ELECTRA

PRESS RELEASE

EMBARGOED UNTIL 07:00 AM, TUESDAY 30 NOVEMBER 2010
ELECTRA PRIVATE EQUITY PLC
Audited Results for Year ended 30 September 2010

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Financial Highlights

• Net asset value at record level - up 19.2% over the year to 2,050p per share at 30 September 2010 (2009: 1,720p); unaudited net asset value per share at 22 November 2010 of 2,046p

• Share price up 11.8% over the year to 30 September 2010 (FTSE All-Share up 8.8%); an increase of 1.9% over the six months (FTSE All-Share decrease of 1.5%)

• Net asset value per share, including Special Dividends, up 76.4% over the five years to 30 September 2010

• Share price up 22.9% over the five years

• £129 million net valuation increase - predominantly earnings related

• Year of increased investment activity. £183 million invested (2009: £88 million) and £125 million realised (2009: £27 million)

• Net liquid resources at 30 September 2010 of £48 million; when the ZDP liability is considered, Electra had £2 million of net long term gearing

Convertible Bond Issue

• Opportune time to seek additional resources to capitalise on current market opportunities

• Separate announcement today of a proposed placing and open offer of up to £100 million of convertible bonds

Commenting on the results, Colette Bowe, Chairman, said:

"A strong year for Electra culminating in a record net asset value clearly demonstrates Electra Partners' ability to invest and divest successfully during tough times. This is due mainly to Electra's flexible investment strategy which allows us to do deals at all stages of the economic cycle. I have no doubt that this will remain a key factor in the continued delivery of our targeted returns."

Commenting on the portfolio, Hugh Mumford, Managing Partner of Electra Partners, said:

"Electra enters the new financial year with a portfolio which has shown considerable resilience to difficult conditions, is conservatively financed and has good prospects for further value growth even if the economy remains weak. Most of the factors which have made private equity successful in the last two decades continue to be valid in today's changed circumstances. With its experienced management team, strong market position and flexible approach to capital structuring Electra is well placed to take advantage of the opportunities ahead."

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Net Asset Value Per Share

	Unaudited 22-Nov 2010	Audited 30-Sep 2010	Audited 30-Sep 2009
Net asset value per share	2,046p	2,050p	1,720p
Increase since 30 September 2009		19.20%	
Increase in FTSE All-Share Index since 30 September 2009		8.80%	

Return on equity is the internal rate of return based on the difference between the opening and closing net asset value plus any dividend paid in the period.

The unaudited net asset value per share at 22 November 2010 was calculated on the basis of the net asset value at 30 September 2010 adjusted to reflect the purchases and sales of investments, currency movements and bid values on that day in respect of listed investments.

The financial statements in respect of the year ended 30 September 2009 have been delivered to the Registrar and included the Auditors' Report which was unqualified and did not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006.

The Report and Accounts will be sent to shareholders in December 2010 and will thereafter be available from the Company's registered office at Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB. The Annual General Meeting will be held on Thursday 24 February 2011 at Saddlers' Hall, 40 Gutter Lane, London, EC2 at 12 noon.

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

Chairman's Statement

Overview

This has been a strong year for Electra. Portfolio performance has been excellent, in marked contrast to the previous year when the operating environment for many of our portfolio companies was very challenging. The improvement has been achieved through a good set of realisations, several of which were of recently acquired investments, and as a result of a number of valuation increases of existing portfolio companies.

Results

At 30 September 2010 Electra's net asset value per share had reached an all time high of 2,050p compared with 1,720p at 30 September 2009, an increase of 19.2% compared to a FTSE All-Share increase of 8.8%.

Over the five years to 30 September 2010, the net asset value per share, inclusive of Special Dividends, has increased by 76.4% and Electra has achieved an annualised return on equity of 12.3%.

Over the year Electra's share price broadly tracked the movement in the FTSE All-Share Index, increasing by 11.8%.

Investment Activity

There are now positive indications that market conditions are beginning to improve. In the first half of 2010, the overhang of private equity funds in the market generally meant that high quality investment opportunities were attracting many potential buyers with the result that full prices were being paid. This overhang has begun to recede in recent months and there has been an increase in the number of potential transactions which our Manager, Electra Partners, is prepared to consider.

During the year Electra Partners considered 147 investment opportunities (2009: 139), bid on 16 possible transactions (2009: 14). Of the £183 million invested during the year (2009: £88 million) £107 million was in bolt-on acquisitions to existing investments and the remaining £76 million was invested in new portfolio companies.

Of the deals completed, £55.8 million was in respect of BDR Thermea, which resulted from the combining of Baxi and De Dietrich Remeha, £23.6 million was to fund a bolt-on acquisition by Premier Asset Management and £17.3 million was to aid the ongoing investment programme of Rio Trens Corporation a company which holds the concession to operate a Brazilian transportation company.

New portfolio investments included £29.7 million in esure, an online motor and home insurer, £13.9 million in CPA Global, a patent renewal and legal services outsourcer, and £9 million in Kalle, the global manufacturer of artificial sausage casings and sponge cloths.

During the year £125 million was received from the sale of investments, a significant increase from the previous year's total of £27 million. Of this amount, £40.6 million, exclusive of accrued interest, was in respect of Baxi, £34.4 million resulted from the sale of MPS, the abattoir equipment manufacturer, £21.6 million, inclusive of income, related to our secondary debt fund, Credit Opportunities and £12.3 million was received from the sale of our investment in Thermocoax the specialist engineering products manufacturer. In addition, £6.5 million was received from the sale of a number of quoted investments during the year.

Subsequent to the year end, Electra realised its investment in Rio Trens Corporation receiving proceeds of £54 million.

Convertible Bond Issue

At 30 September 2010 Electra had net liquid resources of £48 million; however when the ZDP liability is considered, Electra had £2 million of net long term gearing. The Board believes this is an opportune time to seek additional resources to capitalise on current market opportunities and has separately announced today a proposed placing and open offer of up to £100 million of convertible bonds.

The new money raised will enable Electra Partners to target a number of investment opportunities, including bolt-on acquisitions, capital for restructuring, private equity into public company transactions, secondary investments and development capital.

The proposed placing needs shareholder approval and so a General Meeting has been called for 23 December 2010. Further details can be found in the separate announcement made today and in the Prospectus which will be posted to shareholders shortly.

Share Capital

During the year ended 30 September 2010 no shares were purchased for cancellation. The Board considers that purchases of shares for cancellation will continue to be less likely in the medium term in view of the number of attractive investment opportunities and the need to fund the future redemption of the ZDP shares issued by Electra's subsidiary. However, shareholders' authority will again be sought at the forthcoming Annual General Meeting to allow up to 14.99% of the shares in issue to be purchased for cancellation if the Directors believe this will be in the best interests of shareholders.

Dividend

No dividend is being declared for the year (year ended 30 September 2009: £Nil) and I would remind shareholders that it is the Company's policy only to pay a dividend to the extent required to maintain investment trust status.

Board Changes

Sir Brian Williamson, who joined Electra in 1994, retired on 24 May. During his 16 years on the Board, the last ten of which as Chairman, Sir Brian showed great dedication to Electra and to listed private equity as a whole; we are fortunate to have worked with someone of his stature and City experience. The Board would like to pay tribute to his contribution, commitment, and leadership of Electra over many years.

Ron Armstrong and Peter Williams, who have both been directors of the Company since 1994, will be retiring at the forthcoming Annual General Meeting and will not be seeking re-election as Directors. On behalf of the Board I would like to thank both Ron and Peter for their significant contribution to the Board over many years and for their wise counsel and support. They will both be missed and we wish them well.

Roger Perkin joined the Board on 24 November 2009 and took the Chair of the Audit Committee in February 2010. Roger is a former Senior Partner at Ernst & Young.

Most recently, Kate Barker joined the Board on 1 November 2010. Kate was, until May this year, a member of the Monetary Policy Committee of the Bank of England, on which she served for three terms.

Outlook

For the last 35 years, our flexible investment strategy has enabled us to invest across all sectors and capital structures. This has allowed Electra to provide shareholders with access to a highly diversified private equity portfolio - all for the price of a share. It is this same strategy that will help Electra continue to deliver superior returns in the long term as we take advantage of the opportunities ahead.

Dr Colette Bowe
Chairman
29 November 2010

Objective and Investment Policy

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

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

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

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

• exploiting a track record of successful private equity investment;

• utilising the proven skills of its management team with a strong record of deal flow generation and long-term presence in the private equity market;

• targeting private equity opportunities (including direct investment, fund investments and secondary buyouts of portfolios and funds) so that the perceived risks associated with such investments are justified by expected returns;

• investing in a number of value creating transactions with a balanced risk profile across a broad range of investment sectors through a variety of financial instruments; and

• actively managing its capital position and levels of gearing in light of prevailing economic conditions.

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

In implementing Electra's flexible investment strategy, Electra Partners typically targets investments at a cost of £20 million to £75 million in companies with an enterprise value of £50 million to £200 million.

Electra Partners attempts to mitigate risk through portfolio diversification. Investments will therefore be made across a broad range of sectors and industries and not more than 15% of Electra's net asset value, at the time of investment, will be invested in any single investment. If Electra acquires a portfolio of companies in a single transaction, this limitation shall be applied individually to each of the underlying companies purchased and not to the portfolio as a whole.

Electra has a policy to maintain total gearing below 40% of its total assets.

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

The Manager

As at 30 September 2010, Electra Partners had funds under management of over £800 million on behalf of Electra and other clients. Over the last 20 years Electra Partners has invested in excess of £3 billion in private equity investments, accumulating considerable expertise and building a strong track record.

The majority of Electra Partners' senior management have worked together for 20 years. They are supported by the investment team who average over 17 years in private equity, and are backed by a 24-strong team skilled in finance, compliance, investor relations and marketing.

Senior Management Team		**Years of experience**
Hugh Mumford	Managing Partner	29
Tim Syder	Deputy Managing Partner	25
David Symondson	Deputy Managing Partner	26
Rhian Davies	Partner	17
Philip Dyke	Partner	37
Steve Ozin	Partner	20

Investment Team		**Years of experience**
Alex Cooper-Evans	Investment Partner	16
Ian Dyke	Investment Partner	12
Charles Elkington	Investment Partner	16
Nigel Elsley	Investment Partner	20
Roger Isaac	Investment Partner	23
John Martin	Investment Manager	8
Sarah Williams	Investment Manager	8
Peter Carnwath	Portfolio Manager	28
Oliver Huntsman	Portfolio Manager	27
John Levack	Portfolio Manager	20

Portfolio Overview

Electra's portfolio consists of investments in companies and other investment vehicles (the "investment portfolio"). At 30 September 2010, the Company had liquid resources of £212 million and had drawn down £164 million under its multi-currency facility. Together with the ZDP liability of £50 million as at 30 September 2010, this resulted in net long term gearing of £2 million.

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

As at 30 September	**2010 £m**	**2009 £m**
Direct Investments	638	474
Funds	96	73
Net Liquid Assets (including ZDP proceeds)	48	96
Total Portfolio*	782	643

* Excludes accrued income on the investment portfolio of £32,203,000 (2009: £29,450,000)

At 30 September 2010 Electra held direct investments in 60 companies with an aggregate value of £638 million and investments in 24 funds with an aggregate value of £96 million.

The top ten and twenty investments account for 53% and 72% respectively of the investment portfolio.

Geographically, 48% of the investment portfolio was situated in the UK, 33% in Continental Europe, 5% was based in the USA and 14% in Asia and elsewhere.

Schedule of Top Twenty Investments*

Investment	Fair Value of holding at 30 Sept 2009 £'000	Net purchases/ (sales) £'000	Performance in year £'000	**Fair Value of holding at 30 Sept 2010 £'000**	Cost of holding at 30 Sept 2010 £'000
Allflex Holdings Animal identification tags	50,749	–	21,175	**71,924**	40,482
BDR Thermea Heating products	–	55,847	6,653	**62,500**	55,847
Rio Trens Corporation Commuter railroad operator	5,469	17,277	29,854	**52,600**	34,362
Promontoria Property holding company	30,385	52	5,867	**36,304**	16,479
esure Motor & home insurance	–	29,733	5,643	**35,376**	29,733
London & Stamford Property † Property holding company	38,016	–	(4,455)	**33,561**	30,195
Premier Asset Management Investment management	3,365	23,561	4,897	**31,823**	55,785
Zensar Technologies † Software	15,550	–	8,421	**23,971**	4,211
Lil-lets Feminine hygiene products	21,149	–	–	**21,149**	21,412
Nuaire Ventilation systems manufacturer	19,155	(2)	993	**20,146**	23,138
Capital Safety Group Specialist safety equipment	6,250	7	11,662	**17,919**	17,586
Volution (Vent-Axia) Fan manufacturer	15,840	–	–	**15,840**	15,840
Labco Medical diagnostics	20,346	247	(5,149)	**15,444**	23,956
Pine Nursery school finance	8,900	428	5,672	**15,000**	14,218
CPA Global Patent renewals management	–	13,901	–	**13,901**	13,901
CH-Pharma Contract pharmaceuticals manufacturer	12,676	–	1,197	**13,873**	5,300
Amtico Luxury flooring manufacturer	6,456	–	5,919	**12,375**	22,275
Dinamia † Spanish private equity	12,747	3,772	(4,274)	**12,245**	15,046
SAV Credit Credit card operator	3,800	1,354	6,846	**12,000**	24,198
Kalle Food casings	–	9,031	2,057	**11,088**	9,031
	270,853	155,208	102,978	**529,039**	472,995

The investments shown above represent 83% of the Group's direct investments at 30 September 2010.
* Excludes floating rate notes, funds, liquidity funds and accrued income
† Listed

Investment Review

Electra made good progress in the financial year to 30 September 2010. This was particularly pleasing in view of the uncertain market and economic conditions which existed throughout the year. The net asset value per share increased from 1,720p to 2,050p, an increase of 19% which compares to a decline in value of 4.5% and 10% in the two previous financial years.

The growth in net assets amounted to 330p per share or £117 million in total. This was made up primarily of realised and unrealised appreciation of the investment portfolio of £129 million together with income from the investment portfolio of £28 million and foreign exchange gains on loans of £6 million offset by expenses of £30 million and provisions under various incentive schemes of £16 million.

Changes in the portfolio during the year are given in the table below together with comparative figures for the two previous years.

Year ended 30 September	**2010**	**2009**	**2008**
	£m	**£m**	**£m**
Opening Portfolio	547	505	620
Investments	183	88	114
Realisations	(125)	(27)	(192)
Net Capital Increase/(Decrease)	129	(19)	(37)
Closing Portfolio*	734	547	505

* Excludes accrued income on the investment portfolio of £32,203,000 (2009: £29,450,000; 2008: £9,034,000)

The table above illustrates the increase in investment activity during the year under review with investments reaching £183 million and realisations reaching £125 million compared to £88 million and £27 million respectively in the previous year. The increase in activity reflected improvements in the private equity market following two years of turmoil in the financial markets. The net capital increase of £129 million provided a welcome return to value growth after two years of negative returns. A significant element of the net capital increase in the year arose from investments realised, increased operating profits of portfolio companies and the benefits flowing from the restructuring of portfolio companies. Overall the portfolio has exhibited good defensive qualities and progress has been made in all segments.

Prospects

While there continues to be uncertainty about the short term prospects for the economy there has been an improvement in the market for private equity which has manifested itself in a greater level of activity overall. This improvement is expected to continue as the current overhang of private equity funding diminishes.

Electra enters the new financial year with a portfolio which has shown considerable resilience to difficult conditions, is conservatively financed and has good prospects for further value growth even if the economy remains weak.

Most of the factors which have made private equity successful in the last two decades continue to be valid in today's changed circumstances and the market is expected to provide an increasing flow of investment opportunities. With its experienced management team, strong market position and flexible approach to capital structuring Electra is well placed to take advantage of these opportunities as they arise.

Investments

In the year to 30 September 2010 new investment by Electra totalled £183 million compared to £88 million in the previous year. This represented a substantial uplift in activity and was achieved despite our cautious investment stance in view of concerns about the European economy. Therefore, while there was a marked increase in the volume and quality of the deal flow, rather than taking significant risks in new situations, there was a preference for strengthening the existing portfolio. Of the total £183 million, £107 million was invested in existing portfolio companies, primarily for financing acquisitions, with the balance of £76 million being invested in new portfolio companies.

The most significant new acquisitions were in respect of esure, Kalle and CPA. esure, in which Electra invested £29.7 million, was founded by Peter Wood who has had a highly successful track record in motor insurance, having previously founded Direct Line in 1985. esure's aim has been to develop the internet as a channel for insurance. The firm has grown strongly since it was founded in 2000 and now has two well established brands in esure and Sheilas' Wheels. esure recently exercised an option to acquire a 50% stake in Gocompare, an internet insurance aggregator, which is one of four leading UK players in this fast growing market.

Electra invested £9 million in the equity of Kalle, a world leader in the design and manufacture of viscose and plastic sausage casings and a leading European producer of own label sponge cloths. Kalle is a market leader in all its market segments, has good defensive characteristics and is run by an experienced and high quality management team.

Having tracked CPA Global for a number of years, Electra invested £13.9 million in the company in July 2010. CPA Global's core business is patent renewals where it is a global leader enjoying 50-60% of the total market place. CPA Global has a number of ancillary businesses and is considered an attractive investment opportunity with significant growth prospects.

In terms of the existing portfolio, the combination of Baxi and De Dietrich Remeha to form BDR Thermea which was described in the Half Year Report, has produced significant benefits not least in overcoming the financial issues which Baxi faced as an independent entity. BDR Thermea is a leading manufacturer and distributor of heating and hot water systems and services operating in more than 70 countries worldwide and employing over 6,400 people. It is the third largest heating products business in Europe with a market leading position in several major European countries. The synergies resulting from the combined businesses provide good profit growth potential for Electra's investment which had a value of £62.5 million at 30 September 2010.

In December, Electra provided £23.6 million of funding to Premier Asset Management to purchase the management contracts of circa £900 million of retail funds. This transaction increased Premier's funds under management by more than 60% and provided significant synergistic benefits, greatly strengthening Premier's strategic position in the retail funds market while providing a platform for further acquisitions.

In July, Electra provided £17.3 million of further funding to Rio Trens Corporation ('RTC'). RTC has an interest in a company which holds the concession to operate a Brazilian transportation company. The funding was provided primarily for the purchase of a new signalling system to increase the capacity of the network. The whole of Electra's investment in Rio Trens Corporation was subsequently realised in November 2010 as described below.

Realisations

During the year Electra received £125 million from the disposal of portfolio investments, a level of realisations representing a substantial increase from the previous year when realisations were almost non-existent. This included £40.1 million from the combination of Baxi and De Dietrich Remeha which was subsequently reinvested in BDR Thermea. The improvement in the market culminated in the disposal of two further investments, MPS and Thermocoax in the second half of the year.

The largest unlisted disposal in the year related to MPS, an investment made by Electra as part of a secondary investment in Steadfast Capital, a German private equity fund. Based in the Netherlands and employing 500 people worldwide, MPS is the global leader in the development, production and installation of abattoir equipment. In October 2008 Electra invested €21 million in MPS. This was sold in August 2010 generating gross proceeds to Electra of €42 million, a multiple on the investment of 2 times in slightly under two years.

Electra also realised its investment in specialist engineering products manufacturer Thermocoax, as part of a secondary investment in a French fund purchased three years ago. This disposal generated net proceeds to Electra of €15.2 million compared to an original cost of €4.6 million.

In addition to these two disposals, Electra realised most of its investment in Credit Opportunities as the recovery in the secondary debt market allowed the majority of the anticipated return to be earned earlier than expected.

Shortly after the year end, in November 2010, Electra accepted an offer to sell its entire interest in Rio Trens Corporation for proceeds of approximately $87 million. This brought to a successful conclusion an investment which had originally been made in 1998. Following initial problems which required a full provision to be made against the cost of the investment, a lengthy financial and operational restructuring has allowed value to be recreated in the last two years, culminating in this successful disposal.

Performance

Over the year to 30 September 2010, Electra’s investment portfolio increased in value in capital terms by £129 million, a percentage increase over the opening value of 23.6%. In addition the portfolio provided income over the year to Electra of £28 million. Including income, the portfolio provided a total return over the year of 29%. The performance was negatively impacted by currency markets which reduced the return over the year by £11million.

Of the capital profits of £129 million, £15 million was realised on the sale of unlisted investments and £2 million related to the listed portfolio. Unrealised appreciation of the unlisted portfolio thus amounted to £112 million. Of this amount, £49 million reflected the net impact of corporate activity and financial restructuring and £46 million reflected increases in the profitability of portfolio companies. The remaining amount related to a variety of factors including yield changes of property investments and the reduction of debt in portfolio companies. Changes in multiples used to value individual investments reduced the overall portfolio valuation by £10 million.

Investments in private equity funds managed independently provided £7 million of the unrealised gains recognised during the year.

In terms of individual investments, £29.9 million was added to the valuation of Rio Trens Corporation to reflect the offer for the company which resulted in its disposal in November 2010 and £21 million was added to the value of Electra’s interest in the Steadfast Capital fund. During the year two investments were realised from this fund giving rise to £17 million of realised profits with £4 million being added to the value of the remaining investments. The continuing positive progress of Allflex allowed £21.2 million to be added to the carrying value of the investment, mainly in recognition of an improvement in underlying profitability. In the case of Capital Safety Group, the company experienced a strong rebound in revenue and profits allowing £11.7 million to be added to the carrying value.

Good progress allowed further gains to be recognised in the case of Zensar, SAV Credit, Amtico and Pine while the valuation of esure which was purchased during the financial year was increased to reflect better than expected profitability from its recently acquired interest in Gocompare.

Total provisions against the valuation of unlisted investments amounted to £16.3 million during the year of which Labco and Greenpark accounted for £5.1 million and £5.2 million respectively.

Largest Valuation Changes

Company	Valuation at 30 September 2010 £m	Valuation Increase/(Decrease) £m	Change %
Increases			
Rio Trens Corporation	52.6	29.9	131
Allflex	71.9	21.2	42
Steadfast	11.6	20.8	70
Capital Safety Group	17.9	11.7	186
Zensar	24.0	8.4	54
SAV Credit	12.0	6.8	133
BDR Thermea	62.5	6.7	12
Amtico	12.4	5.9	92
esure	35.4	5.6	19
Pine	15.0	5.7	61
Decreases			
Labco	15.4	(5.1)	(25)
Greenpark	2.5	(5.2)	(68)

Large Private Equity Investments

Allflex Holdings

Location: International
Equity Ownership: 33.0%
Valuation: £71,924,000
Cost: £40,482,000

Valuation based on multiple of earnings

In 1998 Electra invested £23.1 million in the US$160 million buyout of Allflex. Allflex is the world's leading manufacturer and distributor of plastic and electronic animal identification tags ("Rfid") with factories in France, Brazil and China. In August 2007 the business was refinanced with Electra retaining a significant ongoing holding in the business.

In the year ended 31 December 2009, Allflex generated sales of $187.4 million (2008: $201.6 million). On a constant currency basis turnover for 2009 was equivalent to sales generated in 2008.

The business has shown strong growth in 2010, despite adverse currency movements, primarily as a result of increased sales of electronic tags, both in Europe, where new sheep identification legislation has been implemented, and in New Zealand.

BDR Thermea

Location: International
Equity Ownership: 6.0%
Valuation: £62,500,000
Accrued income: £574,000
Cost: £55,847,000

Valuation based on multiple of earnings

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

In July 2009 Baxi announced that it had reached agreement with De Dietrich Remeha Group to form a combined group with a leading position in the European heating market. This transaction completed in October 2009. Pro forma 2009 turnover and EBITDA of the combined BDR Thermea Group were approximately €1,700 million and €230 million respectively.

2010 is progressing well for the combined group, with performance ahead of 2009 pro forma figures and synergies beginning to be realised.

Rio Trens Corporation

Location: Brazil
Equity Ownership: 22.4%
Valuation: £52,600,000
Cost: £34,362,000

The valuation at 30 September 2010 reflected the imminent sale of this investment.

In 1998 Electra first invested in Rio Trens Corporation ('RTC') which has an investment in a Brazilian transportation company operating 159 trains on a 225km network serving 89 stations. Electra invested US$25 million in the company between 1998 and 2000.

Following a series of financial and operational difficulties the investment was written off by Electra in 2000. Subsequently, changes were made to the management and during the last year Electra invested a further £17.3 million to aid the company's ongoing investment programme to improve the network and capacity.

With the forthcoming World Cup and Olympics in Brazil, the concession attracted interest and Electra accepted an offer for its shareholding in RTC in November 2010, receiving £54 million of proceeds.

Promontoria

Location: Germany
Equity Ownership: 10.7%
Valuation: £36,304,000
Accrued income: £3,539,000
Cost: £16,479,000

Valuation based at a discount to the rental or expected disposal value

Promontoria is a property investment company which owns more than 100 retail properties, of which 82 are leased to the discount chain Deutsche Woolworth. The freehold and long leasehold stores are situated throughout the major towns and cities in Germany.

In July 2010, Deutsche Woolworth was acquired by a consortium including the Tengelmann retail group and Stefan Heinig (CEO of Kik Textilien).

Promontoria is unleveraged and its properties are valued either on the basis of a 9% yield or on a discount (10-20%) to the expected proceeds arising on realisation or development.

esure

Location: UK
Equity Ownership: 7.0%
Valuation: £35,376,000
Cost: £29,733,000

Valuation based on multiple of net assets (esure) / earnings (Gocompare)

In February 2010 Electra invested £30 million in the management buyout of esure from Lloyds Banking Group, led by Peter Wood, founder and CEO of esure. The transaction was unleveraged and the total value was in excess of £185 million.

Founded in 2000 as a joint venture between the then Halifax plc and Peter Wood (who previously founded Direct Line at RBS), esure is now one of the UK's leading motor insurers, offering car, home, pet and travel insurance over the internet and by phone through the esure and Sheilas' Wheels brands. esure also has a 50% interest in Gocompare, the internet aggregator.

After a difficult period for the motor insurance market, including an increase in personal injury claims and unusually bad weather in January 2010, there are now clear signs that market conditions are improving with significant premium increases reported to date in 2010. This, together with management's actions, is expected to have a positive impact on underwriting performance and overall profitability.

Premier Asset Management

Location: UK
Equity Ownership: 73.7%
Valuation: £31,823,000
Cost: £55,785,000

Valuation based on multiple of earnings

Premier is a retail fund manager distributing funds through IFAs as well as other discretionary and advisory channels. In 2009 Electra made a further investment of £23.6 million in the company in order to support the acquisition of two OEICs from Aberdeen Asset Management.

The company now has a strong platform for organic growth based on its IFA market positioning and distribution infrastructure, as well as the long-term growth nature of the retail investment market. The company's strategy is to accelerate organic growth by selective recruitment and by making further acquisitions.

At 30 September 2010 Premier had funds under management of £2.5 billion (30 September 2009: £2.5 billion).

Lil-lets Group

Location: UK and South Africa
Equity Ownership: 61.7%
Valuation: £21,149,000
Accrued income: £15,197,000
Cost: £21,412,000

Valuation based on multiple of earnings

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

In the UK the company has focused on promotional activity, on strengthening its sales team and on improving distribution in order to protect its market share. These efforts have been largely successful over the past eighteen months and the company is now focusing on consumer marketing strategies to maximise profitability.

South Africa remains a growth market in which Lil-lets is the leader; the company continues to benefit from product and operating cost improvements and is targeting entry into a number of sub-Saharan markets.

Group net sales in the year to 31 December 2010 are forecast to be approximately £38 million (2009: £37.7 million).

Nuaire

Location: UK and France
Equity Ownership: 38.8%
Valuation: £20,146,000
Cost: £23,138,000

Valuation based on multiple of earnings

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

Nuaire had a satisfactory year's trading to September 2010, delivering profits marginally behind budget (and down on the prior year) in a very challenging environment. Nuaire generated unaudited sales of £53.8 million (2009: £55.9 million). Cash flow has been good and the business continues to seek to grow its addressable markets.

Capital Safety Group

Location: International
Equity Ownership: 10%
Valuation: £17,919,000
Accrued income: £1,935,000
Cost: £17,586,000

Valuation based on multiple of earnings

Electra originally invested in the buyout of Capital Safety Group ('CSG') in 1998 and Electra's initial investment was predicated on transforming the business from one with a regional focus into an international brand.

CSG manufactures harnesses, lifelines and anchors for people working at height in a wide range of end user sectors including manufacturing, construction, oil and gas, and utilities. Following the sale of the investment in 2007, Electra reinvested in the business to benefit from the continued growth forecast in the fall protection market and complementary acquisitions.

In the first five months of CSG's year to August 2010 the business generated turnover of circa \$96 million (2009: \$77 million) and EBITDA of \$26 million (2009: \$19 million). The company continues to focus on winning market share and cost control, as well as attacking new markets such as wind power.

Report of the Directors

To the Members of Electra Private Equity PLC

The Directors present the audited Accounts of the Group for the year ended 30 September 2010 and their Report on its affairs.

Investment Trust Status

The Company carries on business as an investment trust. HM Revenue and Customs has approved the Company as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 (now section 1158 of the Corporation Taxes Act 2010) for the accounting period to 30 September 2009. In accordance with the self-assessment of Corporation Tax this approval is based upon the computations submitted by the Company and is subject to the findings of any enquiries that HM Revenue and Customs may make. The Directors are of the opinion that since that date the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under that section.

Business Review

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

Objective and Investment Policy

The Objective and Investment Policy of the Company are set out on page 5.

Current and future development

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

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

Performance

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

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

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

- Return on equity over the long term

- The movement in net asset value per ordinary share

- The movement in share price

Details of the KPIs are shown on page 3

Social, community, employee and environmental issues

In carrying out its activities and in its relationships with the community, the Company aims to conduct itself responsibly, ethically and fairly. The Company has no employees and the Board is composed entirely of non-executive Directors. As an investment trust, the Company has no direct impact on the environment. However, the Company believes that it is in the shareholders' interests to consider environmental, social and ethical factors when selecting and retaining investments. Further details of how the Company views socially responsible investment are set out on page 20.

Risk management

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

It is the role of the Board to review and manage all risks associated with the Company, either mitigating these directly or through Electra Partners. The principal risks facing the Company include Market Price Risk, Credit Risk, Interest Rate Risk, Liquidity Risk and Foreign Currency Risk as further detailed in Note 17 of the Notes to the Accounts.

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

Macroeconomic risks

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

Gearing risks of Zero Dividend Preference shares ('ZDP shares')

Electra Private Equity Investments plc, a wholly owned subsidiary of the Company, issued ZDP shares in 2009, which represents a form of gearing for the Company. The principal gearing risk of these ZDP shares is that they rank prior to the Company's ordinary shares in respect of their final capital entitlement due in 2016 and that there may therefore be an adverse impact on the Company's performance. Secondary risks relate to whether the cost of this gearing is too high and whether the length of gearing is appropriate. The Board regularly monitors and reviews the impact of the ZDP shares and their final capital entitlement cost to the Company.

Long-term strategic risk

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

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

Government policy and regulation risk

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

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

Investment risks

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

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

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

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

Valuation risk

In order to value investments correctly, the Company is primarily dependent on Electra Partners following Accounting Standards, in this case IAS 39 as further detailed on page 43.

Operational risk

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

The Company's system of internal control mainly comprises the monitoring of the services provided by Electra Partners, including the operating controls established by them to ensure they meet the Company's business objectives, as further detailed in the Corporate Governance Statement on page 28.

Management Arrangements

On 12 October 2006 Electra Partners was appointed as the Manager following shareholders' approval of revised management arrangements. The management agreement dated 12 October 2006 ran for an initial three year period with a 12 month rolling notice period. Neither party could serve notice to terminate during the first two years of the agreement. With effect from 30 September 2010, the management agreement was amended so that the agreement may be terminated by either party giving notice of not less than 12 months. Whatever notice period is worked, Electra Partners will be entitled to receive additional compensation equivalent to 12 months' priority profit share (determined by reference to the previous 12 months' priority profit share).

Electra Partners is able to terminate the new management agreement on 12 months' notice and if so Electra may pay compensation in lieu of any part of the notice period but Electra Partners is not entitled to any additional compensation.

Electra Partners receives a priority profit share of 1.5% on the gross value of the Company's investment portfolio including cash (but excluding any amounts committed to funds established and managed by Electra Partners).

During the year the Company continued to operate carried interest and co-investment schemes for executives of Electra Partners and details of these schemes are contained in Note 22 and 24 of the Notes to the Accounts.

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

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

Socially Responsible Investment

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

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

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

Results

A revenue profit attributable to shareholders of £1,558,000 (2009: profit of £12,047,000) was transferred to Revenue Reserves. No dividend is proposed in respect of the year ended 30 September 2010 (2009: nil).

Authority to Make Market Purchases of Shares

As at 30 September 2010, the Company had authority to purchase for cancellation up to 5,297,269 shares. This authority will lapse at the 2011 Annual General Meeting when a Special Resolution will be proposed to renew the Company's authority to make market purchases of its own shares.

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

The Company does not hold any shares in treasury. Accordingly, at 30 September 2010 a total of 35,338,687 ordinary shares of 25p each were in issue.

Multi-Currency Loan Facility

At 30 September 2010 borrowings under the £185 million (2009: £185 million) multi-currency facility amounted to £163,945,000 (2009: £169,732,000).

Directors

The current Directors of the Company are listed on page 75. Dr C Bowe, Mr RA Armstrong, Mr MED'A Walton, Ms L Webber and Mr JP Williams served as Directors throughout the year ended 30 September 2010. Mr RK Perkin was appointed as a Director on 24 November 2009. Sir Brian Williamson resigned as a Director on 24 May 2010. No other person was a Director of the Company during any part of the year. Dr C Bowe, Mr MED'A Walton and Ms L Webber will all retire at the Annual General Meeting in 2011 and, being eligible, offer themselves for re-election.

The Board appointed Ms K Barker as a non-executive Director with effect from 1 November 2010. Ms K Barker offers herself for election at the Annual General Meeting in 2011.

Mr RA Armstrong and Mr JP Williams will retire as Directors at the conclusion of the Annual General Meeting in 2011.

Directors' Conflicts of Interest

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

The Board has agreed that the Remuneration and Nomination Committee are responsible for considering and reviewing conflicts of interest and that any Director or Directors with a potential conflict would be excluded from such a review. After consideration, if required, the Remuneration and Nomination Committee would subsequently make a recommendation to the Board of Directors. The terms of reference of the Remuneration and Nomination Committee have been amended accordingly.

Directors' Interests

The interests of the Directors (including connected persons) in the ordinary shares of the Company are shown below. Save as disclosed, no Director had any notifiable interest in the securities of the Company or of any subsidiary of the Company. There have been no changes in the interests of any of the Directors in the ordinary shares of the Company between 1 October 2010 and 29 November 2010.

	30 September 2010 Shares	30 September 2009 Shares
Dr C Bowe	**5,000**	1,129
RA Armstrong	**23,723**	23,723
RK Perkin *	**–**	–
MED'A Walton	**16,016**	16,016
L Webber	**1,500**	1,500
JP Williams	**30,000**	10,000

* Upon appointment (24 November 2009) Mr RK Perkin did not have an interest in any ordinary shares of the Company.

Ms K Barker was appointed a Director on 1 November 2010. Upon appointment Ms K Barker did not have an interest in any ordinary shares of the Company.

Substantial Interests

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

		Voting Rights Notified		Percentage of Voting Rights *
	Direct No.	Indirect No.	Direct %	Indirect %
Prudential PLC group of companies	2,580,081	–	7.30	–
The Cooperative Asset Management	2,027,730	–	5.74	–
Rensburg Sheppards Investment Management Limited	–	1,850,616	–	5.24
Asset Value Investors Limited as discretionary manager	1,741,132	–	4.93	–
Bear, Stearns International Trading Limited	1,441,394	–	4.08	–
Legal & General Group PLC	1,409,952	–	3.99	–
HBOS PLC	67,208	1,633,324	0.19	4.62

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

Charitable and Political Donations

During the year the Group made no charitable or political donations (2009: £nil).

Audit Information

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

Auditors

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

Creditor Payment Policy

The Company agrees the terms of payment with its suppliers when agreeing the terms of each agreement. Suppliers are aware of the terms of payment and the Company abides by the terms of payment.

Going Concern

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

Annual General Meeting

The Annual General Meeting will be held on Thursday 24 February 2011. In addition to the ordinary business the following special business will be considered:

Authority to Purchase own Shares (Resolution 9)

A special resolution will be proposed to renew the Board's authority to purchase its own shares, so as to permit the purchase of up to 5,297,269 of the Company's ordinary shares (or such lesser number of shares as is equal to 14.99% of the total number of ordinary shares in issue at the date of the passing of the resolution) subject to the constraints set out in the special resolution. The Directors would intend to use this authority to purchase shares only if this would result in an increase in net asset value per share and would be in the best interests of shareholders generally. Should any shares be purchased under this authority, it is the intention of the Board that such shares be cancelled.

The Directors believe that the renewal of the Board's authority to purchase shares, as detailed above, is in the best interests of shareholders as a whole and therefore recommend shareholders to vote in favour of Resolution 9.

Additional Information for Shareholders

Set out below is a summary of certain provisions of the Company's current Articles of Association (the "Articles") and applicable English law concerning companies (the Companies Act 1985 and the Companies Act 2006 together the "Companies Act"). This is a summary only and the relevant provisions of the Articles or the Companies Acts should be consulted if further information is required.

Share Capital

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

Dividends and Distributions

Subject to the provisions of the Companies Acts, the Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends whenever the financial position of the Company, in the opinion of the Board, justifies such payment.
The Board may withhold payment of all or any part of any dividends payable in respect of the Company's shares from a person with a 0.25% interest of a class of shares if such a person has been served with a notice after failure to provide the Company with information concerning interest in those shares required to be provided under the Companies Act 2006.

Voting Rights

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

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

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

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

Restrictions on Voting

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

Deadlines for exercising voting rights

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

Variation of rights

The Articles specify that if the capital of the Company is divided into different classes of shares, rights attached to any class may be varied, either in such manner (if any) as may be provided by those rights; or in the absence of any such provision, with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise. At every such separate meeting other than an adjourned meeting the quorum shall be two persons together holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question (excluding any shares of that class held as treasury shares). At an adjourned meeting, the quorum shall be two persons holding shares of the class in question (other than treasury shares) or his proxy.

Transfer of shares

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

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

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

(a) is lodged, duly stamped, at the Office or at such other place as the Directors may appoint and (except in the case of a transfer by a financial institution where a certificate has not been issued in respect of the share) is accompanied by the certificate for the share to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) is in respect of only one class of share; and

(c) is in favour of not more than four transferees.

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

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

Appointment and replacement of Directors

Unless otherwise determined by the Company by ordinary resolution the number of Directors (disregarding alternate Directors) shall not be less than three nor more than fifteen.
At the annual general meeting in every year there all Directors who held office at the time of each of the two preceding annual general meetings and who did not retire at either of them shall retire from office by rotation and such further Directors (if any) shall retire by rotation as would bring the number retiring by rotation up to one-third of the number of Directors in office at the date of the notice of the meeting (or, if their number is not a multiple of three, the number nearest but not greater than one third). The additional Directors to retire shall be those who have been longest in office since their last appointment or reappointment, but, as between persons who became or were last reappointed Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any non-executive Director (other than the chairman) who has held office as a non-executive Director for nine years or more shall retire from office at each annual general meeting and shall be eligible for reappointment. A Director who retires at an annual general meeting may be reappointed. If he is not

reappointed or deemed to have been reappointed, he shall retain office until the meeting elects someone in his place or, if it does not do so, until the close of the meeting.

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

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

(i) becomes bankrupt or compounds with his creditors generally;

(ii) is prohibited by law from being a Director;

(iii) has a court order made in respect of his mental health which wholly or partly prevents him from exercising powers or rights which he would otherwise have;

(iv) sends a notice to the Company that he is resigning or retiring from his office and such registration or retirement has taken effect;

(v) sees his appointment (at an executive office) terminated or expiring and the Directors resolve that he should cease to be Director;

(vi) is absent without permission of the Board from meetings of the Board for six consecutive months and the Board resolves that the office is vacated; or

(vii) notice is served upon a Director in writing by all other co-Directors.

Powers of the Directors

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

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

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

Significant agreements: Change of control

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

By order of the Board of Directors
Frostrow Capital LLP, Secretary
25 Southampton Buildings, London WC2A 1AL
29 November 2010

Directors' Remuneration Report

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

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

Remuneration and Nomination Committee

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

The Committee met once in the year. It was not considered necessary to recommend any changes to the existing fee arrangements at that meeting.

The basic Director's fee for each Director is £35,000 per annum with an additional fee of £115,000 per annum for the Chairman of the Company. An additional fee of £6,000 per annum is payable to the Chairman of the Audit, the Valuations and the Remuneration and Nomination Committees. Separate additional fees of £3,000 per annum are payable to the non-Chairman members of the Valuations Committee.

The Company has no employees.

Policy on Directors' Remuneration

The Company's policy is that remuneration of non-executive Directors should be fair and sufficient to enable Directors properly to oversee the affairs of the Company and should reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue for the year ended 30 September 2011 and subsequent years. Non-executive Directors are not eligible to receive bonuses, pension benefits, share options or other benefits. The Remuneration and Nomination Committee relies mainly on general salary surveys in respect of its consideration of the level of Directors remuneration. The total remuneration of the Directors is determined by the provisions of the Articles of Association and by shareholders' resolutions.

Directors' Service Contracts

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

Total Shareholder Return

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

Directors' Remuneration for the Year (audited)

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

	30 September 2010 £000	30 September 2009 £000
Sir Brian Williamson* (Highest paid Director)	**120**	150
RA Armstrong	**38**	41
Dr C Bowe*	**77**	38
R K Perkin	**35**	–
MED'A Walton	**41**	61
L Webber	**38**	38
JP Williams	**41**	41
Total	**390**	369

* Dr C Bowe was appointed as Chairman on 24 May 2010 following the retirement of Sir Brian Williamson as Chairman and non-executive Director on that date.

JP Williams, Chairman of the Remuneration and Nomination Committee
Paternoster House
65 St Paul's Churchyard, London EC4M 8AB
29 November 2010

Corporate Governance

The Board of the Company has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide') both of which were issued in March 2009. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, issued in June 2008, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. Copies of the Combined Code can be found on the Financial Reporting Council's website www.frc.org.uk and copies of the AIC Code and the AIC Guide can be found on the website of the Association of Investment Companies www.theaic.co.uk.

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

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code during the year to 30 September 2010 except in relation to the formal performance appraisal of the Directors.

The Board of Directors

The Board comprised six Directors at 30 September 2010 all of whom were non-executive. Dr C Bowe was appointed as Chairman on 24 May 2010 following the retirement of Sir Brian Williamson as Chairman and as a non-executive Director. The Board appointed Mr RK Perkin as a non-executive Director on 24 November 2009 and on 1 November 2010 appointed Ms K Barker as a non-executive Director. The Board has nominated Mr JP Williams as the Senior Independent Director.

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

Management agreements between the Company and Electra Partners set out the matters for which Electra Partners is responsible and those over which Electra Partners has authority in accordance with the policies and directions of the Board. Regular Board meetings are held to consider, as appropriate, such matters as overall strategy, investment performance, gearing, share price performance, share price discount, the shareholder profile of the Company and communication with shareholders. The Board considers that it meets sufficiently regularly to discharge its duties effectively.

The number of meetings of the Board and Committees of the Board held during the year and the attendance of the individual Directors at those meetings is shown in the table below. All the Directors attended the 2010 Annual General Meeting.

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

	Board	**Audit Committee**	**Remuneration and Nomination Committee**	**Valuations Committee**
Number of Meetings	**13**	**2**	**1**	**2**
Dr C Bowe *	12	2	1	2
Sir Brian Williamson **	9	–	–	–
RA Armstrong ***	10	2	–	–
RK Perkin †	9	1	–	1
MED'A Walton	13	2	1	2
L Webber	12	2	1	2
JP Williams ***	12	1	1	–

* Dr C Bowe resigned from the Audit Committee and the Valuations Committee subsequent to her appointment as Chairman.

** Sir Brian Williamson was not a member of the Audit or Valuations Committees during the period prior to his retirement.

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

† Mr RK Perkin joined the Board and the Committees during the year, and was appointed Chairman of the Audit Committee subsequent to the 2010 Annual General Meeting.

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

The Directors believe that the Board has an appropriate balance of skills and experience to enable it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience can be found on page 76.

Independence of the Board

Mr RA Armstrong, Mr MED'A Walton and Mr JP Williams have served on the Board for more than nine years. Throughout the year, Mr RA Armstrong and Mr JP Williams were non-executive Directors of Electra Private Equity Investments Plc. Dr C Bowe was appointed as a non-executive Director and Chairman of Electra Private Equity Investments Plc on 24 May 2010 following the retirement of Sir Brian Williamson as Chairman and non-executive Director of Electra Private Equity Investments Plc. In addition Mr RK Perkin was appointed as a Director of Electra Private Equity Investments Plc on 3 June 2010. Electra Private Equity Investments Plc is a wholly owned subsidiary of Electra which was established solely for the purpose of issuing and redeeming Zero Dividend Preference shares. The Board has carefully considered the independence of each Director under the provisions of the AIC Code and notwithstanding the cross-directorships detailed above has concluded that each Director is wholly independent on the basis that the Board firmly believes that independence is a state of mind and the character and judgement which accompany this are distinct from and are not compromised by length of service. As Mr RA Armstrong and Mr JP Williams are to retire from the Board at the 2011 Annual General Meeting, Mr MED'A Walton is the only Director who has been in office for more than nine years who will submit himself for annual re-election.

The Board carried out a formal appraisal process of its own operations and performance and those of its Committees during the year. This was implemented by means of questionnaires circulated to the Directors, the results of which were then reviewed by the Board. Issues covered included Board composition, meeting arrangements and communication. The process was considered by the Board to be constructive in identifying areas for improving the functioning and performance of the Board and of its Committees. The Board concluded that its performance and that of its Committees was satisfactory.

In view of the retirement of Sir Brian Williamson and the appointment of Dr C Bowe as Chairman during the year no formal appraisal of each Director was carried out. Nevertheless the Chairman believes that the performance of each of the existing Directors is effective and that they continue to show commitment to their roles. It is the intention of the Board that Director appraisals will be conducted during the course of the current financial year.

Directors' Terms of Appointment

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

Re-election of Directors

In accordance with the AIC Code's provisions and or the Company's Articles, each of Dr C Bowe, Mr MED'A Walton and Ms L Webber will retire at the Annual General Meeting to be held in 2011 and each offers himself or herself for re-election. Ms K Barker will offer herself for election at the Annual General Meeting to be held in 2011.

Independent Professional Advice

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

Company Secretary

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

The Audit Committee

The Board is supported by the Audit Committee which comprised all the Directors during the year, other than the former Chairman of the Board, Sir Brian Williamson prior to his retirement and Dr C Bowe subsequent to her appointment as Chairman of the Board, when she resigned from the Committee. Mr RK Perkin was appointed Chairman of the Committee in place of Mr RA Armstrong subsequent to the 2010 Annual General Meeting. The Board has taken note of the suggestion that at least one member of the Committee should have recent and relevant financial experience and is satisfied that the Committee is properly constituted in this respect. Its authority and duties are clearly defined in its written terms of reference which are available on the Company's website.

The Committee's responsibilities include:

• monitoring and reviewing the integrity of the financial statements, the internal financial controls and the independence, objectivity and effectiveness of the external auditors;

• making recommendations to the Board in relation to the appointment of the external auditors and approving their remuneration and terms of their engagement;

• developing and implementing the Company's policy on the provision of non-audit services by the external auditors;

• reviewing the arrangements in place within Electra Partners whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company; and

• considering annually whether there is a need for the Company to have its own internal audit function.

The Committee annually reviews the performance of PricewaterhouseCoopers LLP, the Company's external auditors. In doing so the Committee considers a range of factors including the quality of service, the auditors' specialist expertise and the level of audit fee. The Committee remains satisfied with their effectiveness and therefore has not considered it necessary, to date, to require the auditors to tender for the audit work. The auditors are required to rotate the audit partner every five years and the current partner has been in place for four years. There are no contractual obligations restricting the choice of external auditor. Under Company Law the reappointment of the external auditor is subject to shareholder approval at the Annual General Meeting.

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

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

The Remuneration and Nomination Committee

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

The Committee met once in the year under review. During the year the Committee engaged the services of an external search consultant in relation to the appointment of an additional Director.

The Committee's duties in relation to remuneration, include determining and agreeing with the Board the policy for the remuneration of the Directors. The Committee's duties in relation to nomination include identifying and nominating, for the approval of the Board, candidates to fill Board vacancies in order to maintain a balanced Board. The Committee has written terms of reference which are available on the Company's website.

The Valuations Committee

The Valuations Committee adds a further level of oversight to the valuation process carried out by Electra Partners under its contractual arrangements with the Company. The Valuations Committee is chaired by Mr MED'A Walton. Dr C Bowe was a member of the Committee until her appointment as Chairman when she resigned from the Committee. Ms L Webber was a member of the Committee throughout the year and Mr RK Perkin was appointed as a member of the Committee during the year.

Induction and Training

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

The Company's Relationship with its Shareholders

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

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

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

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

Internal Control

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

The Board is responsible for the Company's system of internal control and has reviewed its effectiveness for the year ended 30 September 2010. This review encompasses all controls including financial, operational and compliance controls and risk management. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

• Financial Reporting – regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analyses of transactions and performance comparisons.

• Investment Strategy – regular review by the Board of the Company's Objective and Investment Policy, including commitments to new funds.

• Management Agreements and Investment Performance – the Board regularly monitors the performance of Electra Partners to ensure that the Company's assets and affairs are managed in accordance with the Company's Objective and Investment Policy.

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

• The Board reviews the terms of the management agreements and receives regular reports from Electra Partners executives.

• The Board reviews the certificates verifying compliance with documented controls provided by Electra Partners on a six monthly basis.

Voting Policy

Under the investment management arrangements Electra Partners has complete discretion in relation to all voting issues in respect of the Company's investments. During the year, Electra Partners' policy adopted and applied the Statement of Principles drawn up by the Institutional Shareholders Committee when it considered these in its reasonable judgement to best serve the financial interests of the Company's shareholders. Electra Partners' policy was reviewed and endorsed by the Board.

Following the publication by the Financial Reporting Council of the UK Stewardship Code earlier this year, Electra Partners has adopted the UK Stewardship Code and has made disclosures regarding its policies on stewardship on its website, www.electrapartners.com. Electra Partners' policies on stewardship have been reviewed and endorsed by the Board.

Other Information in the Report of the Directors

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

Statement of Directors' Responsibilities

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

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

• select suitable accounting policies and then apply them consistently;

• make judgements and estimates that are reasonable;

• state whether applicable IFRSs as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;

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

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

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

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

• the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and

• the Directors' Report contained in the Reports section of the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

• so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

• they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information to establish that the Company's Auditors are aware of that information.

By order of the Board of Directors
Dr Colette Bowe, Chairman, Paternoster House
65 St Paul's Churchyard, London EC4M 8AB
29 November 2010

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

We have audited the financial statements of Electra Private Equity Plc for the year ended 30 September 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 33, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

• the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2010 and of the Group's profit and Group's and Company's cash flows for the year then ended;

• the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

• the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

• the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

• the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;

• the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements, and

• the information given in the Corporate Governance Statement set out on pages 28 to 32 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

• adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or

• the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

• certain disclosures of Directors' remuneration specified by law are not made; or

• we have not received all the information and explanations we require for our audit; or

• a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

• the Directors' statement set out on page 22 in relation to going concern; and

• the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Mark Pugh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 November 2010

Consolidated Income Statement

Note	For the year ended 30 September	Revenue £'000	Capital £'000	2010 Total £'000	Revenue £'000	Capital £'000	2009 Total £'000
1	Net gains/(losses) on investments held at fair value	**27,499**	**127,622**	**155,121**	35,325	(25,276)	10,049
1	Profit/(Losses) on revaluation of foreign currencies	—	**5,728**	**5,728**	—	(19,006)	(19,006)
		27,499	**133,350**	**160,849**	35,325	(44,282)	(8,957)
3	Other Income	**467**	—	**467**	1,142	—	1,142
24	Incentive schemes	—	**(16,360)**	**(16,360)**	—	(6,037)	(6,037)
4	Priority profit share	**(14,665)**	—	**(14,665)**	(11,891)	—	(11,891)
4	Other expenses	**(3,087)**	—	**(3,087)**	(5,564)	—	(5,564)
	Profit/(Loss) before Finance Costs and Taxation	**10,214**	**116,990**	**127,204**	19,012	(50,319)	(31,307)
7	Finance Costs	**(8,103)**	**(3,205)**	**(11,308)**	(6,865)	(452)	(7,317)
	Profit/(Loss) on Ordinary Activities before Taxation	**2,111**	**113,785**	**115,896**	12,147	(50,771)	(38,624)
8	Taxation (expenses)/credit	**(553)**	**1,796**	**1,243**	(100)	12,233	12,133
19	**Profit/(Loss) on Ordinary Activities after Taxation attributable to owners of the parent**	**1,558**	**115,581**	**117,139**	12,047	(38,538)	(26,491)
11	**Basic and Diluted Earnings per Ordinary Share**	**4.41p**	**327.07p**	**331.48p**	34.05p	(108.92)p	(74.87)p

The 'Total' columns of this statement represent the Group's Income Statement prepared in accordance with International Financial Reporting Standards adopted by the EU ("IFRS"). The supplementary Revenue and Capital columns are both prepared under guidance published by the Association of Investment Companies. This is further explained in the Basis of Accounting and Significant Accounting Policies on page 42.

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

Consolidated Statement of Comprehensive Income

For the year ended 30 September	2010 £'000	2009 £'000
Profit/(Loss) for the year	**117,139**	(26,491)
Exchange differences arising on consolidation	**(561)**	(4,409)
Total comprehensive Income for the year	**116,578**	(30,900)
Total comprehensive Income attributable to owners of the parent	**116,578**	(30,900)

Consolidated Statement of Changes in Equity

Attributable to owners of the parent.

Note	For the year ended 30 September	2010 £'000	2009 £'000
19	Total equity at 1 October	**607,953**	640,949
	Total comprehensive income for the year	**116,578**	(30,900)
19	Repurchase of own shares †	—	(2,096)
	Total Equity attributable to the owners of the parent	**724,531**	607,953

Note	For the year ended 30 September for the Company	2010 £'000	2009 £'000
19	Total equity at 1 October	**607,953**	653,781
	Total comprehensive income for the year	**116,578**	(43,732)
19	Repurchase of own shares †	—	(2,096)
	Total Equity attributable to the owners of the parent	**724,531**	607,953

† No special dividend was paid during the period (2009: nil). There were no share buy-backs or cancellations during the year to 30 September 2010 (2009: 257,000).

Consolidated Balance Sheet

Note	As at 30 September		2010		2009
Note		£'000	£'000	£'000	£'000
	Non-Current Assets				
12	Investments held at fair value:				
	Unlisted and listed		**765,801**		576,291
	Other investments		**174,889**		229,322
			940,690		805,613
	Current Assets				
13	Trade and other receivables	**2,627**		5,113	
	Cash and cash equivalents	**36,947**		36,500	
		39,574		41,613	
	Current Liabilities				
14	Trade and other payables	**6,625**		6,757	
	Net Current Assets		**32,949**		34,856
	Total Assets less Current Liabilities		**973,639**		840,469
16	Zero Dividend Preference Shares	**49,560**		41,896	
15	Bank loans	**163,945**		169,732	
23	Deferred tax	**245**		148	
24	Provisions for liabilities and charges	**35,358**		20,740	
	Non-Current Liabilities		**249,108**		232,516
	Net Assets		**724,531**		607,953
	Capital and Reserves				
18	Called up share capital		**8,835**		8,835
19	Share premium	**24,147**		24,147	
19	Capital redemption reserve	**34,440**		34,440	
19	Currency translation reserve	**(3,936)**		(3,375)	
19	Realised capital reserve	**810,981**		780,882	
19	Unrealised capital reserve	**(175,434)**		(260,916)	
19	Revenue reserve	**25,498**		23,940	
			715,696		599,118
	Equity attributable to owners of the parent		**724,531**		607,953
	Net Asset Value per Ordinary Share		**2,050p**		1,720p
	Ordinary Shares in issue at 30 September		**35,338,687**		35,338,687

The notes on pages 42 to 75 are an integral part of the financial statements.

The Accounts on pages 36 to 75 were approved by the Directors on 29 November 2010 and were signed on their behalf by:

Colette Bowe, Chairman
Electra Private Equity PLC
Company Number: 303062

Company Balance Sheet

Note	As at 30 September	£'000	2010 £'000	£'000	2009 £'000
	Non-Current Assets				
12	Investments held at fair value:				
	Subsidiary undertakings		**454,008**		334,660
	Unlisted and listed		**135,113**		140,857
	Other investments		**174,889**		229,322
			764,010		704,839
	Current Assets				
13	Trade and other receivables	**45,532**		8,076	
	Cash and cash equivalents	**35,669**		34,006	
		81,201		42,082	
	Current Liabilities				
14	Trade and other payables	**54,710**		66,779	
	Net Current Assets/(Liabilities)		**26,491**		(24,697)
	Total Assets less Current Liabilities		**790,501**		680,142
	Deferred tax				
24	Provisions for liabilities and charges	**65,970**		72,189	
	Non-Current Liabilities		**65,970**		72,189
	Net Assets		**724,531**		607,953
	Capital and Reserves				
18	Called up share capital		**8,835**		8,835
19	Share premium	**24,147**		24,147	
19	Capital redemption reserve	**34,440**		34,440	
19	Realised capital reserve	**833,506**		779,619	
19	Unrealised capital reserve	**(171,809)**		(239,549)	
19	Revenue reserve	**(4,588)**		461	
			715,696		599,118
	Equity attributable to owners of the parent		**724,531**		607,953

The notes on pages 42 to 75 are an integral part of the financial statements.

The Accounts on pages 36 to 75 were approved by the Directors on 29 November 2010 and were signed on their behalf by:

Colette Bowe, Chairman
Electra Private Equity PLC
Company Number: 303062

Consolidated Cash Flow Statement

For the year ended 30 September		2010		2009
	£'000	£'000	£'000	£'000
Operating activities				
Purchase of investments	**(128,391)**		(87,233)	
Purchase of other investments	**(132,800)**		(252,000)	
Amounts paid under incentive schemes	**(1,742)**		(2,287)	
Sales of investments	**86,390**		24,138	
Sales of other investments	**188,000**		297,000	
Dividends and distributions received	**967**		1,669	
Other investment income received	**8,015**		12,842	
Interest income received	**170**		844	
Other income received	**297**		297	
Expenses paid	**(20,841)**		(11,669)	
Taxation received/(paid)	**795**		(2,229)	
Net Cash Inflow/(Outflow) from Operating Activities		**860**		(18,628)
Financing Activities				
Bank loans drawn	**7,628**		376,726	
Bank loans repaid	**(6,899)**		(396,006)	
Proceeds from issue of Zero Dividend Preference shares	**4,459**		41,444	
Purchase of own shares	—		(2,096)	
Finance costs	**(6,699)**		(5,015)	
Other finance costs	**(618)**		(4,443)	
Net Cash (Outflow)/Inflow from Financing Activities		**(2,129)**		10,610
Net decrease in cash and cash equivalents		**(1,269)**		(8,018)
Cash and cash equivalents at 1 October		**36,500**		43,791
Translation differences		**1,716**		727
Cash and Cash Equivalents at 30 September		**36,947**		36,500

Company Cash Flow Statement

For the year ended 30 September		2010		2009
	£'000	£'000	£'000	£'000
Operating activities				
Purchase of investments	**(72,651)**		(70,601)	
Purchase of other investments	**(132,800)**		(252,000)	
Amounts paid under incentive schemes	**(1,721)**		(2,287)	
Sales of investments	**80,167**		53,407	
Sales of other investments	**188,000**		297,000	
Dividends and distributions received	**2,093**		1,495	
Other investment income received	**13,078**		14,697	
Interest income received	**157**		717	
Other income received	**297**		297	
Expenses paid	**(15,930)**		(15,878)	
Taxation received/(paid)	**795**		(2,747)	
Net Cash Inflow from Operating Activities		**61,485**		24,100
Financing Activities				
Proceeds from issue of Zero Dividend Preference shares	—		(452)	
Purchase of own shares	—		(2,096)	
Intercompany loans	**(58,011)**		(29,344)	
Other finance costs	**(1,255)**		(1,849)	
Interest paid	**(2,272)**		—	
Net Cash Outflow from Financing Activities		**(61,538)**		(33,741)
Net decrease in cash and cash equivalents		**(53)**		(9,641)
Cash and cash equivalents at 1 October		**34,006**		42,920
Translation difference		**1,716**		727
Cash and Cash Equivalents at 30 September		**35,669**		34,006

Basis of Accounting and Significant Accounting Policies

The Accounts for the year ended 30 September 2010 have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRS"). IFRS comprises standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") as adopted in the European Union as at 30 September 2010.

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

The recommendations of the SORP which have been followed include:

- Realised and unrealised profits or losses arising on the revaluation or disposal of investments classified as held at fair value through profit or loss should be shown in the capital column of the Income Statement. Realised gains are taken to the realised reserves in equity and unrealised gains are transferred to the unrealised reserves in equity.

- Returns on any share or debt security (whether in respect of dividends, interest or otherwise) should be shown in the revenue column of the income statement. The total of the revenue column of the Income Statement is taken to the revenue reserve in equity.

- The Board should determine whether the indirect costs of generating capital gains should also be shown in the capital column of the Income Statement.

If the Board decides that this should be so, the management fee should be allocated between revenue and capital in accordance with the Board's expected long term split of returns, and other expenses should be charged to capital only to the extent that a clear connection with the maintenance or enhancement of the value of investments can be demonstrated. The Board has decided that the Company should continue to charge priority profit share and finance costs other than those in relation to the Zero Dividend Preference shares, as revenue items for the year ended 30 September 2010.

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

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

Application of New Standards

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

• IAS 1 (revised) Presentation of financial statements. The revised standard requires the separate presentation of changes in equity attributable to the owners (equity shareholders) and other non-owner changes. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Company has applied IAS 1 (revised) from date of adoption and has elected to present the Income Statement and Statement of Comprehensive Income.

• IFRS 7 (amendment) Financial Instruments: Disclosures. Introduced new disclosure requirements whereby financial instruments must be categorised under a three-level fair value hierarchy. A reconciliation is also required for any investments categorised as Level 3. The additional disclosures resulting from this amendment have been included on page 65. The amendments to IFRS 7 also introduce some additional disclosures on liquidity risk which are included on page 64.

• IFRS 8 *Operating Segments* Replaces IAS 14 and aligns segment reporting with the requirements of the US Standard. The new standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes to the Chief operating decision maker.

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

• IAS 24 (revised) Related Party Disclosures (effective for financial periods beginning on or after 1 January 2011, subject to EU endorsement) Revises the definition of related parties.

• IFRS 9 Financial instruments measurement: (effective for financial periods beginning on or after 1 January 2013, subject to EU endorsement).

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

Basis of Consolidation

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

Investments

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

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

Principles of Valuation of Investments

(i) General

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

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

(ii) Unlisted Investments

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

• Earnings multiple

• Price of recent investment

• Net assets

• Discounted cash flows

• Industry valuation benchmarks

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

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

• The Enterprise Value of the underlying business will be calculated using the earnings multiple or other appropriate basis (as above);

• The Enterprise Value of the underlying business will then be adjusted for surplus assets or excess liabilities to arrive at an Enterprise Value for the portfolio company; and

• The valuation of Electra's investment will be calculated from the Enterprise Value for the portfolio company after deduction of prior ranking debt and other financial instruments.

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

• Size and diversity of the entities;

• Rate of growth of earnings;

• Reliance on a small number of key employees;

• Diversity of product ranges;

• Diversity and quality of customer base;

• Level of borrowing;

• Any other reason the quality of earnings may differ;

• Risks arising from the lack of marketability of the shares.

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

• Significant under / over achievement of budgeted earnings

• Concerns with respect to debt covenants or refinancing

• Significant movements in the market sector of the investment

• Regulatory changes in the industry

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

(iii) Listed Investments

Listed investments that are traded on active markets are stated at the market bid price on the balance sheet date without discount. Where the market for the listed investment is not considered to be active, the investment is treated as unlisted for valuation purposes. Markets will be considered active if transactions are occurring regularly enough to provide reliable pricing information. Markets will be considered inactive if the market price is not current, there is little publicly available information or there are few transactions for the investment.

(iv) Limited Partnership Funds

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

(v) Floating Rate Notes and Liquidity Funds

Floating rate notes and liquidity funds are held at the current fair value of the note.

Accrued Income

Accrued income is included within investment valuations.

Derivative Financial Instruments

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

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

Cash and Cash Equivalents

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

Dividends

Dividend distributions to shareholders are recognised as a liability in the period in which they are approved unconditionally by the shareholders or in the case of interim dividends when paid.

Foreign Currencies

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

Revenue gains and losses

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.

Expenses

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

Finance Costs

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

Priority Profit Share

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

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

Taxation

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

Zero Dividend Preference Shares

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

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

Provisions

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

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

Revenue and Capital Reserves

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

Operating segments

The Group has adopted IFRS 8, “Operating Segments” for the first time, replacing the previous reporting under IAS 14, “Segment Reporting”. Under IFRS 8, operating segments are considered to be the components of an entity, about which separate financial information is available, that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. The directors meet regularly to consider investment strategy and to monitor the Company’s performance. The Manager, who has been appointed to manage the Company’s investments, attends all Board meetings at which investment strategy and performance are discussed. The directors consider the geographical segments as the reporting segments. In line with IFRS 8, disclosure by geographical segment has been provided in note 1.

Key Estimates and Assumptions

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

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

Notes to Accounts

1 Segmental Analysis

For the year ended 30 September

	2010				2009			
	UK & Continental Europe	**Americas**	**Far East**	**Total**	UK & Continental Europe	Americas	Far East	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Net Gains / (Losses) on Investments								
Realised and unrealised capital gain/(loss) on investments	**107,768**	**14,583**	**5,271**	**127,622**	(45,809)	12,118	8,415	(25,276)
Portfolio investment income	**26,674**	**358**	**467**	**27,499**	34,270	124	931	35,325
	134,442	**14,941**	**5,738**	**155,121**	(11,539)	12,242	9,346	10,049
Realised and unrealised capital gain/(loss) on foreign currency	**6,181**	**(647)**	**194**	**5,728**	(17,719)	(2,968)	1,681	(19,006)
	140,623	**14,294**	**5,932**	**160,849**	(29,258)	9,274	11,027	(8,957)
Other income				**467**				1,142
Incentive schemes				**(16,360)**				(6,037)
Priority profit share				**(14,665)**				(11,891)
Other expenses				**(3,087)**				(5,564)
Net Profit/(Loss) before Finance Costs and Taxation				**127,204**				(31,307)
Finance costs				**(11,308)**				(7,317)
Profit/(Loss) on Ordinary Activities before Taxation				**115,896**				(38,624)
Portfolio Additions and Sales								
Purchases at cost	**296,694**	**19,128**	**-**	**315,822**	338,085	2,373	-	340,458
Disposal proceeds	**313,051**	**20**	**-**	**313,071**	316,202	194	6,618	323,014
Balance Sheet								
Investments held at fair value	**802,343**	**96,716**	**41,631**	**940,690**	722,494	50,135	32,984	805,613

2 Portfolio Investment Income

For the year ended 30 September		2010		2009
	£'000	£'000	£'000	£'000
Income of the Investment Trust				
UK Dividend Income from Non-current Assets				
Unlisted - UK	**1,600**		-	
Listed - UK	**27**		181	
Partnership interests - UK *	—		902	
		1,627		1,083

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

For the year ended 30 September		2010		2009
	£'000	£'000	£'000	£'000
Other Investment Income from Non-current Assets				
Unlisted - UK	**9,313**		8,949	
Unlisted - overseas	**4,319**		1,716	
Partnership interests – UK *	—		5,166	
		13,632		15,831
Net Income of Subsidiary Undertakings				
Other Investment Income from Non-current Assets				
Unlisted - UK	**12,240**		18,411	
		12,240		18,411
		27,499		35,325

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

3 Other Income

For the year ended 30 September		2010		2009
	£'000	£'000	£'000	£'000
Interest and Other Income				
Bank interest income	**170**		787	
Other income	**297**		297	
		467		1,084
Interest Receivable and Other Income				
Other interest	—		58	
		—		58
		467		1,142

4 Expenses

For the year ended 30 September	2010	2009
	£'000	£'000
Priority profit share paid to general partners	**14,665**	11,891

For the year ended 30 September			**2010**			2009
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Other Expenses						
Administrative expenses	**1,186**	**-**	**1,186**	1,861	-	1,861
Income reversals	**-**	**-**	**-**	2,490	-	2,490
Directors' remuneration (see Note 5)	**390**	**-**	**390**	369	-	369
Auditors' remuneration	**352**	**-**	**352**	397	-	397
Derivative expenses	**1,159**	**-**	**1,159**	447	-	447
	3,087	**-**	**3,087**	5,564	-	5,564

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

Audit services

During the year PricewaterhouseCoopers LLP earned the following fees in relation to audit services:

For the year to 30 September	2010	2009
	£'000	£'000
Audit fees		
Statutory audit of the company	**233**	302
Statutory audit of the subsidiary companies	**57**	55
	290	357
Other services*	**62**	40
Auditors' Remuneration	**352**	397

* The above amount includes £62,000 (2009: £20,000) earned by PricewaterhouseCoopers LLP, USA in relation to taxation and compliance services

Non-audit services

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

An amount of £280,000 was earned by PricewaterhouseCoopers LLP for professional advice in relation to the issue of Zero Dividend Preference Shares in 2009. This amount is capitalised as a transaction cost and is being amortised over the next six years. The amount recognised in the income statement for the current year amortisation is £33,000 (2009: 5,000). Further, an amount of £120,000 (2009: £72,000) was earned in relation to investment due diligence fees included in the capital column of the Income Statement.

5 Directors' Remuneration

	Year to 30 Sept 2010 £'000	Year to 30 Sept 2009 £'000
Chairman's remuneration 1 October 2010 to 24 May 2010 (2009 for full year)	**120**	150
Chairman's remuneration 24 May 2010 to 30 September 2010	**52**	-
Directors' fees	**218**	219
	390	369
Emoluments		
Chairman and highest paid Director*	**120**	150

* Sir Brian Williamson held the position of Chairman of the Board for the period from 1 October 2009 retiring on 24 May 2010 at which date Dr Colette Bowe was appointed Chairman.

The Board of Directors are considered to be the Key Management Personnel. For further details see Directors' Remuneration Report on page 26.

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

During the year no Director (2009: none) waived remuneration.

6 Employees (Excluding Directors)

The Company has no employees (2009: none).

7 Finance Costs

For the year ended 30 September			**2010**			2009
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Loans Repayable After More Than One Year						
Interest on Bank loan	**7,880**	**-**	**7,880**	6,465	-	6,465
Loan commitment fees	**223**	**-**	**223**	400	-	400
	8,103	**-**	**8,103**	6,865	-	6,865
Zero Dividend Preference share costs	**-**	**3,205**	**3,205**	-	452	452
	8,103	**3,205**	**11,308**	6,865	452	7,317

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

8 Taxation on Ordinary Activities

A tax credit of £1,243,000 arose in the year to 30 September 2010 (2009: tax charge of £12,133,000). Corporation tax at 28% (2009: 28%).

For the year ended 30 September			**2010**			2009
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
(a) UK Corporation Tax						
Current tax	**563**	**—**	**563**	-	-	—
Adjustment in respect of prior periods	**(10)**	**—**	**(10)**	87	-	87
Overseas tax adjustments in respect of prior periods	**—**	**(1,891)**	**(1,891)**	13	-	13
	553	**(1,891)**	**(1,338)**	100	-	100
Deferred tax overseas	**—**	**95**	**95**	-	(12,233)	(12,233)
Tax Charge/(Credit)	**553**	**(1,796)**	**(1,243)**	100	(12,233)	(12,133)

The actual tax charge reconciles to the tax charge on revenue before tax based on the standard rate of corporation tax of 28% (2009: 28%) as follows:

For the year ended 30 September			**2010**			2009
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
(b) Factors Affecting the Tax Charge for the Year						
Profit/(loss) on ordinary activities before taxation	**2,111**	**113,785**	**115,896**	12,147	(50,771)	(38,624)
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 28% (2009 : 28 %)	**591**	**31,860**	**32,451**	3,401	(14,216)	(10,815)
Effects of:						
Prior year adjustments	**(10)**	**-**	**(10)**	87	-	87
Overseas prior year adjustments	**-**	**-**	**-**	13	-	13
Dividend income	**(988)**	**-**	**(988)**	(173)	-	(173)
Disallowed expenses	**366**	**-**	**366**	40	-	40
Priority profit share of partnership income appropriated by general partners	**4,106**	**(4,106)**	**-**	1,630	(1,630)	-
Current losses utilised	**(1,394)**	**-**	**(1,394)**	-	-	-
Capital allowances	**(1)**	**-**	**(1)**	-	-	-
Unutilised losses arising in the year	**8**	**-**	**8**	6,522	-	6,522
Deferred tax overseas	**-**	**95**	**95**	-	(12,233)	(12,233)
Capital gains chargeable due to Investment Trust status	**-**	**(27,754)**	**(27,754)**	-	4,535	4,535
Non-taxable income	**(2,125)**	**-**	**(2,125)**	(109)	-	(109)
Loss on subsidiary loan	**-**	**-**	**-**	(11,311)	11,311	-
Overseas Tax charge	**-**	**(1,891)**	**(1,891)**	-	-	-
Tax (Credit) / expense	**553**	**(1,796)**	**(1,243)**	100	(12,233)	(12,133)

9 Dividends

For the year ended 30 September	**2010**	2009
	£'000	£'000
Dividends paid in the period	-	-
Dividends paid per share	-	-

No dividend was approved/paid during the year ended 30 September 2010.

10 Revenue Return Attributable to Equity Shareholders

The Revenue Return attributable to shareholders includes a loss of £5,049,000 (2009: loss of £2,217,000) which has been dealt with in the Accounts of the Company.

11 Earnings per Share

	2010	2009
	p	p
Revenue return per ordinary share	**4.41**	34.05
Capital return per ordinary share	**327.07**	(108.92)
Earnings per ordinary share (basic and diluted)	**331.48**	(74.87)

The calculation of revenue return per share is based on the revenue profits attributable to shareholders of £1,558,000 (2009: profit £12,047,000) on a weighted average number of 35,338,687 (2009: 35,382,926) ordinary shares of 25p in issue. The calculation of capital return per share is based on the capital profit attributable to ordinary shareholders of £115,581,000 (2009: loss £38,538,000) on a weighted average number of 35,338,687 (2009: 35,382,926) ordinary shares of 25p in issue. There were no potentially dilutive shares in either year.

12 Non Current Assets

Investments Held at Fair Value

For the year ended 30 September for the Group

			2010			2009
		Accrued			Accrued	
	Valuation	**Income**	**Total**	Valuation	Income	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Unlisted at Fair Value						
UK and Continental Europe	**430,137**	**29,811**	**459,948**	283,896	27,520	311,416
UK floating rate notes	**-**	**-**	**-**	54,200	48	54,248
UK and Continental Europe liquidity funds	**174,800**	**89**	**174,889**	175,000	74	175,074
USA and Other	**58,829**	**-**	**58,829**	13,157	1,930	15,087
Partnership interests - UK and Continental Europe	**100,486**	**-**	**100,486**	107,582	-	107,582
Partnership interests - USA and other	**28,069**	**-**	**28,069**	24,990	-	24,990
	792,321	**29,900**	**822,221**	658,825	29,572	688,397
Listed at Fair Value						
UK, Continental Europe and other	**116,077**	**2,392**	**118,469**	117,216	-	117,216
	908,398	**32,292**	**940,690**	776,041	29,572	805,613

		Group		Company
	30 Sept 2010	30 Sept 2009	**30 Sept 2010**	30 Sept 2009
	£'000	£'000	**£'000**	£'000
Subsidiary Undertakings at Fair Value				
Unlisted - UK and Continental Europe	-	-	**-**	50
Unlisted - USA and other	-	-	**47,365**	14,670
Investment partnerships - UK and Continental Europe	-	-	**336,337**	276,455
Investment partnerships - USA and other	-	-	**70,306**	43,485
	-	-	**454,008**	334,660

For the year ended 30 September for the Company

			2010			2009
	Valuation £'000	**Accrued Income £'000**	**Total £'000**	Valuation £'000	Accrued Income £'000	Total £'000
Unlisted at Fair Value						
UK and Continental Europe	**35,700**	**574**	**36,274**	44,468	457	44,925
UK floating rate notes	**-**	**-**	**-**	54,200	48	54,248
UK and Continental Europe liquidity funds	**174,800**	**89**	**174,889**	175,000	74	175,074
USA and Other	**-**	**-**	**-**	5,469	-	5,469
Partnership interests - UK and Continental Europe	**18,299**	**-**	**18,299**	59,483	-	59,483
Partnership interests - USA and other	**26,065**	**-**	**26,065**	15,095	-	15,095
	254,864	**663**	**255,527**	353,715	579	354,294
Listed at Fair Value						
UK, Continental Europe and other	**54,472**	**3**	**54,475**	15,885	-	15,885
	309,336	**666**	**310,002**	369,600	579	370,179

Investments Held at Fair Value

For the year ended 30 September 2010

	Group			Company		
	Valuation	**Accrued Income**	**Total**	**Valuation**	**Accrued Income**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Valuation at 1 October 2009						
Investments	**776,041**	**-**	**776,041**	**704,260**	**-**	**704,260**
Accrued income at 1 October 2009	**-**	**29,572**	**29,572**	**-**	**579**	**579**
	776,041	**29,572**	**805,613**	**704,260**	**579**	**704,839**
Purchases	**315,822**	**-**	**315,822**	**206,614**	**-**	**206,614**
	1,091,863	**29,572**	**1,121,435**	**910,874**	**579**	**911,453**
Accrued income realised	**-**	**17,016**	**17,016**	**-**	**576**	**576**
Disposals	**296,843**	**-**	**296,843**	**249,604**	**-**	**249,604**
	296,843	**17,016**	**313,859**	**249,604**	**576**	**250,180**
Increase in accrued income provision	**-**	**19,737**	**19,737**	**-**	**664**	**664**
Increase in valuation	**113,377**	**-**	**113,377**	**102,073**	**-**	**102,073**
Valuation at 30 September 2010	**908,397**	**32,293**	**940,690**	**763,343**	**667**	**764,010**
Cost at 30 September 2010	**999,487**	**-**	**999,487**	**811,379**	**-**	**811,379**

13 Trade and Other Receivables – Current

	Group		Company	
	30 Sept 2010	30 Sept 2009	**30 Sept 2010**	30 Sept 2009
	£'000	£'000	**£'000**	£'000
Sales for future settlement	**508**	1,876	**-**	132
Taxation recoverable	**51**	123	**-**	-
Prepayments	**1,809**	2,596	**1,809**	2,596
Amounts owed by subsidiary undertakings	**-**	-	**43,529**	5,121
Other debtors	**259**	518	**194**	227
	2,627	5,113	**45,532**	8,076

14 Trade and Other Payables – Current

	Group		Company	
	30 Sept 2010	30 Sept 2009	**30 Sept 2010**	30 Sept 2009
	£'000	£'000	**£'000**	£'000
Amounts Falling Due within One Year				
Amounts owed to Subsidiary undertakings	**-**	-	**51,568**	63,524
Corporation tax	**158**	477	**(403)**	477
Purchases for future settlement	-	1,225	-	-
Other creditors	**6,467**	5,055	**3,545**	2,778
	6,625	6,757	**54,710**	66,779

15 Creditors

	Group		Company	
	30 Sept 2010	30 Sept 2009	**30 Sept 2010**	30 Sept 2009
	£'000	£'000	**£'000**	£'000
Amounts Falling Due within One Year				
Bank Loan				
Due between one to three years	**163,945**	169,732	-	-

A variable rate of interest is charged on the bank loan. The bank loan relates to a £185,000,000 committed multi-currency revolving credit facility, entered into on 17 July 2009 and repayable on 17 January 2013. Under the Facility Agreement the Group is liable to pay interest at LIBOR rates plus a margin of 3%. The weighted average effective interest rate for the year was 4.7%.

16 Zero Dividend Preference Shares

	Group		Company	
	30 Sept 2010	30 Sept 2009	**30 Sept 2010**	30 Sept 2009
	£'000	£'000	**£'000**	£'000
Zero Dividend Preference Shares	**49,560**	41,896	**-**	-

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

On 2 December 2009 4,295,000 Zero Dividend Preference Shares were issued at a price of 104p each. Each share has a par value of 0.01p at maturity price of 155.41p. The fair value of the Zero Dividend Preference shares at 30 September 2010 was £54,626,000 (2009: £45,903,000) based on the quoted offer price of 115.50p (2009: 106.75p) per Zero Dividend Preference Share.

17 Financial Instruments

(i) Management of Risk

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

The Group's financial instruments comprise:

1. Securities in unquoted and quoted companies, partnership interests and floating rate notes.

2. A loan facility and issuance of Zero Dividend Preference shares, the purpose of which is to finance tender offers, other share buy-backs and on-market purchases of shares, the financing of new investment and refinancing existing debt.

3. Interest rate Swap and Cap in order to manage the risk of interest rate fluctuation in interest payable on the new multi-currency loan facility.

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

Market Price Risk

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

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

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

Credit Risk

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

A well diversified portfolio of liquidity funds is maintained with no more than 10% of gross assets held with any one institution. The total invested in liquidity funds was £174,899,000 with associated accrued income of £89,000 (2009: £175,000,000 with associated accrued income of £74,000). The cost of this investment was £174,800,000 (2009: £175,000,000).

Cash held on deposit was principally with two UK banks and one Irish bank and totalled £36,947,000 (2009: £36,500,000).

Interest Rate Risk

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

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

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

Liquidity Risk

The Group's assets comprise listed and unlisted equity and non-equity shares, fixed income securities, floating rate notes and liquidity funds whilst the unlisted equity is intentionally illiquid. Short-term flexibility is achieved through the revolving loan facility, floating rate notes and liquidity funds which are relatively liquid and cash which is available on demand.

The maturity of the Group's existing borrowings are set out in part (v) of this Note.

Capital Risk Management

The Group's objective in the management of capital risk is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure. In doing so the Group may adjust the amount of dividends paid to shareholders (whilst remaining within the restrictions imposed by its investment trust status), return capital to shareholders, change level of borrowing in the £185,000,000 committed multi-currency revolving credit facility or issue new shares. During the year the Group paid no special dividend (2009: £nil). In order to be able to pay a dividend out of profits available for distribution the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

The Group manages the levels of cash deposits held whilst maintaining sufficient liquidity for investments. The Group has an existing authority to implement an on-market share buy-back programme to generate shareholder value. During the year £nil (2009: £2,096,000) was utilised to repurchase shares for cancellation.

The £185,000,000 committed multi-currency revolving credit facility was drawn down such that a balance of £163,945,000 was outstanding at the year end (2009: £169,732,000). The loan is repayable on 17 January 2013. On 5 August 2009 the Group issued 43,000,000 Zero Dividend Preference Shares at 100p each and on 2 December 2009 4,295,000 Zero Dividend Preference Shares were issued at 104p each (Note 16). The level of outstanding borrowings is reviewed on an ongoing basis taking into account the need to buy back shares, future levels of investment and any foreign currency hedging concerns.

The Group's capital comprises:

	30 Sept 2010	30 Sept 2009
	£'000	£'000
Debt		
Borrowing under the credit facility	**163,945**	169,732
Zero Dividend Preference shares	**49,560**	41,896
	213,505	211,628
Equity		
Equity share capital	**8,835**	8,835
Retained earnings and other reserves	**715,696**	599,118
	724,531	607,953
Total capital	**938,036**	819,581
Debt as a percentage of total capital	**22.8%**	25.8%

Foreign Currency Risk

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

Revenue received in currencies other than sterling is converted into sterling at the date of the transaction. Foreign currency assets and liabilities are translated at the year-end rate. The treatment of foreign currency transactions has been described in greater detail in the Basis of Accounting note commencing on page 42.

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

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

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

(ii) Market Price Exposure

	2010 Increase in variable £'000	**2010** Decrease in variable £'000	2009 Increase in variable £'000	2009 Decrease in variable £'000
10% movement in price of fund, listed investments, floating rate notes, liquidity funds * and price/earnings ratio for unlisted investments				
Impact on profit after tax	**83,818**	**(90,038)**	72,224	(71,182)
Impact as a percentage of profit after tax	**71.6%**	**(76.9)%**	272.6%	(268.7)%
Impact on shareholders' equity	**83,818**	**(90,038)**	72,224	(71,182)
Impact as a percentage of shareholders' equity	**11.6%**	**(12.4)%**	11.9%	(11.7)%

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

(iii) Foreign Currency Exposures

A portion of the financial assets and liabilities of the Group are denominated in currencies other than sterling, which has an impact on the net assets and return of the Group as at 30 September 2010.

Currency	**Foreign currency assets**		**Foreign currency liabilities**		**Net foreign currency assets**	
As at 30 September	**2010** **£'000**	2009 £'000	**2010** **£'000**	2009 £'000	**2010** **£'000**	2009 £'000
US Dollar	**233,462**	146,970	**(27,905)**	(33,690)	**205,557**	113,280
Euro	**175,239**	198,743	**(131,040)**	(131,043)	**44,199**	67,700
Total	**408,701**	345,713	**(158,945)**	(164,733)	**249,756**	180,980

Currency

	2010			2009
	Sterling appreciation	**Sterling depreciation**	Sterling appreciation	Sterling depreciation
	£'000	**£'000**	£'000	£'000
10% Movement in Euro				
Impact on profit after tax	**(5,297)**	**9,621**	(2,062)	2,755
Impact as a percentage of profit / (loss) after tax	**(4.5)%**	**8.2%**	(7.8)%	10.4%
Impact on shareholders' equity	**(5,297)**	**9,621**	(2,062)	2,755
Impact as a percentage of shareholders' equity	**(0.7)%**	**1.3%**	(0.3)%	0.5%
10% Movement in US Dollar				
Impact on profit after tax	**(13,449)**	**18,562**	(9,008)	10,804
Impact as a percentage of profit / (loss) after tax	**(11.5)%**	**15.8%**	(34.0)%	40.8%
Impact on shareholders' equity	**(13,449)**	**18,562**	(9,008)	10,804
Impact as a percentage of shareholders' equity	**(1.9)%**	**2.6%**	(1.5)%	1.8%

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

Financial Assets

The financial instruments held by the Group include equity and non-equity shares as well as fixed interest securities. The type of income generated from these financial instruments is shown as at 30 September 2010.

Currency As at 30 September 2010	**Total**	**Floating rate financial assets**	**Fixed rate financial assets**	**Financial assets on which no interest is earned**
	£'000	**£'000**	**£'000**	**£'000**
Sterling	**568,936**	**209,854**	**232,854**	**126,228**
US Dollar	**233,462**	**11,619**	**20,055**	**201,788**
Euro	**175,239**	**1,066**	**11,803**	**162,370**
Total	**977,637**	**222,539**	**264,712**	**490,386**

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

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

Currency		**Fixed rate financial assets weighted average interest rate**		**Fixed rate financial assets on which no interest is paid weighted average period until maturity**
As at 30 September	**2010**	2009	**2010**	2009
	%	%	**years**	years
Sterling	**11.5**	14.2	—	—
US Dollar	**12.8**	13.0	—	—
Euro	**12.0**	—	—	—

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

Financial Liabilities

The interest rate profile of the financial liabilities:

Currency	**Total**		**Fixed rate financial liabilities**		**Floating rate financial liabilities**	
As at 30 September	**2010**	2009	**2010**	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Sterling	**54,560**	46,896	**49,560**	41,896	**5,000**	5,000
US Dollar	**27,905**	33,690	**-**	-	**27,905**	33,690
Euro	**131,040**	131,042	**-**	-	**131,040**	131,042
Total	**213,505**	211,628	**49,560**	41,896	**163,945**	169,732

The floating rate financial liabilities comprise a £185,000,000 committed multi-currency revolving credit facility, based on a rate per annum, the aggregate of margin, LIBOR and mandatory cost, entered into on 17 July 2009. The margin is 3.0%. The weighted average effective interest rate for the year was 4.7% (2009: 3.6%). The fixed rate financial liabilities comprise 47,295,000 (2009: 43,000,000) Zero Dividend Preference shares. On 5 August 2009 43,000,000 were issued at 100p each and on 2 December 2009 4,295,000 were issued at 104p each. Each share has a par value of 0.01p and is redeemable on 5 August 2016 for 155.41p.

	2010 Increase in variable £'000	2010 Decrease in variable £'000	2009 Increase in variable £'000	2009 Decrease in variable £'000
1% movement in interest rates				
Impact on interest income from cash	**232**	**(152)**	492	(369)
Impact on interest income on floating rate notes and liquidity funds	**1,053**	**(1,053)**	2,032	(2,221)
Impact on interest payable on credit facility	**(1,654)**	**1,654**	(1,913)	1,907
Total impact on profit/(loss) after tax and shareholders' equity	**(369)**	**449**	611	(683)
Impact as a percentage of profit/(loss) after tax	**(0.3)%**	**0.4%**	2.3%	(2.6)%
Impact as a percentage of shareholders' equity	**(0.1)%**	**0.1%**	0.1%	(0.1)%

(v) Maturity of Financial Liabilities

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

As at 30 September	**2010 £'000**	2009 £'000
Between one and three years	**163,945**	169,732
Over five years	**73,496**	66,824

The financial liability between one and three years (2009: one and four years) relates to a £185,000,000 committed multi-currency revolving credit facility. The facility was entered into on 17 July 2009 and is repayable on 17 January 2013. The financial liability over five years relates to the 47,295,000 Zero Dividend Preference Shares, 43,000,000 issued on 5 August 2009 and 4,295,000 issued on 2 December 2009. These are redeemable on 5 August 2016.

(vi) Fair Values of Financial Assets and Liabilities

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

As at 30 September	**Fair Value 2010 £'000**	Fair Value 2009 £'000
Primary Financial Assets Held		
Equity shares	**435,339**	419,995
Non-equity shares	**18,100**	6,250
Fixed interest securities	**264,712**	116,320
Floating rate securities	**222,539**	263,048
Cash at bank and in hand	**36,947**	36,500
Fair value of interest rate swaps and caps	**1,549**	389
Bank loans	**163,945**	169,732
Zero Dividend Preference shares	**54,626**	45,903

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

(vii) Fair value hierarchy

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

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

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

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

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

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

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

As at 30 September 2010	**Total**	**Level 1**	**Level 2**	**Level 3**
	£'000	**£'000**	**£'000**	**£'000**
Unlisted and listed investments	**765,801**	**118,469**	**-**	**647,332**
Other investments	**174,889**	**174,889**	**-**	**-**
Interest rate swaps	**1,549**	**-**	**-**	**1,549**
	942,239	**293,358**	**-**	**648,881**

Assets measured at fair value based on Level 3

Opening balance as at 1 October 2009	**459,075**
Purchases	**179,250**
Disposals	**(121,475)**
Increase in value	**130,482**
Closing balance as at 30 September 2010	**647,332**

18 Share Capital

	30 Sept 2010	30 Sept 2009
	£'000	£'000
Allotted, called-up and fully paid 35,338,687 (2009:35,338,687) ordinary shares of 25p each	**8,835**	8,835
Unissued 164,661,313 (2009:164,661,313) ordinary shares of 25p each	**41,165**	41,165
	50,000	50,000

Under the Companies Act 2006, the concept of authorised share capital was abolished with effect from 1 October 2009. At the Company's Annual General Meeting held on 2 February 2010, a special resolution was passed to adopt new Articles of Association of the Company and as a result there is no maximum amount of shares that may be allotted by the Company. Directors will still need to obtain the usual shareholders' authorisation in order to allot shares, except in respect of employee share schemes.

No shares were purchased by the Company from shareholders during the year ended 30 September 2010.

19 Capital and Reserves

For the year ended 30 September 2010 for the Group	**Called-up Share capital**	**Share premium**	**Capital redemption reserve**	**Translation reserve**	**Realised capital resserve**	**Unrealised capital reserve**	**Revenue reserves**	**Total Shareholders' Funds**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Opening balance at 1 October 2009	**8,835**	**24,147**	**34,440**	**(3,375)**	**780,882**	**(260,916)**	**23,940**	**607,953**
Net revenue transferred to reserves	**-**	**-**	**-**	**-**	**-**	**-**	**1,558**	**1,558**
Net profits on realisation of investments during the year	**-**	**-**	**-**	**-**	**15,472**	**-**	**-**	**15,472**
Increase in value of non-current investments	**-**	**-**	**-**	**-**	**-**	**112,096**	**-**	**112,096**
Increase in incentive provisions	**-**	**-**	**-**	**-**	**-**	**(16,360)**	**-**	**(16,360)**
Losses on foreign currencies	**-**	-	**-**	**(561)**	**(788)**	**6,517**	**-**	**5,168**
Investments sold during the year	**-**	**-**	**-**	**-**	**13,619**	**(16,771)**	**-**	**(3,152)**
Tax written back	**-**	**-**	**-**	**-**	**1,796**	**-**	**-**	**1,796**
At 30 September 2010	**8,835**	**24,147**	**34,440**	**(3,936)**	**810,981**	**(175,434)**	**25,498**	**724,531**

For the year ended 30 September 2009 for the Group

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

1 The capital redemption reserve is established by the Group on the redemption or repurchase of its own shares.

2 The translation reserve consists of foreign exchange differences arising on retranslation of the equity and reserves of subsidiaries with functional currencies other than sterling.

3 The realised capital reserve recognises all realised profits that are capital in nature or have been allocated to capital.

4 The unrealised capital reserve recognises all unrealised profits that are capital in nature or have been allocated to capital.

5 The revenue reserve shows all profits that are revenue in nature or have been allocated to revenue.

For the year ended 30 September 2010 for the Company	**Called-up Share capital**	**Share premium**	**Capital redemption reserve**	**Realised capital reserve**	**Unrealised capital reserve**	**Revenue reserves**	**Total Shareholders' Funds**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Opening balance at 1 October 2009	**8,835**	**24,147**	**34,440**	**779,619**	**(239,549)**	**461**	**607,953**
Net revenue transferred to reserves	-	-	-	-	-	**(5,049)**	**(5,049)**
Net profits on realisation of investments during the year	-	-	-	**18,180**	-	-	**18,180**
Increase in value of non-current investments	-	-	-	-	**91,578**	-	**91,578**
Increase in incentive provisions	-	-	-	-	**(16,735)**	-	**(16,735)**
Gains and losses on foreign currencies	-	-	-	**(1,129)**	**6,516**	-	**5,387**
Unrealised net appreciation at 1 October 2009 on	-	-	-	**13,619**	**(13,619)**	-	**-**
Revaluation of subsidiaries	-	-	-	**21,327**	-	-	**21,327**
Tax written back	-	-	-	**1,890**	-	-	**1,890**
At 30 September 2010	**8,835**	**24,147**	**34,440**	**833,506**	**- (171,809)**	**- (4,588)**	**724,531**

For the year ended 30 September 2009 for the Company

	Called-up Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserves £'000	Total Shareholders' Funds £'000
Opening balance at 1 October 2008	8,899	24,147	34,376	844,266	(260,585)	2,678	653,781
Net revenue transferred to reserves	-	-	-	-	-	(2,217)	(2,217)
Net losses on realisation of investments during the year	-	-	-	23,171	-	-	23,171
Increase in value of non-current investments	-	-	-	-	23	-	23
Increase in incentive provisions	-	-	-	-	(5,641)	-	(5,641)
Losses on foreign currencies	-	-	-	(17,502)	(7,576)	-	(25,078)
Net fees	-	-	-	(1,161)	-	-	(1,161)
Unrealised net appreciation at 1 October 2008 on investments sold during the year	-	-	-	(34,230)	34,230	-	-
Revaluation of subsidiaries	-	-	-	(44,580)	-	-	(44,580)
Purchase of own shares	(64)	-	64	(2,096)	-	-	(2,096)
Tax written back	-	-	-	11,751	-	-	11,751
At 30 September 2009	8,835	24,147	34,440	779,619	(239,549)	461	607,953

1 The capital redemption reserve is established by the Group on the redemption or repurchase of its own shares.

2 The realised capital reserve recognises all realised profits that are capital in nature or have been allocated to capital.

3 The unrealised capital reserve recognises all unrealised profits that are capital in nature or have been allocated to capital.

4 The revenue reserve shows all profits that are revenue in nature or have been allocated to revenue.

20 Contingent Liabilities and Commitments

The Company has undertaken to invest up to a further US$36,488,000 (2009: US$40,271,000) in various syndicates of investors in the USA and elsewhere.

The Company has undertaken to make further investments through various limited partnership funds in the UK and Continental Europe amounting to £49,148,000 (2009: £84,883,517).

At 30 September 2010 the Company had uncalled commitments of £nil to a limited partnership fund advised by Electra Partners (2009: £1,670,808).

As a limited partner in a number of limited partnership funds, the Company has entered into agreements with Electra Partners for the management of the Company's portfolio of investments. In consideration for this the limited partnership funds pay a priority profit share to the general partners. The management agreements are rolling contracts which now allow for termination by either party as set out in the section entitled 'Management Arrangements' on page 19.

21 Particulars of Holdings

Principal Subsidiary Undertakings

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

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

Albion (Electra) Limited (trading partnership member)
4,995 ordinary shares of US$1.00 (par value). Paid-in capital US$11,565,002.
Incorporated in the Commonwealth of the Bahamas.
The subsidiary is wholly owned and held directly by the Company

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

Electra Investments Limited (Investment Holding Company)
87,000 ordinary shares of £10 (par value). Paid-in capital £1,027,389. Incorporated in England and Wales.
The subsidiary is wholly owned and held directly by the Company.
Capital contributions of £300. Incorporated in England and Wales.
The subsidiary is 100% owned and held directly by the Company.

Electra Private Equity Investments PLC (Zero Dividend Preference Share Holding Company)
50,000 ordinary shares of £1.00 (par value). Paid-in capital £50,000.
Incorporated in England and Wales.
The subsidiary is wholly owned and held directly by the Company

Kingsway Equity Partners LP
Capital contributions of £10,705,000. Incorporated in Scotland.
The subsidiary is 99% owned and held directly by the Company.

Electra Private Equity Partners 1995 LP
Capital contributions of £9,500. Incorporated in England and Wales.
The subsidiary is 99% owned and held through Kingsway Equity Partners LP.

Electra Quoted Partners 1995 LP
Capital contributions of £120,277,699. Incorporated in England and Wales.
The subsidiary is 99% owned and held through Kingsway Equity Partners LP.

EF Private Equity Partners (Americas) LP
Capital contributions of $2,500. Incorporated in England and Wales.
The subsidiary is 99% owned and held through Kingsway Equity Partners LP.

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

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

Electra Private Equity Partners 2001 - 2006 Scottish LP
Capital contributions of £20. Incorporated in Scotland.
The subsidiary is 99% owned and held through Kingsway Equity Partners LP.

Electra Private Equity Partners 2006 Scottish LP
Capital contributions of £20. Incorporated in Scotland.
The subsidiary is 99% owned and held through Kingsway Equity Partners LP.

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

Significant Interests in Investee Undertakings
The fair value of the undertakings shown below each represent by value more than 1% of the non-current asset investments of the Group:

	Carrying value at 30-Sep-09 £'000	**Carrying value at 30-Sep-10 £'000**	**Cost 30-Sep-10 £'000**
ALLFLEX HOLDINGS III	50,749	**71,924**	**40,482**
Class A common stock 1.9%			
Class G common stock 100.0%			
A Warrants 98.8%			
Loan notes 100.0%			
AMTICO	6,456	**12,375**	**22,275**
Accrued income	-	**5,359**	
A Ordinary shares 18.8%			
Mezzanine loan 100.0%			
Unsecured deep discount bond 23.8%			
BLACKROCK STERLING LIQUIDITY FUND	63,000	**49,300**	**49,300**
Accrued income		**25**	
Liquidity fund 0.2%			
BDR THERMA	-	**62,500**	**55,847**
Accrued income		**574**	
Class A shares 11.0%			
Class B shares 22.0%			
Class C shares 5.0%			
Class A CPECs 11.0%			
Class B CPECs 22.0%			
Class C CPECs 5.0%			
CAPITAL SAFETY GROUP III	6,250	**17,919**	**17,586**
Accrued income	933	**1,935**	
A PECs 13.5%			
A Ordinary shares12.1%			
E1 Ordinary shares 12.1%			
F1 Ordinary shares 12.1%			
G1 Ordinary shares 12.1%			
H1 Ordinary shares 12.1%			

Mezzanine loan 16.7%			
CH-PHARMA	12,676	**13,873**	**5,300**
Ordinary shares 23.8%			
Series 1 convertible bond 28.8%			
Series II convertible bonds 9.0%			
CPA GLOBAL	-	**13,901**	**13,901**
Ordinary shares 23.8%			
B Preference shares 6.5%			
C Preference shares 3.8%			
Mezzanine loan 4.8%			
DINAMIA (SPAIN)	12,747	**12,245**	**15,046**
Ordinary shares 10.4%			
ESURE	-	**35,376**	**29,733**
C Ordinary shares 6.8%			
Preferred ordinary shares 15.0%			
Priority return shares 15.0%			
Loan note 15.0%			
Perpetual subordinated note 15.0%			
GOLDMAN SACHS LIQUIDITY FUND	-	**24,000**	**24,000**
Accrued income		**10**	
Liquidity fund 0.6%			
INSIGHT LIQUIDITY FUND PLC	51,000	**28,200**	**28,200**
Accrued income	31	**17**	
Liquidity fund 0.3%			
JP MORGAN LIQUIDITY FUND	-	**24,000**	**24,000**
Accrued income		**9**	
Liquidity fund 0.4%			
KALLE	-	**11,088**	**9,031**
Accrued income		**596**	
Ordinary shares 8.8%			
Preference shares 10.7%			
Shareholders loans 10.6%			
LABCO	20,346	**15,444**	**23,956**
C Ordinary shares 4.6%			
LIL-LETS GROUP	21,149	**21,149**	**21,412**
Accrued income	7,574	**15,197**	
Ordinary shares 44.6%			
B Ordinary shares 100.0%			
Warrants 44.7%			
Unsecured loan notes 96.3%			
LONDON & STAMFORD PROPERTY	38,016	**33,561**	**30,195**
Accrued income		**653**	
B Ordinary shares 7.0%			
MOSER BAER (INDIA)	12,606	**9,520**	**1,900**
Ordinary shares 6.0%			
NUAIRE	19,155	**20,146**	**23,138**
Accrued income			
A Ordinary shares 97.1%			
B Ordinary shares 100.0%			
Series 'A' loan notes 99.6%			
Series 'B' loan notes 31.9%			
PINE UNIT TRUST	8,900	**15,000**	**14,218**
Income units 98.4%			
Capital units 98.4%			

PREMIER ASSET MANAGEMENT	3,365	**31,823**	**55,785**
B Ordinary shares 67.8%			
G Ordinary shares 100.0%			
Warrants 100.0 %			
B Preference shares 100%			
Deferred shares 38.4%			
PROMONTORIA	30,385	**36,304**	**16,479**
Accrued income		**3,539**	
B Ordinary shares 10.0%			
Loan notes 10.4%			
RBS GLOBAL TREASURY FUND PLC	29,700	**49,300**	**49,300**
Accrued income	10	**21**	
Liquidity fund 0.8%			
SAV CREDIT	3,800	**12,000**	**24,198**
Accrued income	**-**	**177**	
A Preferred shares 100%			
Subordinated loan			
C Fixed preference shares 26.8%			
RIO TRENS CORPORATION	5,469	**52,600**	**34,362**
Ordinary Shares 22.4%			
Loan Notes 22.4%			
VOLUTION (VENT AXIA)	15,840	**15,840**	**15,840**
Accrued income	1,062	**1,719**	
Mezzanine loan 45.7%			
Senior loan 47.1%			
ZENSAR TECHNOLOGIES (INDIA)	15,550	**23,971**	**4,211**
Ordinary shares 22.1%			

22 Related Party Transactions

Certain members of Electra Partners (the "participants") are entitled under various limited partnership agreements to benefit from carried interest and co-investment arrangements. Under these schemes the participants invest in every new investment made by the Company up to 31 March 2006. In return the participants receive a percentage of the total capital and revenue profits made on each investment. The participants do not receive any profits until the Company has received back its initial investment. During the year ended 30 September 2010 the participants received £759,000 (2009: £1,717,000) and are entitled to receive an additional amount of £nil (2009: £nil) under these schemes and had provisional entitlements of £14,830,000 (2009: £7,727,000). The participants are entitled to a percentage of the incremental value of unlisted investments held at 31 March 1995, subject to the Company having received in total proceeds equal to the valuation of those investments as at 31 March 1995 and a preferred return. During the year ended 30 September 2010 the participants received £962,000 (2009: £nil) and had provisional entitlements of £66,000 (2009: £1,001,000).

Following approval at the Extraordinary General Meeting held on 12 October 2006 the participants entered two new schemes. The participants are entitled to receive a percentage of the incremental value of certain investments held at 31 March 2006 following the Company receiving total proceeds equal to the value at that date and a preferred return, after deduction of related priority profit share. During the year ended 30 September 2010 the participants received £nil (2009: £570,000) and had provisional entitlements of £16,952,000 (2009: £11,616,000) under this scheme. The second scheme entered into under the new arrangements requires the participants to invest in every new investment made by the Company since 1 April 2006 until 30 September 2009. On a pooled basis, participants receive a percentage of the total capital and revenue profits once the Company has received back its initial investment, a preferred return and a related priority profit share. During the year ended 30 September 2010 the participants had provisional entitlements of £2,078,000 (2009: £nil). Following the same methodology new pools commenced for deals starting since 1 October 2009. During the year ended 30 September 2010 the participants had provisional entitlements of £1,432,000 (2009: £nil).

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

No Directors of Electra participated in the above arrangements.

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

Net sales of investments to Electra Investments Limited from Electra amounted to £nil for the year ended 30 September 2010 (2009: to Electra Investments Limited from Electra of £27,644,000). Net loans advanced by Electra to Electra Investments Limited were £55,984,000 (2009: loans advanced by Electra Investments Limited to Electra of £10,851,000). Interest of £221,000 (2009: £1,399,000).

Net loans for working capital and/or to clear intercompany balances were made to Albion (Electra) for £66,000 (2009: from Electra to Albion (Electra) £371,000), to Electra Holdings Inc for £56,000 (2009: from Electra Holdings Inc for £212,000), to Electra Property Inc for £45,000 (2009: from Electra Property Inc for £242,000), from Electra Private Equity Investments Plc for £5,880,000 (2009: £41,959,000).

23 Deferred Tax

		Group		Company
	30 Sep 2010 £' 000	30 Sep 2009 £' 000	**30 Sep 2010 £' 000**	30 Sep 2009 £' 000
Deferred Tax Overseas	**245**	148	**-**	-

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

The analysis of the deferred tax liabilities is as follows:

		Group		Company
	30 Sep 2010 £' 000	30 Sep 2009 £' 000	**30 Sep 2010 £' 000**	30 Sep 2009 £' 000
Deferred Tax liabilities:				
Deferred tax liability to be recovered after more than 12 months	**245**	148	**-**	-
Deferred tax liability to be recovered within 12 months	**-**	-	**-**	-
Deferred Tax liabilities (net)	**245**	148	**-**	-

The gross movement on the deferred income tax account is as follows:

		Group		Company
	30 Sep 2010 £' 000	30 Sep 2009 £' 000	**30 Sep 2010 £' 000**	30 Sep 2009 £' 000
At 1 October	**148**	565	**-**	-
Exchange differences	**2**	64	**-**	-
Charged/(credited) directly to equity	**95**	(481)	**-**	-
As at 30 September	**245**	148	**-**	-

The movement in defferred income tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred Tax liabilities	**Accelerated Tax depreciation**	Fair Value Gains	**Other**	Total
At 1 October 2009		148		148
Charged/(credited) directly to equity		95		95
Exchange differences		3		3
At 30 September 2010	-	245		245

24 Provision for Liabilities and Charges

		Group **30 Sept 2010**		Company **30 Sept 2010**
	£'000	**£'000**	**£'000**	**£'000**
At 1 October 2009	**20,740**		**72,189**	
Amounts paid and payable under incentive schemes	**(1,742)**		**(1,721)**	
		18,998		**70,468**
Increase in incentive scheme provision		**16,360**		**16,735**
		35,358		**87,203**
Liability in subsidiaries		**-**		**(21,233)**
At 30 September 2010		**35,358**		**65,970**

Current and former executives of Electra Partners are entitled to incentives based on the performance of investments made by Electra. Under the current contractual terms of the Realisation Incentive Schemes, executives receive the value of any amounts that were due at 30 September 2000 and 8% on uplifts in value from that date, on a pooled basis, 10% on uplifts from 31 March 2006 valuations after a 15% preferred return and on deals invested at cost on 31 March 2006, 18% on a 3 year pooled basis on uplifts after an 8% preferred return on deals on deals commencing from 1 April 2006 until 30 September 2009 and 18% on a three year pooled basis on uplifts after an 8% preferred return on deals commencing from 1 October 2009 until 30 September 2012.

Board of Directors

Colette Bowe (Chairman)

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

Dr Bowe was appointed a Director in 2007 and succeeded Sir Brian Williamson as Chairman in May 2010.

Ronald Armstrong

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

He is a founder director of E-Synergy, which specialises in venture funding for early-stage technology companies and a director of several private companies. Previously, he was CEO of Pera Group and a director of JPMorgan Fleming Worldwide Income Investment Trust and several other quoted Fleming investment trusts between 1991 and 2005.

Mr Armstrong was appointed a Director in 1994.

Kate Barker*

Ms Barker was, until May 2010, a member of the Monetary Policy Committee of the Bank of England, on which she served for three terms.

Ms Barker is a senior adviser to Credit Suisse, a non executive director of the Homes and Communities Agency and of the Yorkshire Building Society. She has held a range of other senior positions, including chief economic adviser to the Confederation of British Industry from 1994 to 2001.

Ms Barker was appointed a Director in November 2010.

Roger Perkin*

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

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

Michael Walton *

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

Mr Walton was most recently appointed as a Director in 2000.

Lucinda Webber *

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

Ms Webber was appointed a Director in 2007.

Peter Williams

Mr Williams is a director of several private companies. He was formerly a director of Xenos Group, Chairman of RPC Group plc and Chief Executive of D S Smith plc. He is Chairman of the Remuneration and Nomination Committee and has been nominated the Senior Independent Director under the Combined Code on Corporate Governance.

Mr Williams was appointed a Director in 1994.

* Member of the Valuations Committee.

Notes:

All Directors are members of the Remuneration and Nomination Committee.

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

Dr Bowe, Mr Armstrong, Mr Perkin and Mr Williams are all Directors of the Company’s wholly owned subsidiary Electra Private Equity Investments PLC.

Information for Shareholders

Annual General Meeting	February 2011
Interim Management Statement	February and July 2011
Half-year Results announced	May/June 2011
Annual Results announced	November/December 2011

Analysis of Share Register as at 30 September 2010 taken from the Company's Share Register held by Equiniti Limited

Party Type	No of Shareholders	Holders within Type %	No of Shares	Issued Capital %
Nominee	751	18.05%	31,832,577	90.08%
Individuals	3,314	79.67%	2,556,873	7.24%
Other Organisation	43	1.03%	452,632	1.28%
Public Limited Company	4	0.10%	297,250	0.84%
Limited Company	43	1.03%	169,114	0.48%
Bank	1	0.02%	26,000	0.07%
Pension Fund	4	0.10%	4,241	0.01%
Total	4,160	100.00%	35,338,687	100.00%
Total Issued Capital			35,338,687	

Change of Address

Any change of address of a shareholder or other relevant amendment to shareholder details should be communicated to the Company's Registrar, Equiniti Limited at the address provided on page 84.

Share Price Information

The Company's share price can be found on the Company's website www.electraequity.com.

Share Dealing Service

If you are an existing shareholder and wish to buy more/sell your shares in Electra:

An internet and telephone dealing service has been arranged through Equiniti, which provides a simple way for UK shareholders of Electra to buy or sell Electra's shares. For full details and terms and conditions simply log onto www.shareview.co.uk/dealing or call 08456 037 037 between 8.00am and 4.30pm Monday to Friday.

The service is only available to shareholders of Electra who hold shares in their own name, with a UK registered address, who are aged 18 and over.

Shareview Dealing is provided by Equiniti Financial Services Limited. Equiniti Financial Services Limited is authorised and regulated by the Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS (FSA reference 468631). Equiniti Financial Services Limited is registered in England and Wales with number 6208699.

If you are not an existing shareholder:

We recommend you seek your own personal financial advice from an authorised financial adviser or alternatively contact your own broker. Electra Private Equity's shares are listed on the London Stock Exchange as ELTA.

Important Information

Please note that the above information is not a recommendation to buy or sell shares. If you have any doubt over what action you should take, please contact an authorised financial adviser.

Past performance is not a guide to future performance.

The Company is listed on the Stock Market. As a result, the value of the shares, and any income from those shares, is not guaranteed and could go down as well as up. You may not get back the amount you invested. You should view your investment as long term.

As the Company invests overseas, changes in the rates of exchange may also cause the value of your investment to go down or up.

The Company can borrow money to make further investments (sometimes known as 'gearing'). The risk is that when this money is repaid by the Company , the value of investments may not be enough to cover the borrowing and interest costs, and the Company will make a loss. If the Company's investments fall in value, any borrowings will increase the amount of this loss.

The Company is only suitable for those investors prepared to accept a higher level of risk. This is because it invests in private equity investments which can down or up more than the main international markets.

Electra News via Email

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

LPEQ – Listed Private Equity

Increasing awareness and understanding of listed private equity through research and information

Electra is a founder member of LPEQ (formerly iPEIT), a group of private equity investment trusts and similar vehicles listed on the London Stock Exchange and other major European stock markets, formed to raise awareness and increase understanding of what listed private equity is and how it enables all investors – not just institutions – to invest in private equity.

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

For further information visit www.lpeq.com.

Ten Year Record

Ten Year Record of Net Assets, Share Price and Earnings

As at 30 September	Net Assets	Net Asset Value per Share	Basic Earnings per Share	Dividends Paid per Share	1 Share Price as at 5 April per Share	1 Share Price as at 30 September per Share
	£'000	p	p	p	p	p
2001	[2] 541,110	829.52	(22.94)	-	908.50	651.00
2002	498,330	763.94	(8.95)	-	637.00	462.50
2003	495,498	759.60	(2.55)	-	522.00	633.50
2004	[3] 426,723	912.86	5.7	-	747.50	793.50
2005	[4] 520,883	1,197.22	64.09	-	931.00	1,113.00
2006	[5] 598,292	1,545.07	20.58	[6] 20.00	1,326.00	1,371.00
2007	[7] 745,506	2,001.21	24.6	[8] 17.00	1,605.00	1,680.00
2008	[9] 640,949	1,800.64	(13.98)	[10] 25.00	1,570.00	1,235.00
2009	[11] 607,953	1,720.36	34.05	-	632.50	1,224.00
2010	724,531	2,050.25	4.41	-	1,361.00	1,368.00

Notes
The net asset value per share for the years 1999 to 2004 above are as previously reported under UK GAAP. 2005 to 2010 have been prepared on an IFRS basis as explained in the Basis of Accounting.

1. Middle market price at close of business on 5 April or 30 September or, if appropriate, previous business day in each case.
2. During the year ended 30 September 2001 £150,000,000 was repaid to shareholders via a tender offer and 100,000 shares were repurchased for cancellation (cost : £907,000).
3. During the year ended 30 September 2004 £100,000,000 was repaid to shareholders via a tender offer and 6,232,000 shares were repurchased for cancellation (cost: £48,082,000).
4. During the year ended 30 September 2005 3,238,000 shares were repurchased for cancellation (cost: £29,677,000).
5. During the year ended 30 September 2006 4,785,000 shares were repurchased for cancellation (cost: £64,257,000).
6. Includes special dividend of 20.00p per share paid in March 2006.
7. During the year ended 30 September 2007 1,470,000 shares were repurchased for cancellation (cost: £22,304,000).
8. Includes special dividend of 17.00p per share paid in March 2007.
9. During the year ended 30 September 2008 1,657,000 shares were repurchased for cancellation (cost: £26,492,000).
10. Includes special dividend of 25.00p per share paid in March 2008.
11. During the year ended 30 September 2009 257,000 shares were repurchased for cancellation (cost: £2,096,000).

Notice of Annual General Meeting

Notice is hereby given that the seventy-sixth Annual General Meeting of Electra Private Equity PLC will be held at 12.00 noon on Thursday 24 February 2011 in The Great Hall at The Saddlers' Hall, 40 Gutter Lane, London EC2V 6BR for the following purposes:

Ordinary Business

1. To receive the reports of the Directors and Auditors and the Group Accounts for the year ended 30 September 2010.

2. To approve the Directors' Remuneration Report for the year ended 30 September 2010 which is set out in the Annual Report and Accounts of the Company for the year ended 30 September 2010.

3. To elect Ms K Barker as a Director of the Company.

4. To re-elect Dr C Bowe as a Director of the Company.

5. To re-elect Mr MED'A Walton as a Director of the Company.

6. To re-elect Ms L Webber as a Director of the Company.

7. To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

8. To authorise the Directors to fix the remuneration of the Auditors.

Special Business

As Special Business, to consider and, if thought fit, to pass the following Resolution as a Special Resolution:

9. Special resolution to renew share buyback authority:

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

(i) the maximum number of ordinary shares hereby authorised to be purchased is 5,297,269 or such lesser number of shares as is equal to 14.99 per cent of the total number of ordinary shares in issue as at the date of the passing of this resolution;

(ii) the minimum price which may be paid for an ordinary share shall be 25 pence;

(iii) the maximum price, exclusive of any expenses, which may be paid for an ordinary share shall be an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased;

(iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors); and

(v) unless renewed, the authority hereby conferred shall expire on the earlier of 24 May 2012 or the conclusion of the Company's Annual General Meeting in 2012 save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares which will or may be completed or executed wholly or partly after such expiry.

By order of the Board of Directors
Frostrow Capital, Secretary, 25 Southampton Buildings, London WC2A 1AL
29 November 2010

Notes

1
Members of the Company who are entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to exercise all or any of their rights to attend and to speak and vote at the Meeting. A member may appoint more than one proxy in relation to the Meeting provided that each proxy is

appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.

2
A member may vote at the Annual General Meeting subject to being on the Register of Members as at 6pm on 22 February 2011.

3
A Form of Proxy is enclosed. To be effective, the Form of Proxy and any power of attorney under which it is executed (or a duly certified copy of any such power) must reach the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6GJ, not less than 48 hours before the time of the Meeting or adjourned Meeting or (in the case of a poll taken otherwise than at or on the same day as the Meeting or adjourned Meeting) for the taking of the poll at which it is to be used. Completion and return of the Form of Proxy will not prevent a member from attending and voting at the Meeting. Replacement forms of proxy may be obtained from the Company's Registrar.

4
In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those holders of ordinary shares entered on the Register of Members of the Company as at 6.00 pm on 22 February 2011 ("the Specified Time") shall be entitled to attend and vote at the Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the register of members after the Specified Time shall be disregarded in determining the rights of any person to attend and vote at the Meeting. If the Meeting is adjourned to a time not more than 48 hours after the Specified Time applicable to the original Meeting, that time will also apply for the purposes of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period, then to be so entitled, members must be entered on the Company's register of members at a time which is not more than 48 hours before the time fixed for the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.

5
CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 24 February 2011 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. For a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with CREST specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (www.euroclear.com/CREST). The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

6
The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right,

or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

7
Shareholders are entitled to attend and vote at general meetings of the Company. On a vote by show of hands, every member and every duly appointed proxy who is present in person shall have one vote. On a poll vote, every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

8
Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. A member that is a company may appoint either a proxy or a corporate representative. Members wishing to appoint a corporate representative should examine the Company's Articles of Association and the provisions of the Companies Act 2006.

9
Under Regulation 12, Section 319A of the Shareholder Rights Directive, the Company must answer any question relating to the business being dealt with at the Meeting put by a member at the Meeting. However, the Company need not answer if a) to do so would interfere unduly with the preparation for the Meeting or b) to answer would involve the disclosure of confidential information or c) the answer has already been given on a website in the form of an answer to a question or d) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

10
Information about the Annual General Meeting is published on www.electraequity.com.

11
The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this Notice until the close of the Annual General Meeting, and will be available at the place of the Annual General Meeting from 11.45 am until the conclusion of the Meeting:

(a) the current Articles of Association of the Company; and

(b) the terms and conditions of appointment of all Directors

No Director has a service contract with the Company.

12
Short biographical details regarding Ms K Barker, Dr C Bowe, Mr MED'A Walton and Ms L Webber are contained on page 76.

13
The total number of issued ordinary shares/voting rights in the Company on 29 November 2010, which is the latest practicable date before the publication of this document, is 35,338,687.

14
Shareholders may require the Company to place on its website a statement, made available also to the Company's auditors, setting out any matter relating to the audit of the Company's accounts, including the Auditor's Report and the conduct of the audit, which shareholders intend to raise at the Annual General Meeting. The Company becomes required to place such a statement on the website once a) members with at least 5% of the total voting rights of the Company or b) at least 100 members who are entitled to vote and on whose shares an average sum per member of at least £100 has been paid have submitted such a request to the Company. Members seeking to do this should write to the Company providing their full name and address.

15
You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

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

Contact Details

Board of Directors
Colette Bowe Chairman
Ronald Armstrong
Kate Barker
Roger Perkin
Michael Walton
Lucinda Webber
Peter Williams
Telephone +44 (0)20 7306 3883
www.electraequity.com

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

Registered Office
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65 St Paul's Churchyard
London EC4M 8AB

Company number
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Manager
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London EC4M 8AB
Telephone +44 (0)20 7214 4200
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Registered Independent Auditors
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Chartered Accountants &
Statutory Auditors
Hays Galleria
1 Hays Lane
London SE1 2RD

Stockbroker
JPMorgan Cazenove

Financial Advisor
Evercore Partners
10 Hill Street
London W1J 5NQ

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

* Calls to these numbers are charged at 8p per minute from a BT landline. Other telephony providers' costs may vary.

The Annual Report and Financial Statements will be available on the Company's website www.electraequity.com on or around 20 December 2010.

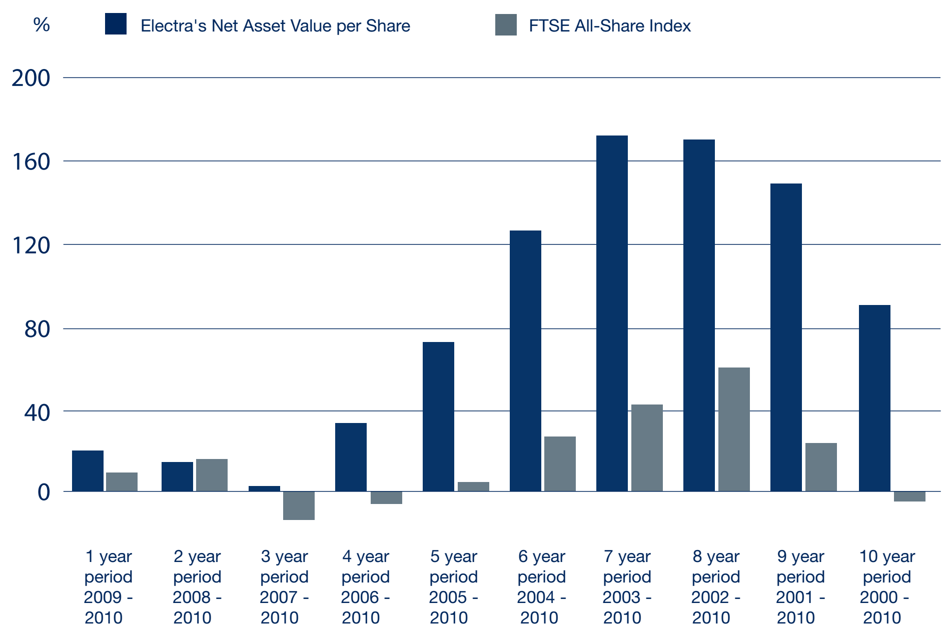
The financial information set out above does not constitute the Company's statutory financial statements for the year ended 30 September 2010. The financial information for 2009 is derived from the statutory financial statements which have been delivered to the Registrar and included the Auditors' Report which was unqualified and did not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006. The statutory financial statements for 2010 will be finalised on the basis of the financial information presented in this announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

Appendix

Charts and Graphs

Please note this document is to be viewed only in conjunction with the Electra Private Equity PLC Audited Results announcment for the Year ended 30 September 2010.

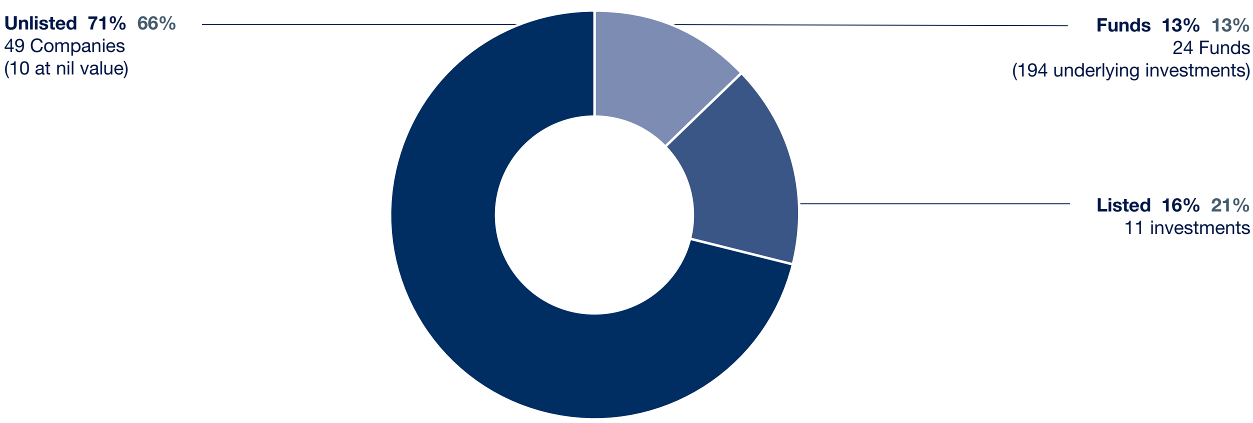
Percentage Change in Electra's Net Asset Value Per Share Compared to FTSE All-Share Index



Each period of performance is based on the opening net asset value per share at 30 September. The net asset value per share for the years 2000 to 2004 are as previously reported under UK GAAP. The net asset value per share for the years since 2005 are on an IFRS basis.

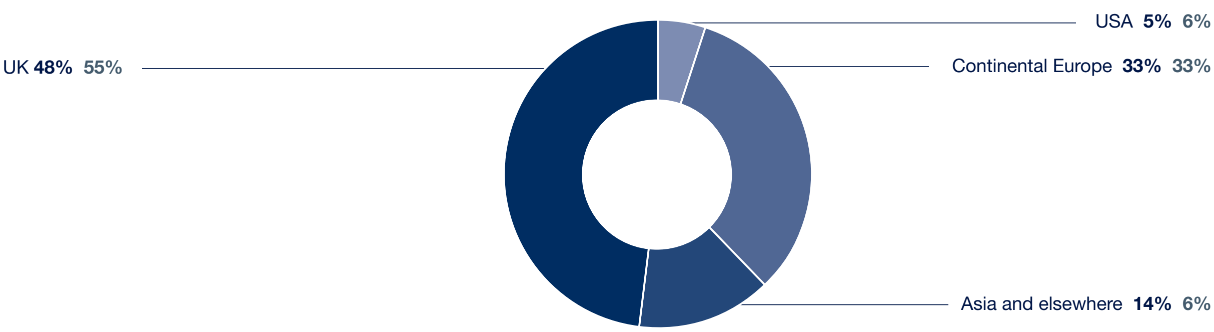
Investment Portfolio – £734 million (£547 million)

2010 2009



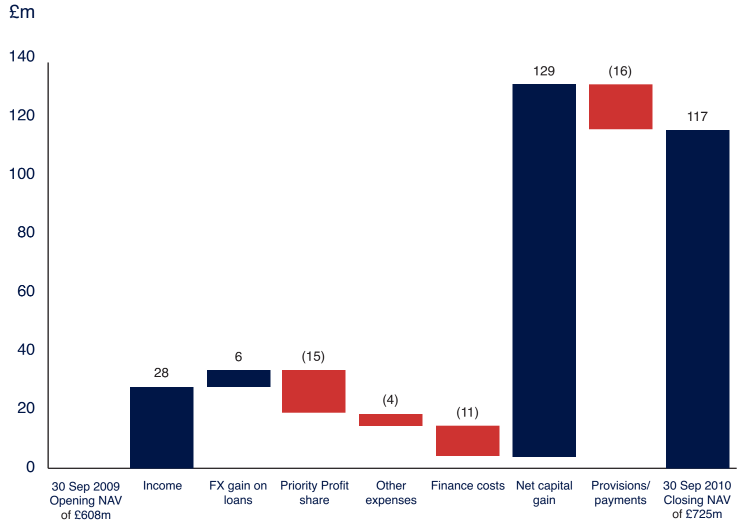
Geographic Split of Investment Portfolio – £734 million (£547 million)

2010 2009



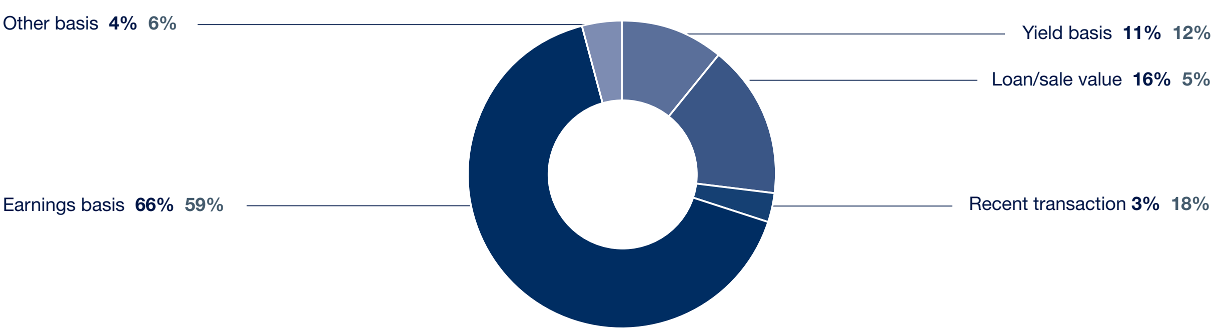
Analysis of Movement in Net Asset Value

Year to 30 September 2010

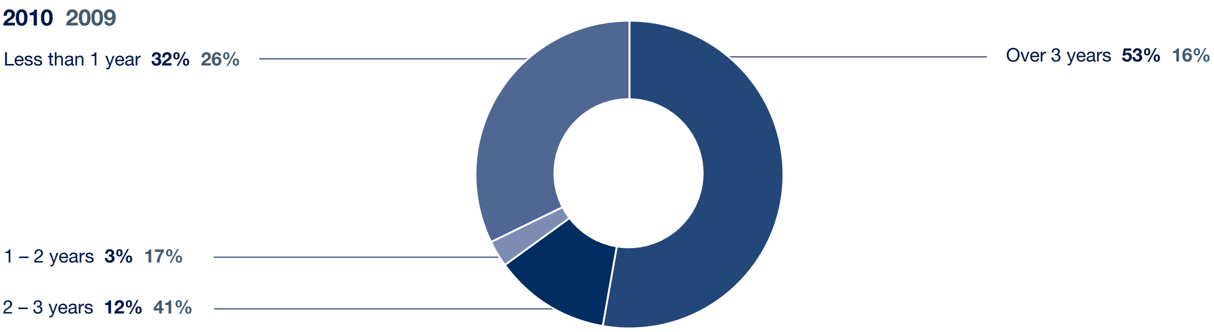


Valuation Basis of Investment Portfolio – £522 million (£357 million)
(Includes direct unlisted investment and secondaries)

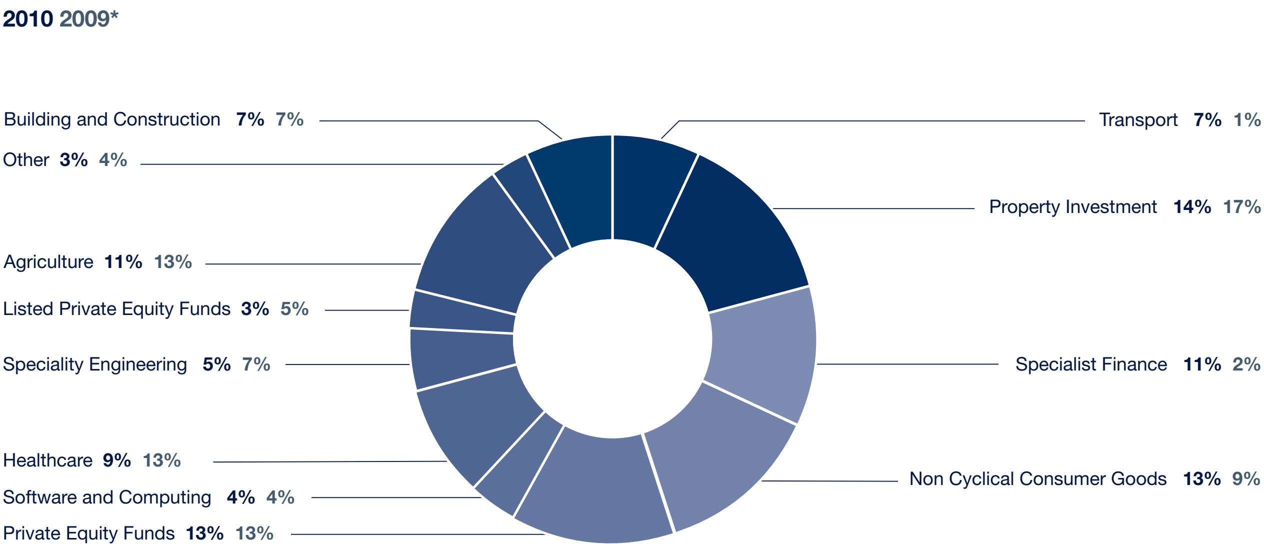
2010 2009



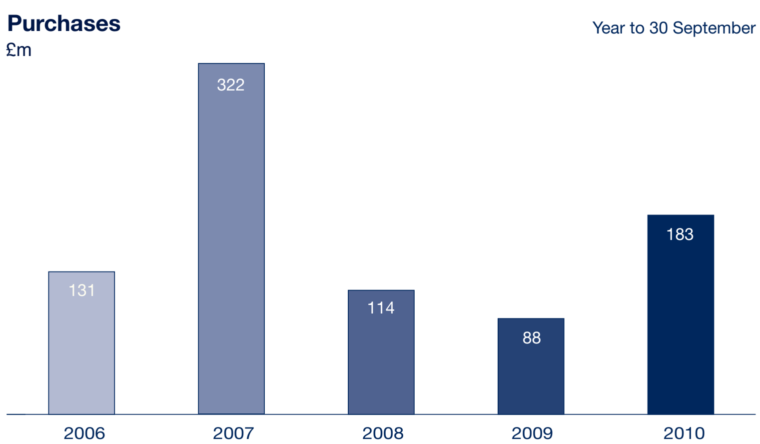
Age Analysis of Investment Portfolio – £522 million (£357 million)
(Includes direct unlisted investment and secondaries)



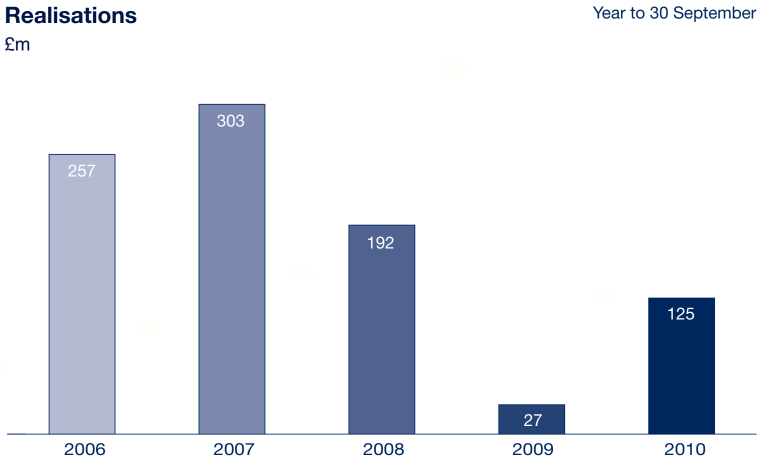
Classification and Distribution of the Investment Portfolio



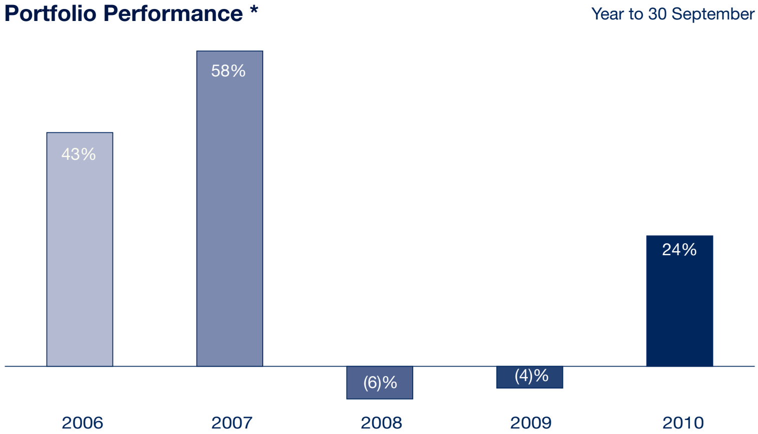
* The 2009 classification included Oil and Gas of 1% (2010: 0%) and Senior Bank Debt of 4% (2010: 0%)



Realisations



Portfolio Performance *



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

Electra Private Equity Total Shareholder Return versus FTSE All-Share Index