Embargoed until 07:00am, 7 December 2017
Electra Private Equity PLC
Preliminary Announcement for the Full Year ended 30 September 2017

This Preliminary Announcement for the Full Year ended 30 September 2017 has been extracted from the audited Annual Report and Financial Statements.

Highlights for the year to 30 September 2017

- Strong performance during a year of change: Total shareholder return of 21% for the year, compared with 14% for the FTSE 250
- NAV per share of 1,981p, (of which cash 1,134p), a total return of 9% for the year
- £1.5 billion of cash returned to shareholders in the year
- The Board announced the outcome of the first phase ("Phase I") of its strategic review on 14 October 2016
- Management functions brought in house from the former third-party provider and the required resources are in place to pursue the defined strategy
- Recurring annual management expenses reduced from approximately £33 million to approximately £5 million

Subsequent to 30 September 2017

- A third Special Dividend of £350 million (914p per share) paid on 1 December, bringing the total cash returned to shareholders to £1.9 billion since dividends resumed
- The Board announced the outcome of the second phase ("Phase II") of its strategic review on 23 October
    - Focus on optimisation of return on shareholders capital
    - Market conditions not considered to support new investment currently
    - Further simplification of group structure being implemented
    - Exploring possibility of a change in listing category
- Continuing disposal of non-core assets, leaving a portfolio of strategic corporate assets
- Edward Bramson to step back into Non-Executive role from the AGM in March
- The duties of the Chief Executive to be split between the Chairman and the Chief Financial Officer

Commenting, Neil Johnson, Chairman of Electra Private Equity PLC, said:
"I am pleased to report on a year that has seen the Company take great strides in defining and implementing its future strategy whilst continuing to deliver excellent financial returns for our shareholders.

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

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

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

For further information:

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The audited Annual Report and Financial Statements for the year ended 30 September 2017 have not yet been delivered to the Registrar of Companies but are expected to be published and distributed to shareholders in the second half of January 2018. The Financial Statements for the year to 30 September 2017 are audited. The financial information set out below does not constitute the Company's statutory accounts for the years to 30 September 2017 or 2016 but is derived from those accounts. The auditors have reported on those accounts; their reports (i) were unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis 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 2017 or 30 September 2016. Statutory accounts for the year to 30 September 2016 were approved by the Board of Directors on 8 December 2016 and posted to shareholders on 30 January 2017.

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

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

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

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

Overview

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

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

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

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

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

Strategic Review – Phase II

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

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

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

Further details are in the Strategic Report.

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

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

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

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

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

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

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

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

Neil Johnson
Chairman
6th December 2017

Strategic Report

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

Strategy in the year to 30th September 2017 and Strategic Review
Throughout the year under review the Company continued to operate as an approved investment trust, following its investment strategy and policy which is intended to achieve a rate of return on equity of between 10% and 15% per year over the long term, by investing in a portfolio of private equity assets.

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

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

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

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

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

At the same time the Company announced the key outcomes of Phase II of the Strategic Review to be:

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

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

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

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

Each of these steps drives improvements in the company's key performance metrics, which are return on equity, NAV per share total return and total shareholder return.

Principal Risks and Risk Management

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

The Board can confirm that the Principal Risks of the Company, including those which would threaten its future performance, solvency or liquidity, have been robustly assessed throughout the year ended 30th September 2017, and that processes are in place to continue this assessment.

Macroeconomic Risks

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

Strategy Implementation Risks

The Company is subject to the risk that its long-term strategy and its level of performance fail to meet the expectations of its shareholders. The Board has undertaken a thorough review of the Company's investment strategy and policy and its structure, with the objective of maximising long-term shareholder value. One of the aims of this review was to mitigate this risk and put in place appropriate procedures.

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

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

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

Investment Risks

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

The executive team has put in place a rigorous investment process which ensures disciplined investment selection and portfolio management. This includes detailed due diligence, regular portfolio reviews and in many cases an active engagement with portfolio companies, by way of Board representation. This level of risk is considered broadly similar year on year.

Portfolio Diversification Risk

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

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

Cash Drag Risk
Returns to the Company through holding cash deposits are currently low. As investments are realised and proceeds retained as cash deposits, there is increasing risk to future achievement of the targeted rate of return on equity of between 10% and 15% per year. This risk is managed through the return of capital to shareholders, in line with the Investment Policy and mitigated as much as possible through the investment of liquid resources in money market funds. The distributions to shareholders over the course of the year have reduced this risk.

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

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

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

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

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

The Board regularly reviews the Company's foreign exchange exposure together with the most cost-effective approach to hedging such exposure. At the year end the risk is considered lower than at the prior year end and the Company had no foreign exchange hedges in place.

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

Viability Statement
The Directors have carefully assessed the Company's current position and prospects as well as the Principal Risks stated above and have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three financial years.

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

- The Company presently invests primarily in long-term illiquid investments which are not publicly traded. When making a new investment the anticipated holding period is expected to be three years as a minimum

- The Board reviews the liquidity of the Company and regularly considers commitments to private equity investments, long-term cash flow projections and the use of gearing

- As detailed in the Directors' Report, the Valuations Committee oversees the valuation process. Typically, the medium-term prospects of each portfolio company form an important part of the valuation process

- A thorough review of the Company's investment strategy, investment policy and structure with the objective of maximising long-term shareholder return has recently been undertaken

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

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

Community, Social, Employee, Human Rights and Environmental Issues
In carrying out its activities and in its relationships with the community, the Company aims to conduct itself responsibly, ethically and fairly, including in relation to social and human rights issues.

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

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

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

Performance and Prospects

Performance

The summary of performance of results can be seen on the income statement.

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

  The Company's objective is to achieve a return on equity of between 10% and 15% per year over the long term. Over the 10 years to 30th September 2017 the Company's ROE was 11%.

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

  The Company's net asset value per share total return was 9% over the twelve months and 190% over the ten years to 30th September 2017. These compared with 15% and 20% respectively by the Morningstar Private Equity index.

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

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

Prospects

The Company's current position and prospects are described in the Chairman's Statement.

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

Neil Johnson
Chairman
6th December 2017

Consolidated Income Statement

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

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

Consolidated Statement of Comprehensive Income

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

Consolidated Statement of Changes in Equity

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 reserves	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**
13	**Net profits on realisation of investments during the year**	**-**	**-**	**-**	**-**	**-**	**214**	**-**	**-**	**214**
13	**Decrease in value of non-current investments**	**-**	**-**	**-**	**-**	**-**	**-**	**(22)**	**-**	**(22)**
17	**Increase in incentive provisions**	**-**	**-**	**-**	**-**	**-**	**-**	**(26)**	**-**	**(26)**
13	**Investments sold during the year**	**-**	**-**	**-**	**-**	**-**	**383**	**(383)**	**-**	**-**
	Loss on foreign currencies	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**
	Other comprehensive income – foreign currency translation differences	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**1**
	Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**1**	**596**	**(431)**	**7**	**173**
20	**Ordinary shares held under employee share option plan**	**-**	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**
20	**Buyback of ordinary shares**	**(1)**	**-**	**1**	**-**	**-**	**(94)**	**-**	**-**	**(94)**
10	**Dividends**	**-**	**-**	**-**	**-**	**-**	**(1,394)**	**-**	**-**	**(1,394)**
	At 30 September 2017	**9**	**123**	**35**	**(1)**	**12**	**616**	**(120)**	**84**	**758**

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

Company Statement of Changes in Equity

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 profits	Unrealised capital (losses)/ profits	Revenue reserves	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 profit added to the reserves	**-**	**-**	**-**	**-**	**-**	**-**	**(20)**	**(20)**
13	**Net profits on realisation of investments during the year**	**-**	**-**	**-**	**-**	**214**	**-**	**-**	**214**
13	**Increase in value of non-current investments**	**-**	**-**	**-**	**-**	**-**	**(33)**	**-**	**(33)**
17	**Increase in incentive provisions**	**-**	**-**	**-**	**-**	**-**	**(26)**	**-**	**(26)**
	Loss on foreign currencies	**-**	**-**	**-**	**-**	**(2)**	**-**	**-**	**(2)**
13	**Investments sold during the year**	**-**	**-**	**-**	**-**	**383**	**(383)**	**-**	**-**
	Revaluation of subsidiaries	**-**	**-**	**-**	**-**	**-**	**40**	**-**	**40**
	Total comprehensive income	-	-	-	-	**595**	**(402)**	**(20)**	**173**
20	**Issue of ordinary shares under employee share option plan**	**-**	**-**	**-**	**(1)**	**-**	**-**	**-**	**(1)**
20	**Buy back of ordinary shares**	**(1)**	**-**	**1**	**-**	**(94)**	**-**	**-**	**(94)**
10	**Dividends**	**-**	**-**	**-**	**-**	**(1,394)**	**-**	**-**	**(1,394)**
	At 30 September 2017	**9**	**123**	**35**	**(1)**	**711**	**(17)**	**(102)**	**758**

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

Consolidated Balance Sheet

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

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

Neil Johnson
Chairman
6th December 2017

Electra Private Equity PLC
Company Number: 00303062

Company Balance Sheet

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

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

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

Neil Johnson
Chairman
6th December 2017

Electra Private Equity PLC
Company Number: 00303062

Consolidated Cash Flow Statement

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

Notes to the Financial Statements

1 Segmental Analysis

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

Geographic information

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

2 Investment Income

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

3 Income Reversal

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

4 Other Expenses

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

Exceptional expenses (included in the above)	**2017**	2016
For the year ended 30 September	**£m**	£m
Strategic review	**5**	1
Office establishment	**1**	-
Enterprise Resource Planning (ERP) systems implementation	**1**	-
Total exceptional expenses	**7**	1

4 Other Expenses (continued)

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

For the purpose of tax computation, £2m of the total exceptional expenses are treated as disallowable. £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	**2017 Group £'000**	**2017 Company £'000**	2016 Group £'000	2016 Company £'000
Audit of group accounts pursuant to legislation	**204**	**204**	-	-
Audit of subsidiaries accounts pursuant to legislation	**60**	**-**	-	-
Sub total	**264**	**204**	-	-
Other assurance services*	**126**	**126**	-	-
Total auditor's remuneration	**390**	**330**	-	-

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

Non-audit services
It is the Group's practice to employ Deloitte LLP on assignments additional to their statutory audit duties only when their expertise and experience with the Group are important or where they have been awarded assignments on a competitive basis.

Auditor's Remuneration – PricewaterhouseCoopers LLP

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

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

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

5 Directors' Remuneration

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

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

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

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

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

6 Employees Costs

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

	2017 £m	2016 £m
Wages and salaries	**1**	-
	1	-

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

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

7 Operating Leases

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

7 Operating Leases (continued)

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

As at 30 September	2017 Land and Buildings £m	2016 Land and Buildings £m
Within one year	**1**	-
Between two and five years	**3**	-
After five years	**-**	-
	4	-

8 Finance Costs

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

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

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

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

9 Taxation Expenses

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

9 Taxation Expenses (continued)

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

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

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

10 Dividends

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

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

Distributable reserves

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

11 Earnings per share

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

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

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

12 Net Asset Value per Ordinary Share

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

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

13 Investments Held at Fair Value

Non-current Investments Held at Fair Value

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

Current Investments Held at Fair Value

		2017		2016
As at 30 September	**Group**	**Company**	Group	Company
	£m	**£m**	£m	£m
Liquidity funds	**380**	**380**	-	-

13 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**
Valuation						
Valuation 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)**
Valuation at 30 September 2017	**321**	**380**	**701**	**145**	**380**	**525**

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

			Group			Company
	Non Current	Current	Total	Non Current	Current	Total
	£m	£m	£m	£m	£m	£m
Valuation						
Valuation at 1 October 2015	1,630	-	1,630	1,132	-	1,132
Purchases	218	-	218	108	-	108
Disposals	(903)	-	(903)	(599)	-	(599)
Increase in valuation	751	-	751	552	-	552
Valuation at 30 September 2016	1,696	-	1,696	1,193	-	1,193

14 Assets Held for Sale

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

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

15 Trade and Other Receivables

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

16 Trade and Other Payables

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

Other payables include accrued expenses, including bonuses.

17 Provision for Liabilities and Charges

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

Also included in the provision is the portion of Directors' bonuses deferred into shares over the next three years.

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

18 Deferred Tax Liability

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

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

19 Financial Instruments

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

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

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

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

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

Foreign Currency Risk
The Group's total return and net assets are affected by foreign exchange translation movements as a proportion of the investments held are denominated in or impacted by currencies other than sterling. The foreign investments held are principally held in the USA and Continental Europe. The Board monitors the Group's exposure to foreign currencies on a regular basis and assesses the risks by considering the effect of currency movements on the Group's 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 2017.

19 Financial Instruments (continued)

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

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

Credit Risk
The Group's exposure to credit risk principally arises from its cash deposits. Only major banks (with market capitalisation above £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 £54m (2016: £659m).

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

Capital Risk Management

The Group's capital comprised:

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

The Group's objective in the management of capital risk is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure. In doing so the Group may adjust the amount of dividends paid to shareholders (whilst remaining within the restrictions imposed by its investment trust status) or issue new shares or debt. During the year the Group paid dividends totalling £1,394m (2016: £49m).

The Group manages the levels of cash deposits held whilst maintaining sufficient liquidity for investments. The Group has an existing authority to implement an on-market share buy-back programme to generate shareholder value. During the year £94m, including transaction fees, (2016: £nil) were utilised to repurchase shares for cancellation.

(ii) Market Price Exposure

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

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

19 Financial Instruments (continued)

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

(iii) Foreign Currency Exposures

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

Currency

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

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

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

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

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

19 Financial Instruments (continued)

				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 costs	**-**	**-**	**(4)**	**(4)**	**-**	**-**	**(9)**	**(9)**
	-	**-**	**(4)**	**(4)**	**-**	**-**	**(9)**	**(9)**
Total	**308**	**386**	**95**	**789**	**-**	**594**	**195**	**789**

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

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

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

The Company held no fixed rate financial assets.

19 Financial Instruments (continued)

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

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

(v) Financial Assets and Liabilities

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

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

The unlisted financial assets held at fair value are valued in accordance with the Principles of Valuation of Unlisted Equity Investments as detailed within the Basis of Accounting and Significant Accounting Policies (Note 24).

(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).

19 Financial Instruments (continued)

The determination of what constitutes 'observable' requires significant judgement by the Directors. The Group considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

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

Financial assets and liabilities at fair value through profit or loss

Group

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

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

Company

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

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

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

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

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.

19 Financial Instruments (continued)

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

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

The value of private equity funds is primarily based on the latest available financial/capital account statement of the private equity fund. The Company may make adjustments to the value as set out in Note 24.

As at 30th September 2017 8% (2016: 10%) of financial assets at fair value comprise of investments in private equity funds that have been valued in accordance with the policies set out in Note 24. The private equity funds are not publicly traded and prior to maturity an exit can only be made by the Company through a sale of its investment and commitment through a secondary market. The carrying values of the private equity funds may be significantly different from the values ultimately realised on an exit via a secondary market sale.

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

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

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

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

19 Financial Instruments (continued)

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

Group

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

19 Financial Instruments (continued)

Group

Description	Fair value 2016 £m	Valuation Technique	Unobservable Inputs	Weighted Average Input	Reasonable possible shift +/- (absolute value/%)	Change in Valuation +/- £m
UK						
Consumer goods	650	Comparable trading multiples	EBITDA multiple	9.4x	1x	110/(118)
			Comparability difference adjustment	17.6%	5%	61/(57)
Property	44	Yield	Yield %	7.5%	1%	6/(6)
Private equity funds	69	NAV valuation	NAV	n/a	5%	3/(3)
Business services	662	Comparable trading multiples	EBITDA multiple	9.1x	1x	83/(80)
			Comparability difference adjustment	23.6%	5%	53/(47)
Continental Europe						
Private equity funds	86	NAV valuation	NAV	n/a	5%	4/(4)
Business services	41	NAV valuation	NAV	n/a	5%	2/(2)
Property	2	Yield	Yield %	7.5%	1%	-/-
USA						
Business services	69	Comparable trading multiples	EBITDA multiple	17.8x	1x	7/(7)
			Comparability difference adjustment	1.0%	5%	6/(6)
Private equity funds	7	NAV valuation	NAV	n/a	5%	1/(1)
Asia and elsewhere						
Private equity funds	12	NAV valuation	NAV	n/a	5%	1/(1)
Total	1,642					

Company

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

19 Financial Instruments (continued)

Company

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

For the purposes of the above tables:

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

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

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

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

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

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

19 Financial Instruments (continued)

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

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

	Consumer goods £m	Property £m	Business services £m	Fund positions £m	Total £m
Opening balance at 1 October 2015	642	71	638	178	1,529
Purchases	110	-	89	19	218
Realisations	(329)	(31)	(377)	(68)	(805)
Transfers to Level 1	(44)	-	-	-	(44)
Increase in valuation	271	6	422	45	744
Closing balance at 30 September 2016	650	46	772	174	1,642

20 Called up Share Capital and Reserves

Share Capital

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

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

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

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

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

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

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

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

21 Share Based Payments

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

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

Details of the share based payment scheme are as follows:

<table>
<tr><td>Grant Date</td><td>13th July 2017</td></tr>
<tr><td>Number of shares granted</td><td>47,783</td></tr>
<tr><td>Market Price on Grant Date</td><td>£795,102</td></tr>
<tr><td>Performance period</td><td>3 years</td></tr>
<tr><td>Vesting conditions</td><td>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:
<table>
<tr><th>TSR against comparator group over performance period</th><th>Percentage of award that vests</th></tr>
<tr><td>Below median</td><td>0%</td></tr>
<tr><td>Median</td><td>20%</td></tr>
<tr><td>Between median and upper quartile</td><td>Between 20% and 100% straight-line</td></tr>
<tr><td>Upper quartile or more</td><td>100%</td></tr>
</table></td></tr>
<tr><td>Change in corporate control and other corporate events</td><td>All unvested awards shall vest on date of such event.</td></tr>
<tr><td>Settlement method</td><td>Equity settled, with option of cash alternative determined by the Group Remuneration Committee.</td></tr>
</table>

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

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

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

22 Particulars of Holdings

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

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

Electra Private Equity Investments PLC (Zero Dividend Preference Share Holding Company) (in members' voluntary liquidation)
50,000 ordinary shares of £1.00 (par value). Paid-in capital £50,000.
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Incorporated in England and Wales.
The subsidiary is 100% owned and held directly by the Company.

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

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

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

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

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

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

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

22 Particulars of Holdings (continued)

Electra Property Inc. (Non-Trading Company)
1,000 common stock of US$1.
Registered office: 229 South State Street, Dover, Delaware, United States of America
Incorporated in Delaware (United States of America)
The subsidiary is 100% owned and held directly by the Company.
Electra Partners Advisers (Asia) Limited (Non-Trading Company)
1 ordinary share of £1 (par value). Paid-in capital £1.
Registered Office: First Floor, 50 Grosvenor Hill, London, United Kingdom, W1K 3QT
Incorporated in England and Wales.
The subsidiary is 100% owned and held through Electra Far East LP.

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

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

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

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

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

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

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

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

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

22 Particulars of Holdings (continued)

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

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

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

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

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

Other Companies Held as Investments at Fair Value
All companies are incorporated in Great Britain and registered in England and Wales unless otherwise stated. All companies operate in their country of incorporation.

Significant Interests in Investee Undertakings

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

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

23 Related Party Transactions

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

Termination Payment
On 26th May 2016, the Company served notice of termination of the Management and Investment Guideline Agreement on Epiris effective on 31 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. £32m was recognised during the year ended 30th September 2016 with the remaining £2m being recognised during the current year.

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

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

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

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

2006, 2009, 2012 and 2015 Pools
In October 2006, new arrangements were entered into in respect of investments made over each consecutive three-year period. At the reporting date, such arrangements are 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 are entitled to a carried interest of 18% of the aggregate realised profits in relation to direct investments in each pool. The realised profits are calculated as being the aggregate of income and sale proceeds received by Electra less the purchase costs of investments and less Priority Profit Share. Carried interest is payable only once realised profits exceed a preferred return of 8% compounded annually on the cost of investments less realisations. A full catch-up is payable once the realised profits exceed the preferred return. This catch-up means that all proceeds above the cumulative preferred return accrue to participants until they have been paid an amount equating to 18% of the total realised profits. Thereafter proceeds are split 82%:18% between Electra and the participants.

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

No Directors of Electra participate in the above schemes.

23 Related Party Transactions (continued)

Summary of carried interest pools

As at 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**

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**

As at 30 September 2016	**Initial Pool £m**	**2006 Pool £m**	**2009 Pool £m**	**2012 Pool £m**	**2015 Pool £m**
Amount invested	(236)	(436)	(359)	(785)	(175)
Amount realised	686	763	380	809	4
Valuation of remaining investments	7	46	461	795	196
Pool profit	457	373	482	819	25
Multiple of cost	2.9	1.9	2.3	2.0	1.1
Priority Profit Share	(7)	(32)	(24)	(35)	(2)
Net profit	**450**	**341**	**458**	**784**	**23**

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

Participants Investment

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

23 Related Party Transactions (continued)

Electra Partners Club 2007 LP co-investment agreement
In November 2007, Electra entered into a co-investment agreement with Electra Partners Club 2007 LP ("Club"), a fund managed by Epiris Managers LLP. The co-investment agreement required Electra to co-invest at the ratio of 2:1 in all Epiris investments in private equity opportunities in Western Europe where the combined investment of Electra and the Club would represent a controlling stake and where the combined equity investment is between £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
Priority Profit Share for the year ended 30th September 2017 was £23m (2016: £29m).

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

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

In the year to 30th September 2017 no deal fees (2016: £5m) were charged in relation to new investments. These fees are accounted for within the investment income line in the Financial Statements. Under the terms of the limited partnership agreements, Epiris is entitled to receive 50% of the aggregate deal fees in excess of abort costs which were £nil (2016: £2m). This is achieved by increasing the Priority Profit Share for the year by the relevant amount. These amounts are shown in the table above.

Sherborne
Sherborne Investors Management LP ("Sherborne") was appointed as adviser to the Group on 22nd December 2015. Their role was to advise the Group in connection with research and the formulation and making of proposals to the Board of Directors of the Group, and, in particular the Board of Directors' Management Engagement Committee, for the purpose of monitoring and supervising the performance of Epiris. Under the terms of the contract Sherborne are not entitled to a fee but are entitled to be reimbursed for all reasonable expenses. In the year ended 30th September 2017 the Group paid Sherborne £127,981 (2016: £88,000) as reimbursement for travel and subsistence costs. Edward Bramson, a Director of Electra, is the managing member of Sherborne Investors Management LP.

Remuneration Disclosure

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

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

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

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

23 Related Party Transactions (continued)

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

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

24 Basis of Accounting and Significant Accounting Policies

The Group Financial Statements for the year ended 30th September 2017 have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRS"). IFRS comprises standards and interpretations approved by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRS IC") as adopted in the European Union as at 30th September 2017.

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

The recommendations of the SORP which have been followed include:

- Realised and unrealised profits or losses arising on the revaluation or disposal of investments classified as held at fair value through profit or loss should be shown in the capital column of the Consolidated Income Statement. Realised gains are taken to the realised reserves in equity and unrealised gains are transferred to the unrealised reserves in equity.
- Returns on any share or debt security (whether in respect of dividends, interest or otherwise) should be shown in the revenue column of the Consolidated Income Statement. The total of the revenue column of the Consolidated Income Statement is taken to the revenue reserve in equity.
- The Board should determine whether the indirect costs of generating capital gains should also be shown in the capital column of the Consolidated Income Statement. If the Board decides that this should be so, the management fee should be allocated between revenue and capital in accordance with the Board's expected long-term split of returns, and other expenses should be charged to capital only to the extent that a clear connection with the maintenance or enhancement of the value of investments can be demonstrated. The Board has decided that the Company should continue to charge Priority Profit Share as revenue item for the year ended 30th September 2017.

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

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

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

24 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 12 define an investment entity and include an exception from the consolidation requirements for investment entities.

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

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

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

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

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

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

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

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

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

24 Basis of Accounting and Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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.

24 Basis of Accounting and Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

24 Basis of Accounting and Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

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

24 Basis of Accounting and Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

24 Basis of Accounting and Significant Accounting Policies (continued)

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

Finance costs were taken to the Consolidated Income Statement and were calculated as the yield to maturity of the fair value of the debt component of the Bond. On conversion, the value of the Bonds converted was debited to long-term liabilities. The nominal value of the ordinary shares issued on conversion was credited to share capital and the balance representing the excess of conversion proceeds over nominal value of the shares was credited to the share premium account. On conversion, the fair value of the equity element was credited to the revenue reserve and debited to other reserves.

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

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

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

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

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

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

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

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

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

24 Basis of Accounting and Significant Accounting Policies (continued)

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

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

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