have been made in the process of applying the Group's accounting policies.

25 Basis of Accounting and Significant Accounting Policies (continued)

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

Financial assets fair value measurements
Unquoted assets are measured at fair value in accordance with IFRS 13 and the IPEV Guidelines for financial reporting purposes. Judgement is required in order to determine the appropriate valuation methodology and subsequently in determining the inputs into the valuation model used. These judgements include making assessments of the future earnings potential of portfolio companies, appropriate earnings multiples to apply, and adjustments to comparable multiples. The Board of Directors of the Company has set up a Valuations Committee, which is chaired by a Non-Executive Director, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses internal experts to perform the valuation. The Valuations Committee works closely with the internal expert and G10 Capital Limited to establish the appropriate valuation techniques and inputs to the model.

The Chairman of the Valuations Committee reports its findings to the Board of Directors of the Group every six months to explain the cause of fluctuations in the fair value of the assets and liabilities.

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

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

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

Directors' Remuneration Report

Statement by Chairman of the Remuneration Committee

Dear Shareholders

On behalf of the Board, I am pleased to present my report as Chairman of the Remuneration Committee. This report sets out Electra's policy in relation to Directors' remuneration, as approved by shareholders at the Annual General Meeting in March 2018. This policy is set out below.

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

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

Implementation of the Policy in 2017/18
The revised Remuneration Policy that was approved by shareholders in March 2018 was implemented with effect from 1st January 2018. It is expected that this Remuneration Policy will remain in force until March 2021 although we will closely monitor regulatory changes and market trends and, if necessary, may present a revised Remuneration Policy before that time.

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

1 Electra Private Equity PLC 2017 Long-Term Incentive Plan (the "Long-Term Incentive Plan" or "LTIP")
The principal terms of the Long-Term Incentive Plan are set out in Note 20. On 14th July 2017, the Committee granted Gavin Manson a nil cost option award under the LTIP in respect of 35,671 ordinary shares. The award will ordinarily vest and become exercisable three years from the date of grant, subject to continued service and to the extent to which the total shareholder return performance condition is met and may be exercised for a period of ten years from the date of grant. Gavin Manson is required to hold the shares for at least 24 months from the date of vesting.

Following the declarations of the Special Dividends which were paid on 1st December 2017 and 28th June 2018 and the Special Dividend that is payable on 14th December 2018, the Committee agreed to adjust the award by increasing the number of ordinary shares within the award by a factor representing the proportionate increase in the award holder's holding which would have occurred if the special dividend had been invested in more shares on the first day on which the shares were traded ex-dividend. This resulted in the number of shares under the award being increased by 34,211 and 1,919 shares respectively in respect of the Special Dividends.

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

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

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

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

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

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

The terms of the Deferred Bonus Plan are set out on page 51. The Deferred Bonus Plan was set up to allow bonuses to Executive Directors to be deferred into shares. On 21st December 2017, the Committee granted Gavin Manson a nil cost option award under the Plan in respect of 13,758 ordinary shares. The award will ordinarily vest and become exercisable three years from the date of grant, subject to continued service and may be exercised for a period of ten years from the date of grant. Gavin Manson is required to hold the shares for at least 24 months from the date of vesting.

Following the declaration of the Special Dividend which was paid on 28th June 2018 and the first Special Dividend of FY19 that is payable on 14th December 2018, the Committee agreed to adjust the award by increasing the number of ordinary shares within the award by a factor representing the proportionate increase in the award holder's holding which would have occurred if the special dividend had been invested in more shares on the first day on which the shares were traded ex-dividend. This has resulted in the number of shares under the award being increased by 377 shares in respect of the Special Dividend.

Corporate Event

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

Conclusion

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

David Lis
Chairman of the Remuneration Committee
10th December 2018

Remuneration Policy

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

1. Key objectives of the Electra Remuneration Policy

The Remuneration Policy aims to deliver two core objectives:

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

To deliver these objectives the Remuneration Policy seeks to:

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

2. Executive Directors' Remuneration Policy table

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

Benefits	
Purpose and link to strategy	To provide competitive benefits in line with market practice
Operation	• The Benefits provision will be reviewed annually. • The Company typically provides the following benefits: - Private health insurance - Death in service cover • Where Executive Directors are recruited from overseas, other ancillary benefits may be provided, including relocation expenses / arrangements (as required) • The Committee has the ability to reimburse reasonable business-related expenses and any tax thereon
Maximum opportunity	• The cost of some of these benefits is not pre-determined and may vary from year to year based on the overall cost to the Company in securing these benefits for a population of employees (particularly health insurance and death-in-service cover) • The Committee has discretion to approve an additional allowance in exceptional circumstances (such as relocation), or where factors outside the Committee's control have changed materially (such as increases in insurance premiums)

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

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

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

Long-Term Incentive Plan Awards	
Purpose and link to strategy	To drive superior long-term financial performance and shareholder returns, aid retention, and align the interests of Executive Directors with shareholders
Operation	• The Committee will not grant awards under the existing LTIP to any participants in the SOVP • The LTIP comprises annual awards of free shares (i.e. either conditional shares or nil-cost options) based on a percentage of salary which vest after three years subject to the achievement of performance conditions • A holding period applies which requires Executive Directors to retain the after-tax value of shares for 24 months from the vesting date • Dividend equivalents (in cash or shares) may (at the Committee's discretion) be paid on shares that vest in respect of dividend record dates falling between the grant date of the award and the end of the vesting period (or, if the award is granted as an option and a holding period applies, the earlier of the date of expiry of the holding period or the date of exercise of the award)
Maximum opportunity	• Maximum percentage of salary: 200% of salary • In exceptional circumstances (e.g. recruitment), awards can be made up to 300% of salary
Performance measurement and framework for the recovery of sums paid	• Granted subject to stretching targets related to the Group's KPIs, tested over three years • A maximum of 20% of awards will vest for threshold performance, with full vesting taking place for equalling, or exceeding, the maximum performance targets • The performance criteria will be reviewed annually by the Committee prior to each grant and the Committee has discretion to vary measures and weightings as appropriate to ensure they continue to be linked to the delivery of the Company strategy • Payments may be subject to claw-back in the event of a material misstatement of the Company's financial results, misconduct, or if an error is made in the calculation of the long-term incentive • The claw-back provisions will operate for a three-year period following the date on which awards vest

Share Ownership Guidelines	
Purpose and link to strategy	To encourage a strong culture of ownership across the Executive team, and to create strong alignment between Executive Directors and those of shareholders, while helping encourage a prudent approach to risk-taking across the business
Operation	• Executive Directors participating in the SOVP will be expected to build up a shareholding equivalent in value to 350% of salary. • New joiners will be given five years to achieve these levels of ownership through a combination of purchased shares and equity vesting from any other programmes • It is expected that executives will retain, as a minimum, at least 50% of any vesting LTIP or SOVP awards each year (net of tax) until a time at which these ownership guidelines are achieved

Payments from previous awards

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

Performance measures and approach to target setting

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

Incentive plan discretions

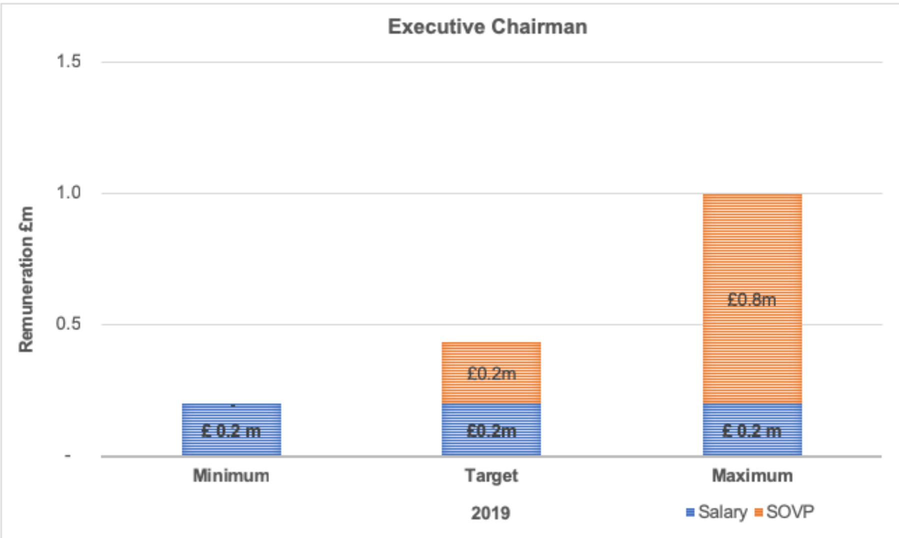
The Committee will operate the annual bonus plan, LTIP and SOVP in accordance with their respective rules. Under these rules the Committee holds certain discretions which are required for an efficient operation and administration of these plans and are consistent with standard market practice. These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

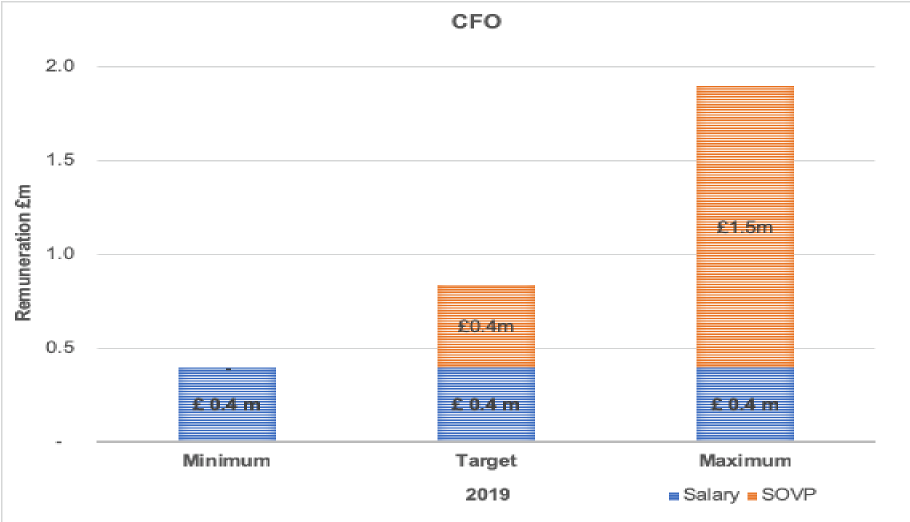
- Participants of the plans.
- The timing of grants of award and/or payment.
- The size of an award and/or a payment (albeit with quantum and performance targets restricted to the descriptions detailed in the policy table on pages 52 to 53).
- The assessment of performance criteria and the determination of vesting.
- Exercise of discretion required when dealing with a change of control (e.g. the timing of testing performance targets) or restructuring of the Group.
- A good/bad leaver for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen.
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends).
- The annual review of performance conditions for the annual bonus plan and LTIP from year-to-year.
- If certain events occur (e.g. a material divestment or acquisition of a Group business), which mean that the original performance conditions are no longer appropriate, the Committee retains the ability to make adjustments to the targets and/or set different measures and alter weightings as necessary to ensure that the conditions achieve their original purpose and are not materially less difficult to satisfy.

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

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

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





Notes:

- Fixed pay consists of base salary as at 1st January 2019 (£375,000 for the CFO and £200,000 for the Executive Chairman), pension and value of benefits for 2018/19
- Following implementation of the SOVP, which replaces the LTIP and the Annual Bonus Plan for future awards for the duration of the SOVP performance period, the Executive Directors are not entitled to any additional remuneration for the year ending 30th September 2019, so the minimum, target and maximum remuneration figures are the same (see page 52)
- The SOVP charge above is a third of anticipated payout being equivalent to 12 months out of the 36-month performance period of the plan. Under the Target Scenario, payout is based upon a recent assessment of plan fair value. The maximum Scenario assumes full payout under the Award

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

Approach to Recruitment Remuneration

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

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

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

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

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

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

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

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

Executive Director service contracts

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

Loss of office policy

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

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

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

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

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

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

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

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

Pay and employment conditions across the Company
While the Company does not formally consult employees in determining the Remuneration Policy, structures, and practices for Executive Directors, the Remuneration Committee takes into consideration the pay and employment conditions applied across the organisation to ensure that pay structures are suitably aligned and that absolute remuneration levels remain appropriate. The Committee reviews the pay ratios between the Executive Directors and the broader workforce, and also takes into account the general basic salary increases for employees across the organisation when determining Executive Director salary increases.

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

Consideration of shareholder views
The views of Shareholders on remuneration are extremely important to the Committee. As such, it is intended that an ongoing and open dialogue with Shareholders is maintained. It is the Committee's policy to consult with major shareholders and investor representative bodies prior to proposing any material changes to either this policy or any related remuneration arrangements at an AGM. On an ongoing basis, any feedback received from Shareholders is considered as part of the Committee's annual review of remuneration.

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

Terms of appointment
The appointment of both the Chairman and Non-Executive Directors are subject to letters of appointment. Service contracts are not used for non-executive Board members. The letters of appointment are available for inspection at the Company's registered office during normal business hours and at the AGM. In line with the requirements of the 2016 UK Corporate Governance Code for FTSE 350 companies, all Non-Executive Directors are subject to annual re-election by shareholders at the AGM.

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

Fee element	Purpose and link to strategy	Operation	Maximum
Chairman's and non-Executive Directors' basic fees	To attract and retain high calibre individuals to serve as Non-Executive Directors.	Fee levels are set to reflect the time commitment, responsibility of the role, and taking into account fees paid by similarly sized companies in the market. The Chairman's fee is determined by the Committee and the Non-Executive Directors' fees are determined by the Chairman and Executive Directors.	The maximum aggregate fee for non-Executive Directors, including the Chairman, are limited by the Company's articles of association to £750,000 p.a.

		Fees are reviewed from time to time to ensure that they remain in line with market practice. Fees are paid in equal monthly instalments. The Chairman's fee includes his Chairmanship of the Nominations Committee.	
Additional fees	To provide compensation to Non-Executive Directors taking on additional Committee responsibility.	Non-Executive Directors (other than the Chairman) are paid an additional fee for their Chairmanship of a Board committee.	See table on page 60.
Benefits	To facilitate the execution of the role.	The Company reimburses reasonable travel and subsistence costs and any tax liabilities from these.	

Annual Report on Remuneration

We are submitting this report in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Regulations). It will be subject to an advisory vote at the forthcoming Annual General Meeting in February 2019. While we have attempted to comply with the disclosure requirements, during the financial year the Company had just 11 remunerated employees and an interim unpaid Chief Executive Officer (to 1st March 2018) or an Executive Chairman (from 1st March 2018). It has therefore not been possible to comply with all elements in full (for example the comparison of percentage increase in the remuneration of the Chief Executive Officer with that of all the employees of the Company as a whole). Where possible we have followed both the spirit and requirements of the Regulations and provided as much information as possible to help shareholders understand the Company's pay arrangements.

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

Remuneration Committees

The Remuneration Committee members are David Lis (Chairman), Paul Goodson (from 1st March 2018) and Linda Wilding. John McAdam was a member of the Committee until his resignation on 1st March 2018. Roger Perkin, the Chairman of the Audit and Risk Committee, attends once a year to discuss the possible clawback of bonuses.

The Remuneration Committee met six times during the year to agree the Company's revised Remuneration Policy as approved at the AGM on 1st March 2018, to set up the SOVP and to agree amendments to that Plan and the LTIP in light of the Special Dividends paid and the outcome of the strategic review.

The Remuneration Committee appointed Aon Hewitt to advise it during the year on the implementation of the Company's Remuneration Policy and the establishment of the SOVP. Aon Hewitt Limited did not provide the Company with any other services during the year and has no other connection with the Company, on which basis the Committee considered that their advice would be objective and independent. Aon Hewitt received a fee of £149,142 (2017: £140,612) for the provision of their advice.

Remuneration paid in 2017/18

Executive Directors

Gavin Manson was appointed as an Executive Director on 23rd March 2017, having been appointed as Chief Financial Officer in August 2016. Gavin Manson receives a base salary of £375,000 per annum (£300,000 per annum until 31st December 2017) with no annual bonus (2017: maximum annual bonus and long-term incentive opportunities of 125% and 200% of salary respectively).

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

Single Total Figure Table for the Year (Audited)

Year to 30 September 2018

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

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

Year to 30 September 2017

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

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

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

Gavin Manson was the only Director to receive a pension contribution during the 2017/2018 financial year. Pension related benefits include pension contributions and cash in lieu of retirement benefits. Gavin Manson is entitled to have pension contributions of 10% of salary (£37,500) paid into the Company pension scheme but due to HMRC rules regarding contributions each year, the actual amount paid into the scheme was £10,500 (2017: £12,500) and the balance was paid to him as cash under deduction of taxation.

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

Non-Executive Director Fees
Directors' fees are currently as follows:

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

No fees are paid for membership of a committee.

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

Pension
The Non-Executive Directors were not entitled to any pension benefits in the year ended 30th September 2018 (2017: £nil).

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

This resulted in the following total remuneration:

Single Total Figure Table for the Year (Audited)

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

* Neil Johnson was appointed Executive Chairman on 1st March 2018 and the salaries above reflect the period of his non-executive directorship.
* Edward Bramson waived his fee for his role as Non-Executive Director of the Board. The Company reimbursed his travel expenses, with no further benefits provided.

Scheme Interests

The Company did not operate any schemes under which shares, or rights to acquire shares, were awarded to Non-Executive Directors of the Company during the year ended 30th September 2018, and no Non-Executive Director was otherwise awarded any interest in shares in the Company.

Payments for Loss of Office and Payments to Former Directors (Audited)
No loss of office payments was made to any person who served as a Director of the Company at any time during the year ended 30th September 2018 (2017: £nil).

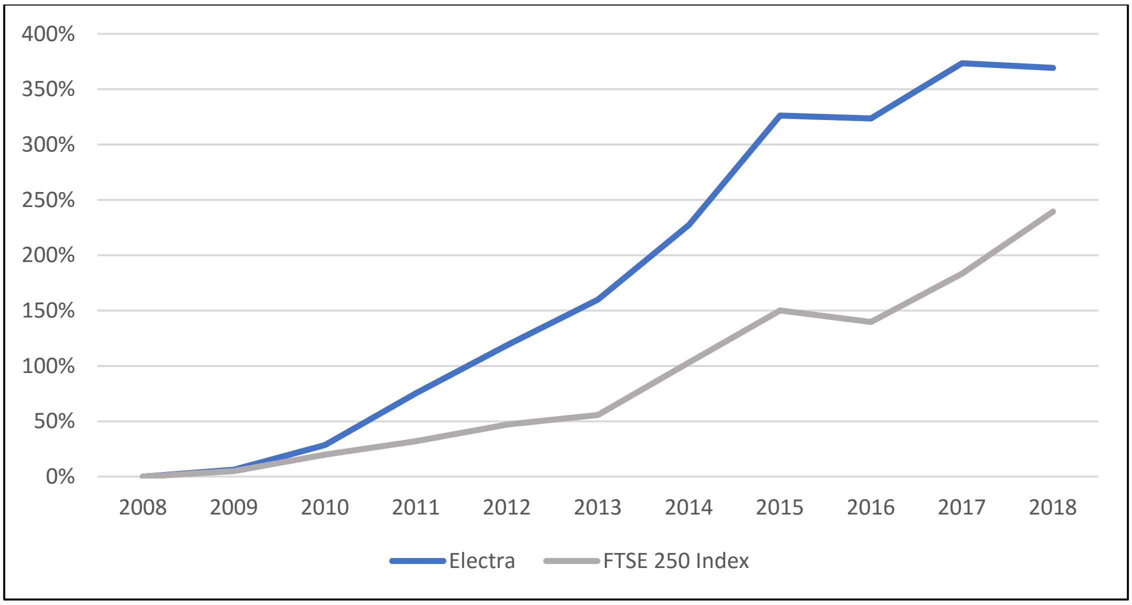
No payments were made to any person who was not a Director of the Company at the time the award was made but had previously been a Director of the Company at any time during the year ended 30th September 2018 (2017: £nil).

Relative Importance of Spend on Pay

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

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

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



The interests of the Directors (including connected persons) in the ordinary shares are shown below. There is no requirement within the Articles of Association for the Non-Executive Directors to own securities of the Company. No share options or other share scheme interests, with or without performance conditions, are awarded to the Non-Executive Directors. As explained on page 48, the Executive Directors, Mr Johnson and Mr Manson, are beneficiaries of the SOVP and LTIP. Save as disclosed, no Director had any notifiable interest in the securities of the Company or of any subsidiary of the Company. There have been no changes in the interests of any of the Directors in the Ordinary Shares of the Company between 1st October 2018 and 10th December 2018.

	30 Sept 2018 Shares	30 Sept 2017 Shares
N Johnson	**2,500**	2,500
E Bramson*	**11,446,086**	11,446,086
I Brindle	**797**	797
D Lis	**18,500**	18,500
P Goodson	**-**	-
G Manson	**1,440**	764
R Perkin	**2,074**	2,074
L Wilding	**-**	-

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

Statement of Shareholder Voting

At the Annual General Meeting held on 1st March 2018 Ordinary Resolutions to approve the Annual Report on Remuneration and the Remuneration Policy were passed on a poll with the following votes cast:

	Votes for	Votes against	Votes withheld
To approve the Directors' Remuneration Report:	29,765,175 (99.31%)	205,592 (0.69%)	2,215
To approve the Directors' Remuneration Policy	28,778,511 (99.18%)	238,962 (0.82%)	955,509

Statement of Directors' Shareholdings and Share Interests (Audited)

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

Implementation of policy during 2018/19

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

Performance Measures for SOVP in 2018/19

The SOVP is a one-off award and, in respect of its participants, will replace the LTIP and the Annual Bonus Plan for future awards for the duration of the SOVP performance period. The performance measurement and framework for the recovery of sums paid are set out on page 52.

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

David Lis
Chairman of the Remuneration Committee
10th December 2018