Electra Investment Trust PLC Annual Report 2005

ELECTRA

Annual Report and Accounts for the year ended 30 September 2005

References in this Report and Accounts to Electra Investment Trust PLC and its subsidiaries have been abbreviated to Electra. References to Electra Partners Group Limited and its subsidiaries have been abbreviated to Electra Partners.

Electra Investment Trust PLC

Board of Directors
Sir Brian Williamson CBE Chairman
Ronald Armstrong
Professor Sir George Bain
Lord King of Bridgwater
Michael Walton
Peter Williams

Manager
Electra Partners

Secretary and Registered Office
Philip Dyke
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB
Telephone +44 (0)20 7214 4200

Company Number
303062

Website details
www.electratrust.com

Registered Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

Financial Adviser
Lazard

Bankers
National Westminster Bank PLC

Registrar and Transfer Office *
Lloyds TSB Registrars
The Causeway, Worthing
West Sussex BN99 6DA
Telephone (UK) 0870 600 3984
Telephone (Overseas) +44 121 415 7047

* The portfolio service from Lloyds TSB Registrars gives shareholders access to more information on their investments, including balance movements and indicative share prices. For more details on this and practical help on transferring shares or updating details, visit www.shareview.co.uk".

Chairman's Statement

Year to 30 September 2005

Electra has again achieved a strong net asset value growth, share price performance and substantial realisations of investments. The net asset value per share at 30 September 2005 before the proposed special dividend was 1,197p (a net asset value of 1,177p per share and a proposed special dividend of 20p per share). This is an increase of 31% over the year to 30 September 2005 when the FTSE All-Share Index increased by 21% and the share price increased by 40% to 1,113p. Realisation proceeds from the portfolio amounted to £272 million in the year. This is a significant achievement.

Investment Activity

Proceeds from realisations were, on average, 100% higher than the valuations at the commencement of the year, in part reflecting buoyant market conditions in the private equity market over the last year. Market conditions remain strong and this may result in further realisations from the portfolio. Over the last two years proceeds from unlisted equity realisations amounted to nearly £700 million, enabling debt to be effectively eliminated and substantial returns of capital to be made to shareholders. Of particular significance in the year ended 30 September 2005 were the realisations of the investments in Energy Power Resources, Bezier and Allflex. Unlisted equity investments and commitments to invest totalled £152 million in the year, compared with £48 million in the previous year. Full details of the investment activity over the year are included in the Investment Manager's Review.

Special Dividend

Electra's unlisted equity investments are, for the most part, structured to achieve capital appreciation. During the last year however, part of the realisation proceeds from certain investments were received in the form of distributable revenue at a level which requires Electra, as an investment trust, to pay a dividend. Accordingly the Board is proposing a special dividend of 20p per share which will be paid on 10 March 2006 to shareholders on the Register of Members at the close of business on 10 February 2006, subject to approval by shareholders at the forthcoming Annual General Meeting. The Board does not expect to be proposing dividend payments on a regular basis in future and this dividend should be regarded as a special payment and not a variation in the policy of maximising capital appreciation.

Electra has again achieved a strong net asset value growth, share price performance and substantial realisations of investments.

Electra's Objectives

Electra has specialised in investing in the private equity market since its shares were first publicly quoted in 1976. There is now widespread recognition that such investment offers exposure to a significant asset class which is well established and is now a major source of funding for the acquisition and development of businesses. In order to emphasise Electra's objective of investing in private equity the Directors are proposing a change of the Company's name to Electra Private Equity PLC. It will remain an investment trust. Electra has a number of advantages over limited partnership funds dedicated to investment in private equity. These include giving shareholders access to private equity investments on a relatively liquid basis.

Additionally, Electra is able to take a longer term view of the purchase and sale of investments as compared to limited partnership funds, which have fixed investment periods and realisation policies driven by the terms of the limited partnership rather than economic conditions.

The investment strategy approved by shareholders in 2001 is expected to provide increasing funds for new investment.

Over the last two years proceeds from unlisted equity realisations amounted to nearly £700 million ...

Board of Directors

In my interim statement I indicated that the Board would be considering its future composition. The Nomination Committee has put in place a search for candidates for appointment as additional Directors with a view to some of the existing Board members retiring within a year of the completion of this recruitment process. At the Annual General Meeting to be held on 9 February 2006, all Directors of the Company with the exception of Professor Sir George Bain and Mr Michael Walton will retire and offer themselves for re-election.

Performance Appraisal

In my statement last year I indicated that the performance appraisal exercise of the Directors, Board and Committees of the Board would be reviewed externally for the year ended 30 September 2005. The performance appraisals were completed during the year and have been verified by Hanson Green, who specialise in the recruitment, development and assessment of independent non-executive directors. Hanson Green have confirmed to the Board that the process was undertaken as described in a thorough and objective way. More details are set out in the Corporate Governance Statement.

International Financial Reporting Standards

In common with all publicly quoted companies, Electra will prepare financial statements under the International Financial Reporting Standards ("IFRS") in the next financial year. The major impact of IFRS on Electra relates to the accounting treatment of investments and associated entities. Over the coming months the Board will be considering, with Electra's advisers, the most appropriate way of presenting Electra's future financial statements under IFRS, with an overriding objective of producing financial information which is meaningful to shareholders.

Further Authority to Buy Back Shares

Under the general authority granted by shareholders, Electra made on-market purchases at a cost of £30 million and cancelled 3.2 million shares during the year. The Board expects, subject to market conditions, that further returns of capital will be made from time to time, through on-market purchases. The Company currently has the ability to buy back and cancel up to a further 5.7 million shares during the remaining term of this authority which will cease at the Annual General Meeting to be held on 9 February 2006.

The Directors will seek to renew the general authority to undertake on-market purchases of Electra's shares at the forthcoming Annual General Meeting.

Summary

Electra's objectives are to provide a targeted and cost effective means of investment in private equity for a wide range of investors with the aim of delivering a superior rate of return. In the ten years to 30 September 2005, Electra achieved an 18% per annum compound rate of return on its investment portfolio, substantially in excess of the returns of the FTSE All-Share Index.

As the existing investment policy provides increasing funds for new investment, the Board believes that Electra is well positioned to continue to create shareholder value.

Sir Brian Williamson
7 December 2005

As the existing investment policy provides increasing funds for new investment, the Board believes that Electra is well positioned to continue to create shareholder value.

Board of Directors

Sir Brian Williamson CBE
Chairman
Aged 60, was appointed a Director in 1994.

A Director of Resolution plc and a member of the Supervisory Board of Euronext NV, Sir Brian was previously Chairman of the London Financial Futures & Options Exchange. He is a non-executive Director of HSBC Holdings and a senior adviser to Fleming Family & Partners. In the USA he was Governor of the National Association of Securities Dealers and Chairman of Nasdaq's International Markets Advisory Board.

He was formerly a board member of the Financial Services Authority, Chairman of Gerrard Group, and a Member of the Court of the Bank of Ireland.

Ronald Armstrong *
Aged 61, was appointed a Director in 1994.

Most of his 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 Director of JP Morgan Fleming Worldwide Income Investment Trust, a Director of E-Synergy, which specialises in venture funding for early-stage technology companies, and Chairman of Prism Risk Management.

Professor Sir George Bain *
Aged 66, was appointed a Director in 1998.

A former President and Vice-Chancellor of The Queen's University of Belfast, he has also held senior academic posts at the London Business School and the University of Warwick. He has also been Chairman of the Low Pay Commission and is on the Boards of Bombardier Aerospace Short Brothers and the Canada Life Group (UK).

Lord King of Bridgwater *
Aged 72, was appointed a Director in 1992.

A Member of Parliament from 1970 until 2001, he held a variety of senior Cabinet posts and was Secretary of State for Defence from 1989 to 1992. He has been a member of the Nolan Committee and Chairman of the Intelligence and Security Committee.

Before entering Parliament he was a senior manager in DRG, the printing and packaging group, and subsequently Chairman of Sale Tilney. He is currently non-executive Chairman of London International Exhibition Centre (Holdings).

Michael Walton *
Aged 62, was appointed a Director in July 2000.

He was previously on the Board of the Company from 1981 to 1986. He was Managing Director of Gartmore Private Capital until 1996 and has subsequently been a Director of NatWest Equity Partners. He has served on the Council of the British Venture Capital Association.

He is a Director of Bridgepoint Capital and a number of private companies.

Peter Williams *
Aged 63, was appointed a Director in 1994.

He is Chairman of RPC Group, one of Europe's largest producers of plastic packaging and of Eposs, a specialist deliverer of electronic products to the mobile phone industry. He is a Director of Xenos Group, a software company listed on the Toronto Stock Exchange and several private companies. He was formerly a Director of Reed International and Chief Executive of David S. Smith Holdings.

* Member of the Remuneration Committee. All Directors, other than the Chairman, are members of the Audit Committee.

Sir Brian Williamson CBE

Left to right

Ronald Armstrong
Professor Sir George Bain
Lord King of Bridgwater
Michael Walton
Peter Williams

Electra – Background to Recent Changes

Since listing in 1976, Electra has specialised in investing in the private equity market and, through the adoption of a flexible investment policy, has achieved returns substantially in excess of the FTSE All–Share Index over the last ten years. As an investment trust, Electra has a number of advantages over limited partnership funds which invest in private equity.

Between 1976 and 2005 Electra invested over £3,000 million in private equity investments. Inclusive of a capital injection of £32 million, Electra's assets grew from £58 million in 1976 to £1,145 million by 30 September 1998, the financial year end immediately preceding the hostile takeover bid for Electra by 3i plc in 1999. This bid failed when shareholders voted in favour of a scheme which involved the controlled realisation of the portfolio over a five year period under which new investment was restricted to existing portfolio companies.

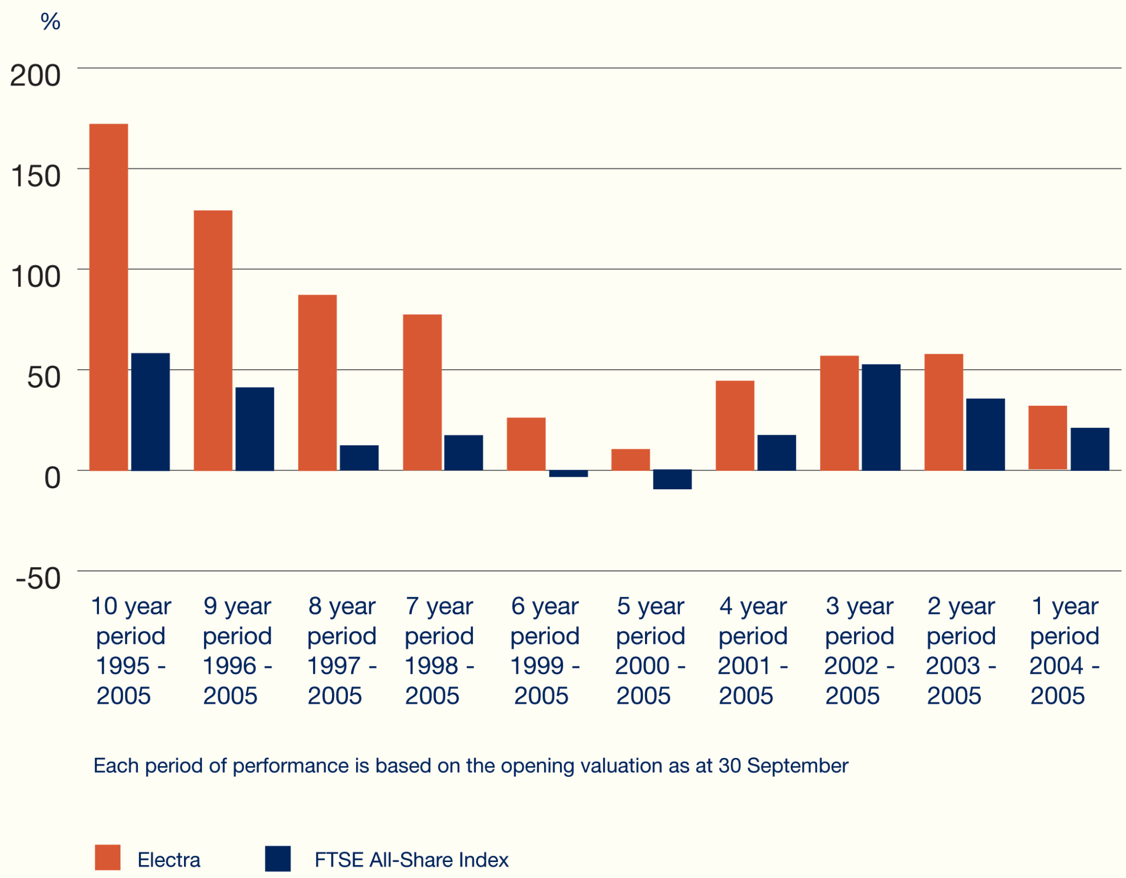
Since the start of the realisation programme in 1999, Electra has returned £1,123 million to shareholders leaving a residual portfolio valued at £618 million at 30 September 2005. This compares with the stock market value of Electra of £975 million immediately before the announcement of the takeover bid. Over the six and a half years to 30 September 2005, £571 million has been invested in portfolio companies and £1,950 million has been realised from the portfolio.

Shareholders approved proposals in June 2001 which retained the emphasis on realising the investment portfolio at that date but made provision for Electra to continue as an investment vehicle.

In 2004, the Board, with input from its advisers and Electra Partners, reviewed Electra's investment strategy and concluded that it should continue unchanged from the investment strategy approved by shareholders in 2001.

Electra has achieved returns substantially in excess of the FTSE All-Share Index over the last ten years.

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



Each period of performance is based on the opening valuation as at 30 September

Five Year Record

For the year ended 30 September	2001	2002	2003	2004	2005
Net asset value per share before proposed special dividend (p)	* 829.52	763.94	759.60	** 912.86	*** 1,197.22
Increase/(decrease) in net asset value per share before proposed special dividend (%)	(23.5)	(7.9)	(0.6)	20.2	31.2
Net asset value per share after proposed special dividend (p)	* 829.52	763.94	759.60	** 912.86	1,177.22
Increase/(decrease) in net asset value per share after proposed special dividend (%)	(23.5)	(7.9)	(0.6)	20.2	29.0
Increase/(decrease) in FTSE All-Share Index (%)	(22.7)	(23.0)	12.6	12.0	20.9

* During the year £150,000,000 was repaid to shareholders via a tender offer and 100,000 shares were repurchased for cancellation (cost: £907,000)

** During the year £100,000,000 was repaid to shareholders via a tender offer and 6,232,000 shares were repurchased for cancellation (cost: £48,082,000)

*** During the year 3,238,000 shares were repurchased for cancellation (cost: £29,677,000)

Net Assets and Share Price

As at 30 September	Net Assets £'000	Fully adjusted Net Asset Value per Share p	Dividends Paid per Share p	† Share Price as at 5 April per Share p	† Share Price as at 30 September per Share p
1996	886,206	522.13	8.40	383.0	412.5
1997	1,082,802	640.04	10.25	462.5	483.0
1998	1,145,319	676.15	11.18	605.5	512.0
1999	* 987,460	950.77	–	715.0	836.0
2000	** 874,042	1,084.96	–	1022.5	1034.0
2001	*** 541,110	829.52	–	908.5	651.0
2002	498,330	763.94	–	637.0	462.5
2003	495,498	759.60	–	522.0	633.5
2004	**** 426,723	912.86	–	747.5	793.5
2005	***** 512,181	1,177.22	20.00	931.0	1,113.0

* During the year £544,222,000 was repaid to shareholders via a tender offer

** During the year £250,000,000 was repaid to shareholders via a tender offer

*** During the year £150,000,000 was repaid to shareholders via a tender offer and 100,000 shares were repurchased for cancellation (cost : £907,000)

**** During the year £100,000,000 was repaid to shareholders via a tender offer and 6,232,000 shares were repurchased for cancellation (cost: £48,082,000)

***** During the year 3,238,000 shares were repurchased for cancellation (cost: £29,677,000)

† Middle market price at close of business on 5 April or 30 September or, if appropriate, previous business day in each case

The Investment Manager

Electra's investment portfolio is managed by Electra Partners, the independent private equity fund management group.

Electra Partners has accumulated considerable expertise and built a strong track record in private equity investments. The investment team at Electra Partners responsible for Electra's investments comprises 13 investment professionals who have on average 14 years of experience in private equity investments. The team has managed the assets of Electra for more than 15 years, as well as a number of other private equity funds during that time.

Hugh Mumford is Chief Executive of Electra Partners and his responsibilities include the overseeing of all of Electra's investment activities within guidelines agreed by the Board of Electra.

Principles of Valuation of Unlisted Equity Investments

General

In valuing investments, the Directors follow the principles recommended in the International Private Equity and Venture Capital Valuation Guidelines which were effective from January 2005. Investments are valued at Fair Value at the reporting date. In the small minority of cases where Fair Value cannot be reliably measured, existing book value, less any impairment, is used as the basis of valuation.

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 Directors use 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 better estimate of Fair Value. Because of the inherent uncertainties in estimating the value of private equity investments, the Directors exercise due caution in applying the various methodologies.

Unlisted investments

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

- Earnings multiple
- Price of recent investment
- Net assets

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

Where a recent investment has been made, either by Electra or by a third party in one of Electra's investments, this price will be used as the estimate of Fair Value for a period of up to one year from the date on which the investment was made. An alternative methodology may be used at any time if this is deemed to provide a better assessment of the Fair Value of the investment.

The Fair Value of an investment in a company will be arrived at through the following process:

- The Enterprise Value of the underlying business will be calculated using one of the above methodologies;
- The Enterprise Value of the underlying business will then be adjusted for surplus assets or excess liabilities to arrive at an Enterprise Value for the company; and
- The valuation of Electra's investment will be calculated from the Enterprise Value for the company after deduction of prior ranking debt and other financial instruments and an appropriate marketability discount.

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

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

Restricted quoted investments held within the unlisted portfolio are valued at market price but reduced by a marketability discount of up to 25% where:

- There is a risk that the holding may not be able to be sold immediately.
- There is a formal restriction on trading in the relevant securities.

Accrued Income

Accrued income is not included within investment valuations but is shown within Debtors and is separately disclosed in Note 19 to the Accounts.

Equity Portfolio Analysis

Summary of Changes to Overall Equity Portfolio

Year ended 30 September	2005 £'000	2004 £'000
Opening valuation	413,088	679,611
Investments	82,365	48,361
Realisations	(250,030)	(392,405)
Change in valuation	107,851	77,521
Closing valuation *	353,274	413,088

* The above valuations at 30 September exclude accrued income (2005: £17,593,000; 2004: £15,773,000).

... performance over the two years resulted primarily from a strong realisations market, which has enabled Electra to dispose of a significant number of investments at attractive prices.

In the year to 30 September 2005, Electra's net asset value increased from 913p to 1,197p per share before payment of a special dividend, an increase of 31%. This compared to a 20% increase in the previous year. The performance over the two years resulted primarily from a strong realisations market, which has enabled Electra to dispose of a significant number of investments at attractive prices. Over the last two years, Electra has realised nearly £700 million from the sale of investments giving rise to realised profits in excess of £190 million. As a consequence of this high level of realisations, the investment portfolio has reduced in size and the balance sheet of Electra has shown an increase in short term liquidity. In the year under review, the investment portfolio declined from £413 million to £353 million as a result of a net disinvestment from the portfolio of £168 million offset by net gains of £108 million.

Over the year, investments increased to £82 million, together with commitments to invest of £70 million, by comparison with £48 million of investments and commitments in the previous year, partially reflecting the increased availability of funds for investment under the current investment policy.

At 30 September 2005, Electra's investment portfolio comprised direct investments in 52 companies with a value of £300 million together with investments in 28 private equity funds with a value of £53 million. Of the direct investments, those with an aggregate value of £76 million were quoted on a recognised stock exchange but subject to restrictions on sale. The ten largest investments accounted for 61% of the total investment portfolio.

Geographically, 75% of the equity portfolio was situated in the UK and Europe, 13% in the USA, 9% in Asia and 3% in South America. The total portfolio includes £265 million in floating rate notes at 30 September 2005, which were held mainly to facilitate currency hedging and other trading operations.

Current Operations and Outlook

The year has seen a further significant change in Electra's portfolio and financial position. The cash generated from the portfolio has been used to finance investment of £82 million and share buy-backs of £30 million, with the balance increasing short term liquidity.

At the end of the year, Electra's portfolio contained relatively few investments as a result of the active realisation programme and the restrictions on making investments. However, with more funds for investment now becoming available under the existing investment policy, it is anticipated that the rate of investment will increase. With the flexible approach to investment adopted by Electra, the chances of identifying good opportunities to replenish the portfolio are increased, even though the private equity market currently remains highly competitive. As far as the existing portfolio is concerned, good opportunities remain to add value and cash generation should continue at a reasonable level if the market remains in its current buoyant condition.

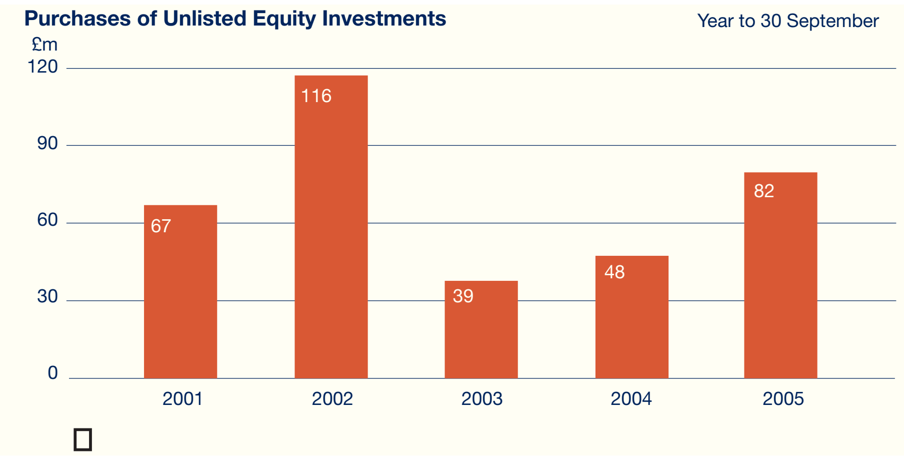
Equity Portfolio Review

Investments

In the year to 30 September 2005, investments amounted to £82 million together with commitments to invest of £70 million. This compared to investments and commitments of £48 million in the previous year. This increase in investment reflects the gradual reduction in restrictions on new investment. Under the existing investment strategy, one third of realisation proceeds from investments made prior to June 2001, together with the full proceeds from investments made after that date, are available for new investment. The level of realisations in the past two years, together with disposals of investments made after June 2001, have led to increasing new investment capacity and should allow significant new investment to be made in the current year.

During the year, Electra invested £30.1 million in Allflex Holdings II, £24.4 million in Freightliner Group and £5 million in Bezier II. All these investments were held previously by Electra, but in each case the restructuring of the investment included a change in shareholders and management and a new business objective. These transactions allowed Electra to invest on a cost effective and relatively low risk basis. This type of investing clearly has advantages and results from Electra's flexibility as an investment trust investing in private equity. Amongst other transactions, Electra invested £13.7 million in a variety of private equity funds.

In addition to investments completed, Electra made a number of commitments to private equity funds and other private equity opportunities. £41 million was committed to Electra European Fund II and £17 million was committed to Sinergia con Imprenditori, a private equity fund in Europe. It is believed that both of these commitments will bring with them attractive co-investment opportunities. In addition, Electra has committed £12 million to PINE, which is involved in providing specialist financing in the nursery school sector.



In the year to 30 September 2005, investments amounted to £82 million together with commitments to invest of £70 million.

Realisations

Realisations from the portfolio during the year amounted to £250 million. In addition, £22 million of interest was received on the sale of Energy Power Resources and Bezier which was recognised only on realisation. Particularly pleasing was the level of proceeds obtained for portfolio companies, reflecting not only an effective selling process in a strong market but also good progress made by individual investments. Overall, proceeds from realisations, including accrued interest, exceeded the value of the relevant investments at the beginning of the year by more than 100%.

Largest Equity Realisations

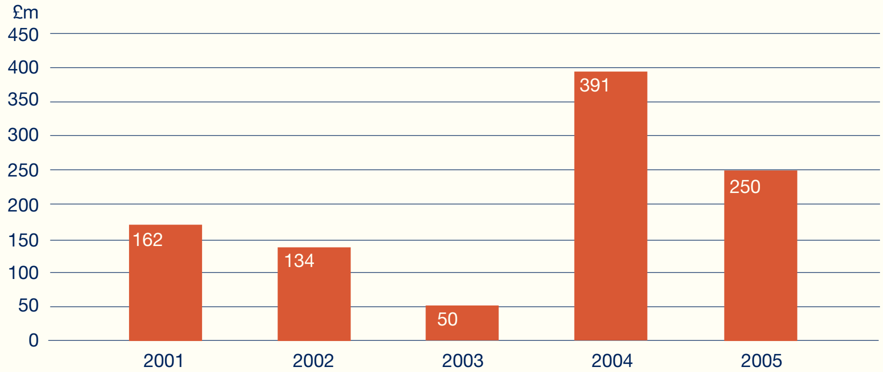
Company	Valuation at 30 September 2004 £'m	Proceeds from Disposal £'m
Allflex	* 38.1	67.7
Energy Power Resources	** 14.9	***42.8
Bezier	10.7	**** 39.0
Freightliner	21.6	28.6
FibroThetford	9.3	14.4
	94.6	192.5

* Includes accrued interest of £2.4 million.
** Reflects subsequent additions at cost.
*** Proceeds include interest of £14.2 million.
**** Proceeds include interest of £7.3 million.

The most significant realisations related to the investments in Allflex, Energy Power Resources, Bezier and Freightliner.

The most significant realisations related to the investments in Allflex, Energy Power Resources, Bezier and Freightliner. In the case of Allflex, Electra received £68 million compared to a value at the beginning of the year of £38 million. Such proceeds included a new investment in Allflex Holdings II, the restructured company. The proceeds from the sale of Energy Power Resources amounted to £43 million, including interest of £14 million not previously accrued. This compared to a value at the commencement of the year, together with subsequent additions, of £15 million and provided an excellent conclusion to an investment which had encountered a significant number of operating difficulties over the holding period. Bezier, after a number of trading and other problems in earlier years, also recovered well and sale proceeds of £39 million compared to the book value of £11 million at 30 September 2004.

Realisations of Unlisted Equity Investments Year to 30 September



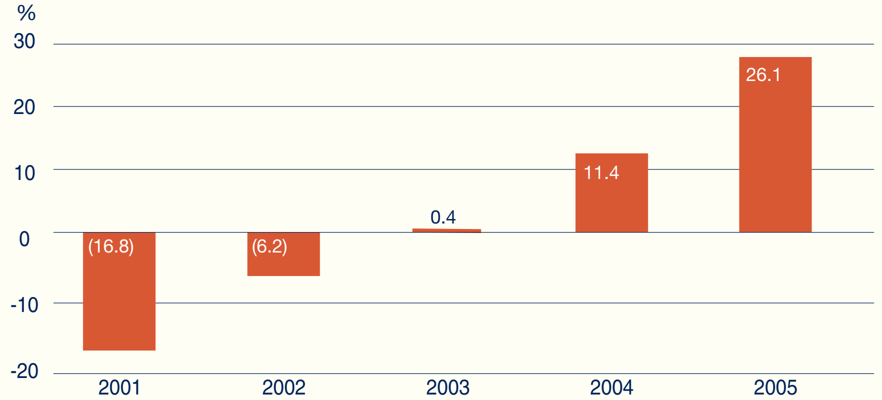
Other realisations included £29 million from the sale of Freightliner and £14 million from the sale of FibroThetford, which had been acquired six months previously for £9 million. During the year, Electra received £29 million in respect of partnership interests in a number of private equity funds and £31 million from the redemption of loans made to Amtico (£16 million) and Esporta (£15 million).

Performance

A strong performance by the investment portfolio resulted in net appreciation over the year of 26%. Including interest received, which had previously been provided against, the appreciation over the year amounted to 31%. Total net capital gains recorded in the year reached £108 million. Of these gains, £91 million was realised on the sale of investments and £15 million related to share price movements in respect of holdings of restricted listed securities. Unrealised increases and decreases in value in respect of unlisted investments held at the year end increased the valuation of the portfolio by a net amount of £2 million. This was made up of increases in unrealised appreciation of £24 million offset by provisions and valuation decreases of £22 million.

A strong performance by the investment portfolio resulted in net appreciation over the year of 26%.

Performance – Net Appreciation/(Depreciation) Year to 30 September



The largest increase in unrealised appreciation related to Inchcape Shipping Services, where the investment was revalued upwards over the year by £12.3 million, an increase of 47%. This reflected a strong operating performance resulting in substantially improved profits. Provision and valuation reductions were made against ten investments, the largest of which was a provision of £5.9 million against Unipart pending the outcome of a restructuring of pension liabilities and certain other matters.

Largest Valuation Changes

Company	£'000	%
Allflex	28,379	79.5
Bezier *	28,312	264.6
Energy Power Resources *	27,925	245.1
Inchcape Shipping Services	12,345	46.8
Freightliner	7,026	32.5
FibroThetford	5,074	54.3
Unipart	(5,916)	(100.0)

* Includes income recognised on realisation

Largest Unlisted Equity Investments

CAPITAL SAFETY GROUP

Location: International

Equity Ownership	51.3%
Valuation	£40,616,000
Accrued income	£15,030,000
Cost	£30,326,000

Valuation based on multiple of earnings

In 1998 Electra invested £30.3 million in the £102 million management buy-out of Capital Safety Group ("CSG").

CSG is a manufacturer of fall arrest equipment. Products fall into three main categories: soft goods (harnesses, lanyards etc), hard goods (blocks, tripods, winches, karrabiners etc) and systems (permanent fixed anchorings). CSG generates its sales worldwide with 68% sourced in North America.

In the year to 31 March 2005 the company achieved audited sales of £76.5 million (2004: £68.8 million using comparative exchange rates) with an audited operating profit of £13.6 million (2004: £12.2 million).

INCHCAPE SHIPPING SERVICES

Location: International

Equity Ownership	69.0%
Valuation	£38,732,000
Accrued income	£243,000
Cost	£15,471,000

Valuation based on multiple of earnings

In 1999 Electra led and fully underwrote the £41 million management buyout of Inchcape Shipping Services, a market leader in the supply of marine services to the global marine sector. In 2001 a further £10.0 million was invested in the business as part of a restructuring and sale of ISS's North American liner operations.

The business operates from 148 locations in 45 countries and is headquartered in the UK. Services now extend from the traditional husbandry operations into financial management and provision of marine services to clients on a global basis.

In the year ended 31 December 2004 ISS reported EBIT of US$18.15 million and turnover of US$234 million. The business is performing strongly in 2005 and is significantly ahead of prior year and ahead of budget.

ALLFLEX HOLDINGS II

Location: UK, USA and Western Europe

Equity Ownership	54.0%
Valuation	£30,537,000
Accrued income	£nil
Cost	£30,127,000

Valuation based on multiple of earnings

In 1998 Electra invested £23.1 million in the US$160 million buy-out of Allflex. Allflex is, by a significant margin, the world's leading manufacturer and distributor of plastic and electronic animal identification tags with factories in France, Brazil and China.

Following a partial refinancing in 2003 the business was fully refinanced in June 2005 raising $225 million of banking facilities. Following this refinancing Electra received $68.1 million and retains a significant equity interest in the ongoing business.

In the year ended 31 December 2004, Allflex achieved sales of $112.1 million (2003: $84.1 million) and in 2005 is continuing to benefit from the increased awareness worldwide of the need for animal identification and traceability. Rfid electronic identification tags are being used increasingly worldwide. Australia and Canada have implemented mandatory Rfid schemes and Allflex is a major supplier to both these markets.

FREIGHTLINER GROUP

Location: UK

Equity Ownership	**37.9%**
Valuation	**£21,271,000**
Accrued income	**£nil**
Cost	**£21,271,000**

Valuation based on cost

In 2005 Electra participated in the restructuring and reorganisation of the Freightliner Group.

Freightliner's original business consisted of Intermodal, which offers a fully integrated rail service for the transportation of containers from deep sea ports to inland collection points. This also included local haulage to the final destination. Freightliner established a heavy haul business to provide an alternative supplier to the bulk freight rail market. Both businesses have offices and freight terminals located around the rail network.

In the year to 31 March 2005, the audited results show sales of £202 million (2004: £199 million), with operating profits of £20.5 million (2004: £19 million).

The current year's trading continues to show good progress.

AMTICO

Location: UK

Equity Ownership	**48.4%**
Valuation	**£17,342,000**
Accrued income	**£nil**
Cost	**£1,503,000**

Valuation based on multiple of earnings

In 1995 Electra invested £17.1 million as part of the £52.8 million management buy-out of Amtico from Courtaulds. Amtico designs, manufactures and markets resilient vinyl flooring products. The company is focused on producing premium priced quality products that simulate other materials (wood, marble, slate, metal etc.) with a high value-added design element in a comprehensive range of styles. The company manufactures in the UK and USA and sells its products globally. Customers are both commercial and residential.

In the year to 31 March 2005 sales were £80 million (2004: £77 million) and operating profit (before interest and exceptionals) was £8.7 million (2004: £8.3 million). Following a refocusing of the group on its core markets and sales channels under a new CEO, the business continues to show good growth particularly in the UK and USA commercial markets. A strong performance is anticipated for the financial year to 31 March 2006.

MOSER BAER

Location: India

Equity Ownership	**6.0%**
Valuation	**£17,234,000**
Accrued income	**£nil**
Cost	**£1,900,000**

Valuation based on quoted price

In 1998 Electra invested US$8.0 million to fund the expansion of Moser Baer into recordable CDs (CD-Rs). It is estimated that Moser Baer has a 15% market share of the global optical disc market and is the third largest manufacturer with a capacity of 2.4 billion discs per annum. Whilst capital investment in additional DVD-R lines continues, the company is also planning to diversify into the manufacture of photo-voltaic cells.

In the year to 31 March 2005 the company reported audited sales of $308 million compared to $351 million in the previous year. Profit after tax fell to $13.3 million in the year to March 2005 from $74.6 million in the previous year. The reduced profits were a direct result of declines in selling prices of DVD-Rs and CD-Rs, while margins were affected by the increased costs of polycarbonate, a core raw material.

BAXI HOLDINGS

Location: UK, France, Germany, Italy and Turkey

Equity Ownership	**9.9%**
Valuation	**£14,908,000**
Accrued income	**£nil**
Cost	**£14,908,000**

Valuation based on multiple of earnings

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

Baxi is a significant manufacturer of heating products and is a leading supplier of domestic boilers in the UK. Turnover of the group is split approximately 50% in the UK and 50% in Continental Europe.

Baxi traded strongly in the year ended December 2004 and reported sales of £709 million (2003: £705 million) and EBIT of £97.3 million (2003: £81.6 million). Trading has seen some weakness in the UK in the current year although this has been largely offset by improved trading in Continental Europe and elsewhere in group.

ZENSAR TECHNOLOGIES

Location: India

Equity Ownership	**22.1%**
Valuation	**£10,002,000**
Accrued income	**£nil**
Cost	**£4,211,000**

Valuation based on quoted price

Electra invested in Zensar in 1997 when ICL spun out the software services division from the Indian hardware manufacturing operation. Electra bought a 25% shareholding for $8.9 million. Zensar provides software services mainly to multinational companies based in the USA or Europe. It currently employs over 2,000 people who are deployed both at customer's own premises and at Zensar's development centres in India.

In the year to March 2005, Zensar made a profit after tax of $9 million on sales of $80 million. The profitability was enhanced by a one-off sale of property which added $4.7 million to sales. Growth rates over the prior year were 27% for sales and 16% for normalized profit after tax. Although sales growth continues to be attractive, margins face pressure from rising labour costs.

FORTHPANEL

Location: Germany

Equity Ownership	**92.1%**
Valuation	**£7,702,000**
Accrued income	**£nil**
Cost	**£10,739,000**

Valuation based on net asset value

Forthpanel is a property holding company that owns seven retail and one office site in Germany. It acquired these sites in 2002. The acquisition value of these properties was €19 million. Given the softness of the German retail market, the valuation of Electra's investment was reduced in September 2004 and the investment continues to be valued at this level.

LEINER	Location: USA

Equity Ownership	**6.2%**
Valuation	**£5,318,000**
Accrued income	**£nil**
Cost	**£9,353,000**

Valuation based on multiple of earnings

Electra first invested in Leiner Health Products ('Leiner') in 1997 and invested in the secondary buy-out of Leiner in 2004. Leiner is the leading US manufacturer of private label vitamins, minerals and nutritional supplements ("VMS") and the second largest manufacturer of private label over-the-counter ("OTC") pharmaceuticals in the food, drug and mass merchant sectors as well as being the leading manufacturer of both VMS and OTC products in Canada. Additionally it is a leading contract manufacturer of both product lines for major national brands.

In the six months to 30 September 2005 the company reported sales of $314.5 million (2004: $321 million) and adjusted EBITDA of $31.4 million (2004: $41 million). The decrease in adjusted EBITDA arises from a transition from higher margin Vitamin E to lower margin joint care products and lower plant volumes incurred with an inventory reduction program.

United Kingdom and Continental Europe

Company	Directors' valuation of holding at 30 Sept 2004 £'000	Net purchases/ (sales) £'000	Performance in year £'000	Directors' valuation of holding at 30 Sept 2005 £'000	Cost of holding at 30 Sept 2005 £'000
CAPITAL SAFETY GROUP Specialist safety equipment	39,129	–	1,487	40,616	30,326
INCHCAPE SHIPPING SERVICES Shipping services	26,387	–	12,345	38,732	15,471
ALLFLEX HOLDINGS II Animal identification tags	–	30,127	410	30,537	30,127
FREIGHTLINER GROUP Rail freight operator	–	21,271	–	21,271	21,271
AMTICO Luxury flooring manufacturer	30,500	(15,552)	2,394	17,342	1,503
BAXI HOLDINGS Heating products	14,908	–	–	14,908	14,908
FORTHPANEL Property holding company	9,383	–	(1,681)	7,702	10,739
	120,307	35,846	14,955	171,108	124,345

USA and India

Company	Directors' valuation of holding at 30 Sept 2004 £'000	Net purchases/ (sales) £'000	Performance in year £'000	Directors' valuation of holding at 30 Sept 2005 £'000	Cost of holding at 30 Sept 2005 £'000
MOSER BAER Manufacturer of recordable CDs	16,452	–	782	17,234	1,900
ZENSAR TECHNOLOGIES Software	6,616	–	3,386	10,002	4,211
LEINER HEALTH PRODUCTS Manufacturer of vitamin supplements	8,704	450	(3,836)	5,318	9,353
	31,772	450	332	32,554	15,464

The unlisted equity investments shown above represent 62% of the Group's fixed asset unlisted investments at 30 September 2005.

Classification and Distribution of Investments

	UK and Continental Europe Unlisted %	UK and Continental Europe Listed %	USA, Far East including India and Elsewhere Unlisted %	**Total 2005 %**	Total 2004 %
EQUITIES					
Basic Industries					
Chemicals	–	–	0.28	**0.28**	0.30
Construction and Building Materials	3.22	–	0.02	**3.24**	5.38
Forestry and Paper	–	–	0.09	**0.09**	0.33
	3.22	–	0.39	**3.61**	6.01
General Industrials					
Aerospace and Defence	–	–	0.22	**0.22**	0.26
Diversified Industrials	0.04	–	0.03	**0.07**	0.07
Electronic and Electrical Equipment	0.42	–	–	**0.42**	0.35
Engineering and Machinery	–	–	0.03	**0.03**	0.32
	0.46	–	0.28	**0.74**	1.00
Cyclical Consumer Groups					
Automobiles and Parts	–	–	–	**–**	1.02
Household Goods and Textiles	2.41	1.04	–	**3.45**	3.88
	2.41	1.04	–	**3.45**	4.90
Non-Cyclical Consumer Groups					
Food Producers and Processors	0.26	–	0.09	**0.35**	0.02
Health	0.29	–	2.22	**2.51**	3.60
Packaging	0.80	–	–	**0.80**	3.57
Pharmaceuticals and Biotechnology	0.33	0.01	–	**0.34**	0.40
	1.68	0.01	2.31	**4.00**	7.59
Cyclical Services					
Distributors	1.33	–	–	**1.33**	1.63
General Retailers	–	–	–	**–**	0.47
Leisure and Hotels	1.57	0.39	–	**1.96**	3.80
Media and Entertainment	–	–	0.06	**0.06**	0.33
Support Services	11.90	0.10	0.06	**12.06**	13.21
Transport	9.71	–	0.02	**9.73**	8.33
	24.51	0.49	0.14	**25.14**	27.77

	UK and Continental Europe Unlisted %	UK and Continental Europe Listed %	USA, Far East including India and Elsewhere Unlisted %	**Total 2005 %**	Total 2004 %
Non-Cyclical Services					
Food and Drug Retailers	0.47	–	–	**0.47**	–
Telecommunication services	–	0.02	0.32	**0.34**	0.29
	0.47	0.02	0.32	**0.81**	0.29
Utilities					
Electricity	–	–	–	**–**	1.97
Financials					
Investment Companies	2.94	2.42	4.33	**9.69**	12.62
Real Estate	3.34	–	0.87	**4.21**	4.52
	6.28	2.42	5.20	**13.90**	17.14
Information Technology					
Information Technology Hardware	–	–	2.79	**2.79**	2.88
Software and Computer Services	–	–	2.70	**2.70**	1.91
	–	–	5.49	**5.49**	4.79
Fixed Interest					
Debentures & loans	42.86	–	–	**42.86**	28.54
TOTAL 2005	**81.89**	**3.98**	**14.13**	**100.00**	
TOTAL 2004	80.53	3.69	15.78		100.00

All classes of investment in one company are treated as equity investments for the purposes of this table.

Report of the Directors

To the Members of Electra Investment Trust PLC

The Directors present the audited Accounts of the Group for the year ended 30 September 2005 and their Report on its affairs. A review of the business of the Group is given on pages 3 to 24.

Investment Trust Status

The principal activity of the Company throughout the year was that of an investment trust. HM Revenue & Customs has approved the Company as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the accounting period to 30 September 2004. 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.

Investment Strategy

The Company has specialised in investing in the private equity market since 1976. In 2004 the Board reviewed the Company's investment strategy and confirmed that it should remain unchanged from that approved by shareholders in 2001. Under this strategy, up to one third of realisation proceeds in respect of investments made prior to June 2001 are available for new investment together with all realisation proceeds from investments made subsequently. As the proportion of realisation proceeds in respect of investments made after 2001 rises, increasing funds will be available for investment.

Investment Management Arrangements

The Company's assets are managed by Electra Partners, the independent private equity fund management group. During the year those executives of Electra Partners who were involved in European investment management activities, unconnected with the Company's investments formed a separate business. The investment team at Electra Partners responsible for the Company's investments comprise 13 investment professionals, who have on average 14 years of experience in private equity investments. As detailed in the Corporate Governance Statement on pages 30 to 33, the Board reviews the activities of Electra Partners on an ongoing basis and believes the continuing appointment of Electra Partners on the terms agreed is in the interests of shareholders as a whole.

Electra Partners is responsible for the investment management of a number of limited partnership funds to which the Company has subscribed. The Directors of the Company retain control over its investment policy. 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. The majority of the investments are made by the Company as a limited partner of limited partnership funds.

The contract with Electra Partners has a rolling one year notice period and therefore can be terminated on one year's notice, without penalty.

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

The Company operates carried interest and co-investment schemes for employees and executives of Electra Partners and details of these schemes are contained in Note 20.

Results and Dividend

A revenue profit attributable to shareholders of £20.355 million (2004: £3.557 million) was transferred to Revenue Reserves. In order to ensure the Company maintains its status as an investment trust, the Directors recommend the payment of a special dividend of 20p per ordinary share in respect of the year ended 30 September 2005 (2004: nil) which, subject to approval by shareholders at the Annual General Meeting to be held on 9 February 2006, will be paid on 10 March 2006 to shareholders on the Register of Members at the close of business on 10 February 2006.

Authority to make Market Purchases of Shares

During the year under review the Company made the following purchases of its own shares in the market under authority granted by shareholders:

Shares Purchased for Cancellation	Date of Purchase	Price per share
2,238,072	26 January 2005	860p
1,000,000	9 August 2005	1,015p

Multi-Currency Loan Facility

At 30 September 2005 borrowings under the £250 million (2004: £350 million) multi-currency facility amounted to £157,248,000 (2004: £160,034,000).

Directors

The current Directors of the Company are listed on page 6. Sir Brian Williamson, Mr RA Armstrong, Professor Sir George Bain, Lord King of Bridgwater, Mr MED'A Walton and Mr JP Williams served as Directors throughout the year ended 30 September 2005. No other person was a Director of the Company during any part of the year. In accordance with either the Company's Articles of Association and or the Combined Code on Corporate Governance (2003), Mr RA Armstrong, Lord King of Bridgwater, Mr JP Williams and Sir Brian Williamson will all retire at the Annual General Meeting in 2006 and, being eligible, offer themselves for re-election.

Directors' Interests

The beneficial interests of the Directors 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 2005 and 7 December 2005.

	30 September 2005 Shares	1 October 2004 Shares
Sir Brian Williamson	**30,000**	30,000
RA Armstrong	**23,723**	23,723
Professor Sir George Bain	**2,000**	2,000
Lord King of Bridgwater	**15,615**	15,615
MED'A Walton	**54,979**	54,979
JP Williams	**50,000**	50,000

Substantial Shareholders

At 7 December 2005 the Company had been notified of the following interests of 3% or more in the Company's ordinary shares:

	Shares	%
Prudential Plc, and certain of its subsidiary companies	2,298,046	5.28
Legal & General Group PLC companies	1,496,566	3.43

The Directors have not been notified of any other interests or holdings of 3% or more of the Company's ordinary shares in issue.

Charitable and Political Donations
During the year the Group made no charitable or political donations (2004: £nil).

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. The Group's average creditor payment period at 30 September 2005 was one day (2004: one day) and that of the Company was one day (2004: one day).

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 9 February 2006. In addition to the ordinary business the following special business will be considered:

Authority to Purchase Own Shares
A special resolution will be proposed to renew the Board's authority to buy up to 4,346,417 of the Company's ordinary shares (or such lesser number of shares as is equal to 9.99% 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 do not intend to use this authority to purchase shares unless 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.

Change of Name
The Board considers that, in order to better reflect Electra's objective of investing in private equity, it is appropriate to change the Company's name to Electra Private Equity PLC. Accordingly, a special resolution seeking shareholders' consent to the change will be proposed at the forthcoming Annual General Meeting. It is anticipated that the change of name will take effect from the day immediately following the passing of the special resolution. The Company will remain an investment trust.

By order of the Board of Directors
PJ Dyke, Secretary, Paternoster House
65 St Paul's Churchyard, London EC4M 8AB
7 December 2005

Directors' Remuneration Report

The Directors submit this report in accordance with the requirements of Schedule 7A to the Companies Act 1985. 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 Committee

The Remuneration Committee is comprised of all the Directors of the Company other than the Chairman, who takes no part in determining his own remuneration. Mr JP Williams was chairman of the Remuneration Committee throughout the year. The number of Directors of the Company has remained at six for the year to 30 September 2005. There was no change to the remuneration of the Directors during the year. The Committee relies upon general salary surveys rather than advice or services from any person in respect of its consideration of the Directors' remuneration.

Policy on Directors' Remuneration

The policy of the Remuneration Committee is that remuneration of non-executive Directors should be fair and sufficient to attract and retain Directors to properly 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 2006 and subsequent years. Non-executive Directors are not eligible to receive bonuses, pension benefits, share options or other benefits.

Directors' Service Contracts

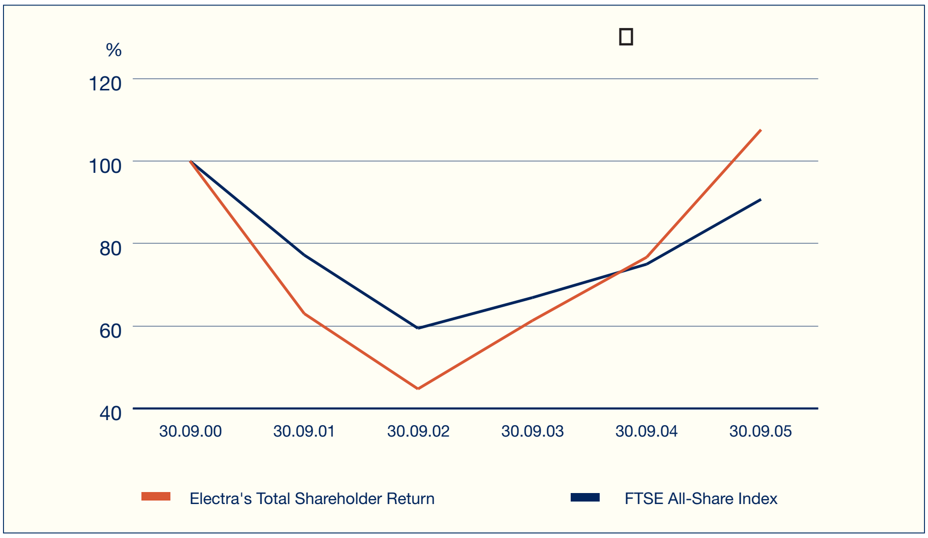
None of the Directors has a service contract with the Company. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office.

Total Shareholder Return

Pursuant to the Directors' Remuneration Report Regulations 2002, the Company is required to show a graph of total shareholder return against a suitable benchmark index in its Directors' Remuneration Report.

The graph below compares the Company's total shareholder return over the five financial years to 30 September 2005 with the FTSE All-Share Index. The Directors consider that, since the Company invests in a broad range of commercial sectors, the FTSE All-Share Index is the most appropriate index against which to compare the Company's performance.

Electra Investment Trust Total Shareholder Return versus FTSE All-Share Index



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 2005 £000	30 September 2004 £000
Sir Brian Williamson (Chairman & highest paid Director)	**150.0**	150.0
RA Armstrong	**28.5**	28.5
Professor Sir George Bain	**28.5**	28.5
Lord King of Bridgwater	**28.5**	28.5
MED'A Walton	**38.5**	38.5
JP Williams	**28.5**	28.5
Total	**302.5**	302.5

The Directors' fees include £28,500 (2004: £31,000) paid to third parties for making available the services of one of the Directors (2004: two).

By order of the Board of Directors
PJ Dyke, Secretary, Paternoster House
65 St Paul's Churchyard, London, EC4M 8AB
7 December 2005

Corporate Governance

The Directors confirm that during the year under review the Company has complied with the Combined Code on Corporate Governance ("the Code") issued by the Financial Reporting Council in 2003.

The Board of Directors

The Board comprised of six Directors as at 30 September 2005, all of whom were non-executive. The Board has nominated Mr JP Williams as the Senior Independent Director.

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. The Board has agreed a schedule of matters reserved for its specific approval, which includes a regular review of the Company's management agreements with Electra Partners, together with the monitoring of the performance thereunder. The management agreements set out the matters over which Electra Partners has authority in accordance with the policies and directions of the Board. The Board meetings consider, as appropriate, such matters as overall strategy, investment performance, gearing, share price performance, share price discount, the shareholder profile of the Company and communication with shareholders. The Board considers that it meets sufficiently regularly to discharge its duties effectively.

The number of 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 of the Directors attended the Annual General Meeting and some Directors additionally held informal meetings with shareholders during the year. No meetings of the Remuneration Committee were held during the year.

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

	Board	Nomination Committee	Audit Committee
Number of Meetings	**14**	**1**	**3**
Sir Brian Williamson	14	1	* –
RA Armstrong	8	1	2
Professor Sir George Bain	7	1	3
Lord King of Bridgwater	7	1	3
MED'A Walton	12	1	3
JP Williams	10	1	3

*Sir Brian Williamson is not a member of the Audit Committee.

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

The Directors believe that the Board has the balance of skills and experience which enables it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on page 6.

Independence of the Board

Sir Brian Williamson, Mr JP Williams, Lord King of Bridgwater and Mr RA Armstrong have served on the Board for more than nine years. Lord King had, during part of the year ended 30 September 2005, a family relationship with a senior executive of Electra Partners. The Board has carefully considered the independence of each Director under the provisions of the Code and has concluded that each Director is wholly independent on the basis that the Board firmly believes that independence is a state of mind, and the character and judgement which accompany this are distinct from and are not compromised by length of service or family relationships. The Directors (including the Chairman) who have been in office for more than nine years will submit themselves to annual re-election.

Performance Appraisal

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

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

Hanson Green reviewed the appraisal and verified that the exercise was undertaken as described by reviewing the paperwork and by speaking to several members of the Board. Hanson Green has confirmed to the Board that in their opinion the performance appraisal exercise was carried out fairly and objectively and focused on issues that were appropriate to the business. The process was felt to add value to the Board and was constructive throughout.

Re-election of Directors

In accordance with the Code's provisions and or the Company's Articles, each of Sir Brian Williamson, Mr RA Armstrong, Lord King of Bridgwater and Mr JP Williams will retire at the Annual General Meeting to be held in 2006 and each offers himself for re-election.

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. Any appointment or removal of the Company Secretary would be a matter for consideration by the entire Board.

The Audit Committee

The Board has an Audit Committee established in compliance with the Code. It comprises all the Directors, other than the Chairman of the Board with Mr RA Armstrong as Chairman of the Committee. The Board has taken note of the suggestion that at least one member of the Committee should have recent and relevant financial experience and is satisfied that the Committee is properly constituted in this respect. Its authority and duties are clearly defined in its written terms of reference which are available on request.

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

The Committee has reviewed the provision of non-audit services and believes them to be cost effective and not an impediment to the external auditor's 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 Audit Committee and that any special projects must be approved in advance.

Internal Audit

Following the review carried out by the Audit 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 work carried out by the Company's external auditors provide 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 Committee

The Remuneration Committee is chaired by Mr JP Williams and comprises all the Directors of the Company, other than the Chairman of the Board who takes no part in determining his own remuneration. It was not necessary to hold any meeting of the Committee during the course of this year. The Committee has written terms of reference which are available on request. Full details of its role are set out in the Directors' Remuneration Report.

The Nomination Committee

The Nomination Committee meets on an ad hoc basis to consider suitable candidates for appointment as Director. It comprises all the Directors with Sir Brian Williamson as Chairman. The Committee is responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies to maintain a balanced Board. During the year the Nomination Committee engaged the services of an external search Consultant in relation to the appointment of additional Directors.

Letters of appointment, which specify the terms of appointment, are issued to new Directors.

Induction and Training

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

The Company's Relationship with its Shareholders

The Company places great importance on communication with the Company's shareholders. The Company, in conjunction with Electra Partners, maintains a regular dialogue with its institutional shareholders and City analysts, with a number of presentations and visits being undertaken throughout the year. Meetings are held with principal shareholders to discuss relevant issues as they arise.

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

The notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting. A separate resolution is proposed on each substantially separate issue including the annual report and accounts. All proxy votes are counted and, except where a poll is called, the Chairman indicates the level of proxies lodged for each resolution and the balance for and against the resolution after it has been dealt with on a show of hands.

The Chairman and the Senior Independent Director can be contacted either through the Company Secretary or at the Company's registered office at Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB.

Internal Control

The Code requires the Directors to review the effectiveness of the Company's system of internal control and report to shareholders that they have done so. The Code extended the earlier reporting requirements and now includes financial, operational and compliance controls and risk management.

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 and accords with the guidance set out in 'Internal Control: Guidance for Directors on the Combined Code'.

The Board is responsible for the Company's system of internal control and has reviewed its effectiveness for the year ended 30 September 2005. 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.

Since investment management, custody of assets and all administrative services are provided or arranged for the Company by Electra Partners, the Company's system of internal control mainly comprises the monitoring of the services provided by Electra Partners, including the operating controls established by them to ensure they meet the Company's business objectives. The key elements designed to provide effective internal control are as follows:

- Financial Reporting – regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analyses of transactions and performance comparisons.
- Investment Strategy – agreement by the Board of the Company's investment strategy and authorisation and monitoring of all large investments.
- Management Agreements – the Board regularly monitors the performance of Electra Partners to ensure that the Company's assets and affairs are managed in accordance with the guidelines determined by the Board.
- Investment Performance – the investment transactions and performance of the Company's assets and affairs are managed in accordance with the guidelines determined by the Board.
- Management Systems – Electra Partners' system of internal control includes clear lines of responsibility, delegated authority, control procedures and systems. Electra Partners' compliance department monitors compliance with the FSA rules.

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

- The Board reviews the terms of the management agreements and receives regular reports from Electra Partners executives.
- The Board reviews the certificates provided by Electra Partners on a six monthly basis verifying compliance with documented controls.
- Custodians are required to produce on a regular basis a report (available for review by the Directors) on their internal controls and their operations including a report by an independent firm of accountants.

Voting Policy

The Company's investee companies are principally unlisted companies in which the Company is a significant shareholder and the Company is usually a party to all issues requiring shareholder approval. The Company has given discretionary voting power to Electra Partners to vote on its behalf.

Electra Partners' voting policy as agent for the Company has adopted and applies the Statement of Principles drawn up by the Institutional Shareholders Committee when it considers these in its reasonable judgement to best serve the financial interests of the Company's shareholders. Electra Partners' policy has been reviewed and endorsed by the Board.

Directors' Responsibilities for Preparing the Accounts

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of that year and of the net revenue and gains of the Group for that year. In preparing those accounts the Directors are required to:

- select appropriate accounting policies and then apply them consistently on the basis of judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the Accounts;
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the Accounts comply with the Companies Act 1985. They are also responsible for taking such steps as are reasonably open to them for safeguarding the assets of the Company and of the Group and for the prevention and detection of fraud and other irregularities. The Directors confirm that they have complied with these requirements.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Accounts.

Ten Year Record of Earnings and Dividends

Year ended 30 September	Basic Earnings per Share p	Dividends per Share p
1996	10.722	8.400
1997	14.052	* 10.250
1998	15.880	11.175
1999	(3.882)	–
2000	(19.119)	–
2001	(22.941)	–
2002	(8.947)	–
2003	(2.545)	–
2004	5.707	–
2005	45.150	† 20.000

* Includes special dividend of 0.55p per share
† Proposed special dividend of 20.00p per share

Electra has charged all expenses and finance costs to its Revenue Account in respect of accounting periods since 1 October 1998.

Report of the Independent Auditors

Independent Auditors' Report to the Members of Electra Investment Trust PLC

We have audited the financial statements of Electra Investment Trust PLC which comprise the Consolidated Statement of Total Return, the Reconciliation of Total Shareholders' Funds, the Consolidated Balance Sheet, the Balance Sheet, and the Consolidated Cash Flow Statement, the Statement of Accounting Policies and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A of the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part").

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' Responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Chairman's Statement, the unaudited part of the Directors' Remuneration Report, the Investment Manager's Review, the Corporate Governance Statement and the other items described in the contents section.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Financial Reporting Council Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the auditable part of the Directors' Remuneration Report.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 September 2005 and of the total return and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
7 December 2005

- The financial statements are published on www.electratrust.com, which is a website maintained by companies which are subsidiaries of Electra Partners Group Limited ('EP').
- The maintenance and integrity of the www.electratrust.com website, maintained by EP or any of its subsidiaries, in so far as it relates to the Company, is the responsibility of EP; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for the information presented on this website or any website upon which the financial statements may be published.
- Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Consolidated Statement of Total Return (incorporating the Revenue Account*)

Note	For the year ended 30 September	Revenue £'000	Capital £'000	2005 Total £'000	Revenue £'000	Capital £'000	2004 Total £'000
	Gains/(losses) on investments:						
17	Realised	–	90,531	90,531	–	103,102	103,102
17	Unrealised	–	6,375	6,375	–	(27,134)	(27,134)
	Gains/(losses) on revaluation of foreign currencies:						
17	Realised	–	(257)	(257)	–	30	30
17	Unrealised	–	(2,215)	(2,215)	–	10,801	10,801
		–	94,434	94,434	–	86,799	86,799
1	Income of the investment trust	34,220	–	34,220	14,756	–	14,756
2	Income of subsidiary undertakings	17,597	–	17,597	5,588	–	5,588
3	Expenses:						
	Priority profit share paid to general partners	(8,964)	–	(8,964)	(9,511)	–	(9,511)
	Other expenses	(3,074)	–	(3,074)	(2,701)	–	(2,701)
	Reversal of income accruals	(332)	–	(332)	–	–	–
	Net Return before Finance Costs and Taxation	39,447	94,434	133,881	8,132	86,799	94,931
6	Interest payable and similar charges	(5,337)	–	(5,337)	(3,965)	–	(3,965)
	Return on Ordinary Activities before Taxation	34,110	94,434	128,544	4,167	86,799	90,966
7	Taxation on ordinary activities	(5,217)	(480)	(5,697)	–	–	–
	Return on Ordinary Activities after Taxation	28,893	93,954	122,847	4,167	86,799	90,966
8	Ordinary dividend	(8,702)	–	(8,702)	–	–	–
	Transfers to Reserves for the Year	20,191	93,954	114,145	4,167	86,799	90,966
	Exchange differences arising on consolidation	164	826	990	(610)	(9,378)	(9,988)
17	**Net Transfers to Reserves for the Year**	20,355	94,780	115,135	3,557	77,421	80,978
10	**Return to Shareholders per Ordinary Share**	45.15p	210.24p	255.39p	5.71p	124.22p	129.93p

The amounts dealt with in the Consolidated Statement of Total Return are all derived from continuing activities.

* The column of this statement headed Revenue is the Profit and Loss account of the Group.

	2005	2004
Number of Ordinary Shares in issue at 30 September	43,507,687	46,745,759

The notes on pages 45 to 57 are an integral part of the financial statements.

Reconciliation of Total Shareholders' Funds

	Year to 30 Sept 2005 £'000	Year to 30 Sept 2004 £'000
Total Return	**122,847**	90,966
Ordinary dividend	**(8,702)**	–
Exchange differences arising on consolidation	**990**	(9,988)
Repurchase of own shares	**(28,868)**	(145,131)
Nominal value of own shares purchased	**(809)**	(4,622)
Movements in Total Equity Shareholders' Funds	**85,458**	(68,775)
Total Equity Shareholders' Funds at 1 October	**426,723**	495,498
Total Equity Shareholders' Funds at 30 September	**512,181**	426,723

Consolidated Balance Sheet

Note		As at 30 Sept 2005 £'000	£'000	As at 30 Sept 2004 £'000	£'000
	Fixed Assets				
11	Investments:				
	Unlisted		**328,718**		391,760
	Floating rate notes		**265,026**		164,997
	Listed		**24,556**		21,328
			618,300		578,085
	Current Assets				
12	Debtors	**30,440**		25,550	
	Cash at bank and in hand	**62,610**		12,880	
		93,050		38,430	
	Current Liabilities				
13	Creditors: amounts falling due within one year	**24,258**		12,749	
	Net Current Assets		**68,792**		25,681
	Total Assets less Current Liabilities		**687,092**		603,766
14	Creditors: amounts falling due after more than one year		**157,248**		160,034
			529,844		443,732
21	Provision for liabilities and charges		**17,663**		17,009
	Net Assets		**512,181**		426,723
	Capital and Reserves				
16	Called-up share capital		**10,877**		11,686
17	Share premium	**24,147**		24,147	
17	Capital redemption reserve	**32,398**		31,589	
17	Realised capital profits	**584,554**		567,693	
17	Unrealised capital losses	**(154,430)**		(202,672)	
17	Revenue reserve	**14,635**		(5,720)	
			501,304		415,037
	Total Equity Shareholders' Funds		**512,181**		426,723
	Net Asset Value per Ordinary Share		**1,177.22p**		912.86p
	Ordinary Shares in issue 30 September		**43,507,687**		46,745,759

The notes on pages 45 to 57 are an integral part of the financial statements.

Balance Sheet

Note		As at 30 Sept 2005 £'000	As at 30 Sept 2005 £'000	As at 30 Sept 2004 £'000	As at 30 Sept 2004 £'000
	Fixed Assets				
11	Investments:				
	Subsidiary undertakings		**7,979**		7,979
	Unlisted		**286,225**		327,789
	Floating Rate Notes		**265,026**		164,997
	Listed		**24,556**		21,328
			583,786		522,093
	Current Assets				
12	Debtors	**22,531**		27,638	
	Cash at bank and in hand	**62,540**		12,769	
		85,071		40,407	
	Current Liabilities				
13	Creditors: amounts falling due within one year	**163,136**		119,377	
	Net Current Liabilities		**(78,065)**		(78,970)
			505,721		443,123
21	Provision for Liabilities and Charges		**17,663**		17,009
			488,058		426,114
	Capital and Reserves				
16	Called-up share capital		**10,877**		11,686
17	Share premium	**24,147**		24,147	
17	Capital redemption reserve	**32,398**		31,589	
17	Realised capital profits	**600,274**		602,380	
17	Unrealised capital losses	**(180,066)**		(241,528)	
17	Revenue reserve	**428**		(2,160)	
			477,181		414,428
	Total Equity Shareholders' Funds		**488,058**		426,114

The notes on pages 45 to 57 are an integral part of the financial statements.

The Accounts on pages 37 to 57 were approved by the Directors on 7 December 2005 and were signed on their behalf by:

Sir Brian Williamson, *Chairman*

Consolidated Cash Flow Statement

Note	For the year ended 30 September	£'000	2005 £'000	£'000	2004 £'000
	Operating Activities				
	UK dividend income	**2,817**		955	
	Other investment income	**44,792**		31,405	
	Interest income	**2,066**		1,402	
	Other income	**307**		371	
	Expenses	**(12,025)**		(12,566)	
a	**Net Cash Inflow from Operating Activities**		**37,957**		21,567
	Returns on Investments and Servicing of Finance				
	Interest paid	**(5,337)**		(3,735)	
	Net Cash Outflow from Returns on Investments and Servicing of Finance		**(5,337)**		(3,735)
	Total Taxation		**–**		–
	Capital Expenditure and Financial Investment				
	Purchases of investments	**(307,484)**		(213,440)	
	Amounts paid under incentive scheme	**(2,346)**		(20,935)	
	Sales of investments	**365,797**		387,741	
	Net Cash Inflow from Capital Expenditure and Financial Investment		**55,967**		153,366
	Net Cash Inflow before Management of Liquid Resources and Financing		**88,587**		171,198
b	**Management of Liquid Resources**		**(61,243)**		3,400
	Financing				
	Bank loans drawn	**47,424**		108,617	
	Bank loans repaid	**(52,424)**		(130,362)	
	Repurchase of own shares	**(38,848)**		(140,581)	
	Loans advanced	**5,248**		(1,386)	
	Net Cash Outflow from Financing		**(38,600)**		(163,712)
	(Decrease)/Increase in Cash in the Year		**(11,256)**		10,886
	Reconciliation of Net Cash Flow to Movement in Net Debt				
	(Decrease)/Increase in cash in the year		**(11,256)**		10,886
	Cash outflow from debt financing	**5,000**		21,745	
	Cash outflow/(inflow) from change in liquid resources	**61,243**		(3,400)	
			66,243		18,345
	Change in Net Debt Resulting from Cash Flows		**54,987**		29,231
	Translations difference		**(2,471)**		10,831
	Movement in Net Debt		**52,516**		40,062
	Net debt brought forward		**(147,154)**		(187,216)
	Net Debt carried forward		**(94,638)**		(147,154)

Notes to the Consolidated Cash Flow Statement

	Year to 30 Sept 2005 £'000	Year to 30 Sept 2004 £'000
a Reconciliation of Net Return before Finance Costs and Taxation to Net Cash Outflow from Operating Activities		
Net return before finance costs and taxation	**39,447**	8,427
Exchange difference	**(209)**	(499)
(Increase)/Decrease in other debtors and prepayments	**(1,821)**	14,982
Taxation deducted at source on investment income	**(14)**	(1,193)
Increase/(Decrease) in other creditors and accruals	**554**	(150)
Net Cash Inflow from Operating Activities	**37,957**	21,567

b Analysis of Net Debt

	At 1 Oct 2004 £'000	Cash Flow £'000	Exchange Movements £'000	At 30 Sept 2005 £'000
Net cash:				
Cash at bank and in hand	**12,880**	**49,987**	**(257)**	**62,610**
Less deposits treated as liquid resources	**–**	**(61,243)**	**–**	**(61,243)**
	12,880	**(11,256)**	**(257)**	**1,367**
Liquid resources				
Deposits on money market	**–**	**61,243**	**–**	**61,243**
Debt:				
Bank loans	**(160,034)**	**5,000**	**(2,214)**	**(157,248)**
	(147,154)	**54,987**	**(2,471)**	**(94,638)**

Statement of Accounting Policies

Principal Accounting Policies
The Accounts have been prepared in accordance with Accounting Standards applicable in the United Kingdom.

Basis of Accounting
The Accounts are prepared on the historical cost basis of accounting, modified to include the revaluation of certain assets and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" 2003 (the SORP).

Company Profit and Loss Account
As permitted by Section 230 of the Companies Act 1985, the Company's Profit and Loss Account has not been included in these Financial Statements.

Basis of Consolidation
The consolidated Accounts include in full 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.

The structures through which Electra's investments are made mean that for the purposes of consolidation, Electra is deemed not to have significant influence or control over the operating and financial decisions of the investee companies. Consequently, Limited Partnerships and any significant investment holdings are not consolidated. Control in all cases vests with parties outside the Electra Group.

Limited Partnership Funds
Significant investments made by the Company in limited partnership funds managed by Electra Partners, are accounted for as listed or unlisted investments, dependent on the underlying nature of the investments held within the limited partnership funds. The Group incorporates its attributable proportion as a limited partner of the assets and liabilities and income and expenditure of these funds. Investments in other limited partnership funds are treated as unlisted investments and disclosed separately (see Note 11).

Listed Investments
The listed investment portfolio is held within a limited partnership fund managed by Electra Partners. The investments comprising the Group's interest in this fund are disclosed as listed investments (see Note 11).

Listed investments are stated at mid-market prices at the year end. Investments in overseas companies listed both abroad and on The London Stock Exchange are classified as investments listed overseas.

Unlisted Investments
Unlisted investments are held at Directors' valuation as fixed asset investments. These investments are made with the express intention of capital appreciation and receipt of income and may be held through limited partnership funds or directly by the Company or Group.

Foreign Currencies

Assets, liabilities and the results of subsidiaries recorded in foreign currencies are translated into sterling at exchange rates at the year end. Exchange differences arising from the re-translation of the opening net investments in subsidiary undertakings are taken to reserves and are reported in the Consolidated Statement of Total Return.

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency assets and liabilities are translated at the exchange rate at the year end or the exchange rate of a related forward exchange contract where appropriate. The resulting differences on investments and borrowings are taken to reserves. All other foreign exchange differences are taken to the Consolidated Statement of Total Return in the year in which they arise.

Income

Dividends receivable from equity shares are brought into account on the ex-dividend date or, where no ex-dividend date is quoted, are brought into account when the Company'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 on the shares and debt securities. Deep discounts on debt securities are recognised on an effective yield basis and recorded as revenue. Where there is a reasonable doubt that a return, which falls within the accounting period, will actually be received by the Company, the recognition of the return is deferred until the reasonable doubt has been removed. Where income accruals previously recognised, but not received, are no longer considered to be reasonably expected to be received, either through investee company restructuring or doubt over receipt, then these amounts are reversed through expenses.

Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses in connection with the acquisition of fixed asset investments are included within the cost of the investment; and
- expenses in connection with the disposal of fixed asset investments are deducted from the disposal proceeds of the investment.

Priority Profit Share

The majority of the investments are made by the Company in limited partnership funds managed by Electra Partners. Under the terms of the 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 partnership funds an amount equivalent to its priority profit share. In periods in which the limited partnership funds 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. Notwithstanding that insufficient net income or net capital gains may have been earned, where the cash amount paid exceeds the net income or net capital gains, an interest free loan is created.

In order to reflect the substance of these transactions, revenue and/or capital is included in the Group and Company Accounts to reflect the type of return appropriated by the general partners in satisfaction of their priority profit shares, and expenses or interest free loans are included to reflect the proportion of the Company's net income and/or net capital gain in the limited partnership funds that has been paid to the general partners by way of priority profit shares.

The priority profit share is charged wholly to the revenue account.

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 accounted for in accordance with FRS19 'Deferred Tax'. Deferred Tax is provided on all timing differences that have originated but not reversed by the Balance Sheet date. A Deferred Tax asset is only recognised to the extent that it is regarded as recoverable.

Notes to the Accounts

1 Income of the Investment Trust

	£'000	Year to 30 Sept 2005 £'000	£'000	Year to 30 Sept 2004 £'000
UK Dividend Income from Fixed Asset Investments				
Unlisted – UK	**1,601**		719	
Partnership interests – UK†	**1,502**		544	
		3,103		1,263
Other Investment Income from Fixed Asset Investments				
Unlisted – UK	**22,533**		5,405	
Unlisted – overseas	**1,194**		197	
Partnership interests – UK†	**5,065**		6,118	
		28,792		11,720
		31,895		12,983
Interest Receivable and Other Income				
Bank interest receivable	**1,946**		1,402	
Rents receivable	**298**		298	
Partnership interests – UK	**–**		73	
Other income	**81**		–	
		2,325		1,773
		34,220		14,756

† This represents the income that has been appropriated by the general partners of the limited partnership funds (see Note 3).

2 Income/(net expenses) of subsidiary undertakings

	£'000	Year to 30 Sept 2005 £'000	£'000	Year to 30 Sept 2004 £'000
UK Dividend Income from Fixed Asset Investments				
Unlisted – UK	**7,609**		–	
		7,609		–
Other Investment Income from Fixed Asset Investments				
Unlisted – UK	**9,939**		5,588	
		9,939		5,588
Interest Receivable and Other Income				
Other interest	**49**		–	
		49		–
		17,597		5,588

3 Expenses

	Year to 30 Sept 2005 £'000	Year to 30 Sept 2004 £'000
Priority profit share paid to General Partner	**8,964**	9,511

In order to reflect the substance of the priority profit share as discussed in the accounting policies, revenue and/or capital is included in the Group and Company Accounts to reflect the type of return appropriated by the general partners in satisfaction of their priority profit shares. Expenses and interest free loans are included to reflect the proportion of the Company's investment in the limited partnership funds that has been paid to the general partners by way of priority profit shares.

Other expenses		
Administrative expenses	**2,444**	2,083
Directors' remuneration (see Note 4)	**303**	303
Auditors' remuneration	**327**	315
	3,074	2,701

The Audit Committee reviews non-audit assignments annually, and approves all assignments above a set threshold cost.

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

During the year PricewaterhouseCoopers LLP earned the following fees. In addition, an amount of £14,100 (2004: £6,000) was paid to PricewaterhouseCoopers Inc, USA in relation to taxation advisory services.

Audit fees		
Company	**152**	145
Group companies	**32**	30
Limited Partnership Funds	**26**	25
Half year review	**40**	40
	250	240
Advisory services		
Tax advice and compliance services	**77**	69
Auditors' Remuneration	**327**	309
Reversal of Income Accruals	**332**	–

The reversal of income represents income previously recognised, but not received, in accordance with the requirements of the AITC SORP.

4 Directors' Remuneration

	Year to 30 Sept 2005 £'000	Year to 30 Sept 2004 £'000
Chairman's remuneration for year	**150**	150
Directors' fees	**153**	153
	303	303
Emoluments		
Chairman and highest paid Director:	**150**	150
	150	150

4 Directors' Remuneration continued

See Directors' Remuneration Report on page 28.

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. The number of Directors of the Company whose emoluments were within the following bands are set out below:

	2005 Number	2004 Number		2005 Number	2004 Number
£25,001 – £30,000	**4**	4	£145,001 – £150,000	**1**	1
£35,001 – £40,000	**1**	1			

During the year no Director (2004: none) waived remuneration amounting to £nil (2004: £nil).

The Directors' fees include £28,500 (2004: £31,000) paid to third parties for making available the services of one of the Directors (2004: two).

5 Employees (Excluding Directors)

The Company has no employees (2004: none).

6 Interest Payable

	Year to 30 Sept 2005 £'000	Year to 30 Sept 2004 £'000
Loans Repayable between One and Five Years		
Bank loans	**5,337**	3,965
	5,337	3,965

7 Taxation on Ordinary Activities

A tax charge of £5,217,000 arose in the year to 30 September 2005 (2004: £nil). Corporation tax at 30% (2004: 30%).

The actual tax charge reconciles to the tax charge on revenue before tax based on the standard rate of corporation tax of 30% as follows:

	Revenue Year to 30 Sept 2005 £'000	Capital Year to 30 Sept 2005 £'000	Revenue Year to 30 Sept 2004 £'000	Capital Year to 30 Sept 2004 £'000
Return on ordinary activities before taxation	**34,110**	**94,434**	4,167	86,799
Return on ordinary activities multiplied by the standard rate of UK corporation tax of 30% (2004: 30%)	**10,233**	**28,330**	1,250	26,040
Dividend income	**(2,763)**	**–**	(216)	–
Disallowable expenses	**34**	**–**	152	–
Priority profit share of partnership income appropriated by General Partners	**718**	**–**	854	–
Brought forward losses utilised	**(3,004)**	**–**	(2,038)	–
Capital allowances	**(2)**	**–**	(2)	–
Unutilised losses arising in the year	**1**	**–**	–	–
Overseas taxation	**–**	**480**	–	–
Capital profits not chargeable due to Investment Trust status	**–**	**(28,330)**	–	(26,040)
Tax charge	**5,217**	**480**	–	–

As at 30 September 2005 the deferred tax asset was £nil . As at 30 September 2004 there was a deferred tax asset of £246,000 in respect of unutilised expenses which had not been recognised as it was unlikely that these expenses would be utilised.

8 Dividends

	Per share p	Year to 30 Sept 2005 £'000
Proposed final	**20**	**8,702**

9 Revenue Return Attributable to Shareholders

The Revenue Return attributable to shareholders includes a profit of £11,290,000 (2004: loss of £3,529,000) which has been dealt with in the Accounts of the Company.

10 Return to Shareholders per Ordinary Share

The calculation of revenue return per share is based on the revenue profits attributable to shareholders of £20,355,000 (2004: £3,557,000) and on a weighted average number of 45,082,631 (2004: 62,323,721) ordinary shares of 25p in issue. The calculation of capital return per share is based on the capital profit attributable to ordinary shareholders of £94,780,000 (2004: £77,421,000) and on a weighted average number of 45,082,631 (2004: 62,323,721) ordinary shares of 25p in issue.

11 Fixed Asset Investments

	Group		Company	
	30 Sept 2005 £'000	30 Sept 2004 £'000	**30 Sept 2005 £'000**	30 Sept 2004 £'000
Subsidiary Undertakings at Directors' Valuation				
Unlisted – UK and Continental Europe	**–**	–	**1,345**	1,345
Unlisted – USA and Other	**–**	–	**6,634**	6,634
	–	–	**7,979**	7,979
Unlisted at Directors' Valuation				
UK and Continental Europe	**217,504**	274,840	**180,970**	215,412
Floating Rate Notes	**265,026**	164,997	**265,026**	164,997
USA and Other	**52,260**	56,133	**52,260**	56,133
Partnership interests – UK and Continental Europe	**23,807**	25,515	**23,255**	24,818
Partnership interests – USA and Other	**35,147**	35,272	**29,740**	31,426
	593,744	556,757	**551,251**	492,786
Listed at Market Value				
UK and Continental Europe	**24,556**	21,328	**24,556**	21,328

The market value of investments listed on a recognised stock exchange is £24,556,000 (2004: £21,328,000).

11 Fixed Asset Investments continued

	Group £'000	Company £'000
Valuation at 1 October 2004		
Investments	578,085	514,114
Subsidiary undertakings	–	7,979
	578,085	522,093
Changes due to currency movements	1,200	1,112
	579,285	523,205
Purchases – at cost	307,483	312,721
	886,768	835,926
Disposals – at valuation 1 October 2004	(284,499)	(271,592)
	602,269	564,334
Increase in valuation	16,031	19,452
Valuation at 30 September 2005	618,300	583,786
Cost 30 September 2005	767,072	718,832

The amount of investments held in limited partnership funds that are managed by Electra Partners is £113,618,000 (2004: £231,535,000).

12 Debtors

	Group		Company	
	30 Sept 2005 £'000	30 Sept 2004 £'000	**30 Sept 2005 £'000**	30 Sept 2004 £'000
Amounts Falling Due within One Year				
Sales for future settlement	7,240	4,664	7,240	4,664
Taxation recoverable	1,033	1,019	1,001	1,159
Amounts owed by subsidiary undertakings	–	–	7,274	7,633
Trade debtors and other debtors	4,574	4,094	4,453	3,996
Prepayments and accrued income	17,593	15,773	2,563	10,186
	30,440	25,550	22,531	27,638

Prepayments and accrued income comprise accrued income from fixed asset investments.

13 Creditors

	Group		Company	
	30 Sept 2005 £'000	30 Sept 2004 £'000	**30 Sept 2005 £'000**	30 Sept 2004 £'000
Amounts Falling Due within One Year				
Amounts owed to subsidiary undertakings	–	–	139,444	107,019
Proposed final dividend	8,702	–	8,702	–
Corporation tax	5,217	–	5,217	–
Other taxation	480	–	–	–
Trade creditors and other creditors	9,859	12,749	9,773	12,358
	24,258	12,749	163,136	119,377

14 Creditors

	Group		Company	
	30 Sept 2005 £'000	30 Sept 2004 £'000	**30 Sept 2005 £'000**	30 Sept 2004 £'000
Amounts Falling Due after more than One Year				
Bank loans				
one to five years (2004: one to two years)	**157,248**	160,034	**–**	–

A variable rate of interest is charged on the bank loans.

15 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, and partnership interests which are held in accordance with the Group's investment objective set out in the Investment Manager's Review on pages 14 to 17.
2. A loan facility, 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.

Investments are held with a view to identifying suitable opportunities for realisation. The main risks arising from the Group's financial instruments are fluctuations in market price, interest rate and foreign currency exchange rate risk. The Board reviews and agrees policies for managing each of these risks which are summarised below. These policies have remained constant throughout the year under review and the preceding year.

Market Risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Group's operations. It represents the potential loss the Group might suffer through holding market positions in the face of price movements, mitigated by stock selection. The Group does not use derivatives.

The Board meets on a number of occasions during each year to consider the realisation programme of the investment portfolio in order to minimise the risk associated with particular sectors. Electra Partners has responsibility for monitoring the realisation programme of the portfolio in accordance with the Group's investment objectives and seeks to ensure that individual stocks meet an acceptable risk reward profile.

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, long-term multi-currency loan facilities were in existence. The initial drawdown under the loan facilities was in US Dollars and Euros. The loans have a floating rate of interest.

The cash balances held on deposit mitigate in part the interest rate risk. Investments are held with a view to identifying suitable opportunities for realisation. The resultant proceeds will be held as cash or short-term securities and used towards the repayment of the facility.

Interest rate risk profiles for financial assets and liabilities are shown in part (iii) of this Note. These profiles exclude short term debtors and creditors.

Liquidity Risk

The Group's assets comprise listed and unlisted equity and non-equity shares and fixed income securities. There have been disposals in the period of both listed and unlisted investments, which have been used to repay loan facilities. As a result the Group's liquidity has increased marginally during the year. Short-term flexibility is achieved through the revolving loan facility.

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

Foreign Currency Risk

The Group's total return and net assets are affected by currency translation movements as a significant proportion of the investments held in the year 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 accounting policies note on page 43.

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

During the year, the Group held loans denominated in US Dollars, Euros and Sterling, which partially offset exchange risks suffered during the current and previous years on foreign fixed asset investments.

Foreign currency exposures are analysed in part (ii) of this Note.

(ii) Foreign Currency Exposures

A portion of the financial assets and financial liabilities of the Group are denominated in currencies other than sterling, which will have an impact on the net assets and return of the Group as at 30 September 2005.

Currency	Foreign currency monetary assets		Foreign currency monetary liabilities		Net foreign currency monetary assets/ (liabilities)	
As at 30 September	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 £'000	2004 £'000
US Dollar	**158,800**	65,467	**(113,045)**	(110,522)	**45,755**	(45,055)
Other	**40,627**	69,496	**(44,203)**	(44,512)	**(3,576)**	24,984
Total	**199,427**	134,963	**(157,248)**	(155,034)	**42,179**	(20,071)

(iii) 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 2005.

Currency As at 30 September 2005	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Sterling	**481,483**	**325,917**	**75,286**	**80,280**
US Dollar	**158,800**	**1,599**	**17,236**	**139,965**
Other	**40,627**	**41**	**–**	**40,586**
Total	**680,910**	**327,557**	**92,522**	**260,831**

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

Currency As at 30 September 2004	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Sterling	456,002	175,900	67,556	212,546
US Dollar	65,467	1,526	15,519	48,422
Other	69,496	451	1,169	67,876
Total	590,965	177,877	84,244	328,844

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	2005 %	2004 %	2005 years	2004 years
Sterling	**9.6**	9.3	**–**	4.0
US Dollar	**5.6**	5.0	**4.0**	5.0
Other	**–**	5.0	**–**	–

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

15 Financial Instruments continued

Financial Liabilities

The interest rate profile of the financial liabilities as at 30 September 2005 was:

Currency As at 30 September	Floating rate financial liabilities 2005 £'000	2004 £'000
US Dollar	**113,045**	110,522
Other	**44,203**	44,512
Sterling	**–**	5,000
Total	**157,248**	160,034
Total loan facility	**250,000**	350,000

The floating rate financial liabilities comprise a loan facility based on a rate per annum, the aggregate of margin, LIBOR and mandatory cost. The Group does not currently hold fixed rate interest bearing financial liabilities, or financial liabilities on which no interest is paid.

(iv) Maturity of Financial Liabilities

The maturity profile of the Group's financial liabilities as at 30 September 2005 was:

As at 30 September	2005 £'000	2004 £'000
Between one and five years (2004: one and three years)	**157,248**	160,034

(v) Fair Values of Financial Assets and Liabilities

All the financial assets of the Group are held at fair value as at 30 September. Current asset investments are held at lower of cost or market value.

As at 30 September	Book Value and Fair Value 2005 £'000	2004 £'000
Primary Financial Assets Held		
Equity shares	**260,752**	277,743
Non-equity shares	**15,753**	12,624
Fixed interest securities	**76,769**	122,721
Floating rate securities	**265,026**	164,997
Cash at bank and in hand	**62,610**	12,880
Primary Financial Liabilities held to Finance the Group's Operations		
Long-term borrowings	**157,248**	160,034

The unlisted financial assets held are valued at amounts considered by the Directors to be a fair value, subject to the overriding requirements of prudence. All the unlisted investments are valued according to one of the following bases:

Earnings multiple;
Price of recent investment; or
Net assets.

The Principles of Valuation of Unlisted Equity Investments are detailed on pages 12 and 13.

16 Share Capital

	30 Sept 2005 £'000	30 Sept 2004 £'000
Allotted, called-up and fully paid 43,507,687 (2004: 46,745,759) ordinary shares of 25p each	**10,877**	11,686
Unissued 156,492,313 (2004: 153,254,241) ordinary shares of 25p each	**39,123**	38,314
Authorised 200,000,000 ordinary shares of 25p each	**50,000**	50,000

During the year ended 30 September 2005, the Company purchased from shareholders 3,238,072 ordinary shares of 25p at prices between £8.60 and £10.15 per share. The cost of acquiring 3,238,072 ordinary shares of 25p including expenses of £279,000 amounted to £29,677,000.

17 Reserves

		Group 30 Sept 2005 £'000	Company 30 Sept 2005 £'000
a	**Share Premium**		
	Share premium at 1 October 2004 and 30 September 2005	**24,147**	**24,147**
b	**Capital Redemption Reserve**		
	At 1 October 2004	**31,589**	**31,589**
	Share capital redeemed during the year	**809**	**809**
	At 30 September 2005	**32,398**	**32,398**
c	**Realised Capital Profits**		
	At 1 October 2004	**567,693**	**602,380**
	Net profits on realisation of investments during the year	**90,531**	**77,971**
	(Losses)/Profits on repayment of foreign currency bank loans	**(257)**	**362**
	Exchange differences arising on consolidation	**826**	**904**
	Overseas taxation	**(480)**	**–**
	Repurchase of own shares	**(29,677)**	**(29,677)**
	Unrealised net appreciation at 1 October 2004 on investments sold during the year	**(44,082)**	**(51,666)**
	At 30 September 2005	**584,554**	**600,274**
d	**Unrealised Capital Profits**		
	At 1 October 2004	**(202,672)**	**(241,528)**
	Increase in value of fixed asset investments	**16,031**	**19,452**
	Increase in incentive provisions (see Note 21)	**(9,656)**	**(9,656)**
	Loss on revaluation of foreign currency loans	**(2,215)**	**–**
	Unrealised net appreciation at 1 October 2004 on investments sold during the year transferred to realised capital profits	**44,082**	**51,666**
	At 30 September 2005	**(154,430)**	**(180,066)**

17 Reserves continued

	Group 30 Sept 2005 £'000	Company 30 Sept 2005 £'000
e Revenue Profits		
At 1 October 2004	**(5,720)**	**(2,160)**
Net revenue surplus transfer for the year	**20,355**	**2,588**
At 30 September 2005	**14,635**	**428**
Total reserves at 30 September 2005	**501,304**	**477,181**
Total reserves at 30 September 2004	415,037	414,428

18 Contingent Liabilities and Commitments

The Company has undertaken to invest up to a further US$12,561,000 (2004: US$14,358,000) 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 £66,636,000 (2004: £1,893,000).

At 30 September 2005 the Company had uncalled commitments of £3,257,000 to a limited partnership fund managed by Electra Partners (2004: £3,742,000).

As a limited partner in a number of limited partnership funds, the Company has entered into agreements with subsidiaries of 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 their general partners. The management agreements are rolling contracts which now allow for termination by either party at the conclusion of a one year notice period.

A Group undertaking is the subject of HM Revenue & Customs enquiry in relation to certain prior year transactions. Whilst the matters under enquiry could result in a material adjustment to the Group's overall taxation charge, it is the Director's belief that the taxation consequences of the transactions would not be material to the Group's net asset value and have been fairly stated in the Group's financial statements.

19 Particulars of Holdings in Principal Subsidiary Undertakings

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

Principal Subsidiary Undertakings

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

Electra Investments Limited (Investment Holding Company)
87,000 ordinary shares of £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.

19 Particulars of Holdings in Other Companies

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 investee undertakings shown below each represent by value more than 1% of the fixed asset investments of the Group:

	Carrying value at 30 Sept 2004 £'000	**Carrying value at 30 Sept 2005 £'000**	**Cost 30 Sept 2005 £'000**
Abbey National	25,000	**24,996**	**24,996**
Accrued income	54	**56**	
Floating rate notes 100.0%			
Alliance & Leicester	–	**25,000**	**25,000**
Accrued income	–	**28**	
Floating rate notes 100.0%			
Allflex Holdings II	–	**30,537**	**30,127**
Accrued income	–	**–**	
Ordinary shares 0.0%			
Warrants 100.0%			
Amtico	30,500	**17,342**	**1,503**
Accrued income	1,037	**–**	
Ordinary shares 48.4%			
Bank of Scotland	25,000	**50,000**	**50,013**
Accrued income	78	**117**	
Floating rate notes 100.0%			
Barclays Bank	50,000	**50,000**	**50,025**
Accrued income	367	**145**	
Floating rate notes 100.0%			
Baxi Holdings	14,908	**14,908**	**14,908**
Ordinary shares 9.9%			
Unsecured deep discount bond 9.9%			
Candover Investments	10,845	**14,933**	**226**
Accrued income	113	**124**	
Ordinary shares 3.4%			
Capital Safety Group	39,129	**40,616**	**30,326**
Accrued income	5,588	**15,030**	
Ordinary shares 51.3%			
Preference shares 62.3%			
Loan stock 62.3%			
Dinamia	8,469	**10,863**	**8,070**
Ordinary shares 10.4%			
European Investment Bank	39,997	**39,997**	**40,017**
Accrued income	35	**48**	
Floating rate notes 100.0%			
Forthpanel	9,383	**7,702**	**10,739**
Ordinary shares 92.1%			
Freightliner Group	–	**21,271**	**21,271**
'A' ordinary shares 37.9%			
Loan stock 44.3%			

19 Particulars of Holdings in Other Companies continued

Significant Interests in Investee Undertakings

The investee undertakings shown below each represent by value more than 1% of the fixed asset investments of the Group:

	Carrying value at 30 Sept 2004 £'000	**Carrying value at 30 Sept 2005 £'000**	**Cost 30 Sept 2005 £'000**
Hornby	7,518	**6,440**	**138**
Ordinary shares 8.1%			
Inchcape Shipping Services	26,387	**38,732**	**15,471**
Accrued income	–	**243**	
Ordinary shares 69.0%			
Cumulative redeemable preference shares 100.0%			
Lloyds Bank	25,000	**15,000**	**15,013**
Accrued income	285	**167**	
Floating rate notes 100.0%			
Moser Baer (India)	16,452	**17,234**	**1,900**
Ordinary shares 6.0%			
Nationwide Building Society	–	**25,000**	**25,000**
Accrued income	–	**3**	
Floating rate notes 100.0%			
Network Rail	–	**35,033**	**35,033**
Accrued income	–	**4**	
Floating rate notes 100.0%			
Zensar Technologies (India)	6,616	**10,002**	**4,211**
Ordinary shares 22.1%			

20 Related Party Transactions

The Company operates carried interest and co-investment schemes for certain employees and executives (the "participants") of Electra Partners. Under these schemes the participants invest in every new investment made by the Company. 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 2005 the participants received £2,346,000 (2004: £20,935,000) and are entitled to receive £6,656,000 (2004: £nil) under these schemes and had unrealised gains of £15,059,000 (2004: £14,376,000). In addition 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 2005 the participants received £nil (2004: nil) under the scheme and had unrealised gains of £743,000 (2004: £772,000).

Under the arrangements relating to the management of the listed portfolio, certain executives of the Electra Partners group will receive bonuses over a one year period if the listed portfolio outperforms a composite index. At 30 September 2005 the unrealised gain under these arrangements was £1,861,000 (2004: £1,861,000). No Directors of Electra participate in the above schemes.

Under terms agreed by shareholders in June 2001 the participants waived their rights under the long term incentive scheme and the £16,000,000 previously provided was written back through unrealised reserves. Electra also waived its right to an outstanding loan note repayment of £4.5 million due from the Electra Partners Group. Electra also assigned its interests in profit share entitlements of Electra Partners valued at £7 million and was issued with a loan note by Electra Partners for £7 million.

21 Provision for Liabilities and Charges

	Group **30 Sept 2005** **£'000**	Company **30 Sept 2005** **£'000**
At 1 October 2004	**17,009**	**17,009**
Amounts paid and payable under incentive schemes	**(9,002)**	**(9,002)**
	8,007	**8,007**
Increase in incentive scheme provision	**9,656**	**9,656**
At 30 September 2005	**17,663**	**17,663**

Current and former executives of Electra Partners Group, the Investment Manager, are entitled to incentives based on the performance of investments in Electra Investment Trust PLC. 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.

Notice is hereby given that the seventy-first Annual General Meeting of Electra Investment Trust PLC will be held at 12.00 noon on Thursday 9 February 2006 in The Great Hall at The Barber-Surgeons' Hall, Monkwell Square, London EC2Y 5BD for the following purposes:

Ordinary Business

1. To receive and adopt the reports of the Directors and Auditors and the Group Accounts for the year ended 30 September 2005.
2. To approve the Directors' Remuneration Report for the year ended 30 September 2005 which is set out in the Annual Report and Accounts of the Company for the year ended 30 September 2005.
3. To declare a special dividend for the year ended 30 September 2005 which the Directors recommend should be at the rate of 20p per ordinary share.
4. To re-elect Mr RA Armstrong as a Director of the Company.
5. To re-elect Lord King of Bridgwater, aged 72, as a Director of the Company, special notice having been received of the intention to propose the resolution as an ordinary resolution
6. To re-elect Mr JP Williams as a Director of the Company.
7. To re-elect Sir Brian Williamson as a Director of the Company.
8. 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.
9. To authorise the Directors to fix the remuneration of the Auditors.

Special Business

As Special Business, to consider and, if thought fit, to pass the following Resolutions which will be proposed as Special Resolutions:

10. That the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 to make market purchases (within the meaning of Section 163 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 4,346,417 or such lesser number of shares as is equal to 9.99 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 which may be paid for an ordinary share shall be an amount equal to not more than 5 per cent above 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 9 May 2007 or the conclusion of the Company's Annual General Meeting in 2007 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.
11. That the name of the Company be changed to Electra Private Equity PLC.

By order of the Board of Directors
PJ Dyke, Secretary, Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB
7 December 2005

Notes

1 Any member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. Such proxy need not be a member of the Company.

2 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, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DW, 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.

3 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 7 February 2006 ("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 6.00 pm on 7 February 2006 shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

4 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 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 Register of Directors' Interests in the share capital of the Company maintained in accordance with Section 325 of the Companies Act 1985; and

(b) the Memorandum and Articles of Association of the Company.

6 Short biographical details regarding Mr RA Armstrong, Lord King of Bridgwater, Mr JP Williams and Sir Brian Williamson are contained on page 6.

Electra Partners Group and Associated Offices

UK
Electra Partners Limited
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB
Telephone +44 (0)20 7214 4200
Fax +44 (0)20 7214 4201

USA
Electra Partners, Inc
708 Third Avenue, 21st Floor
New York, New York 10017
Telephone +1 212 818 0421

Argentina
MBA Banco de Inversiones SA
Av Alicia M de Justo 140, 4th Floor
1107 Buenos Aires
Telephone +541 14319 5800

Brazil
Electra Capital Partners (Brazil) Limited
Praia de Botafogo, 501/1º andar
Torre Pão de Açúcar
22250-040 Rio de Janeiro,
RJ-Brazil
Telephone +55 21 2586 6097

Hong Kong
Electra Partners Asia Limited
Suite 1110, 11th Floor
Jardine House
1 Connaught Place
Central, Hong Kong
Telephone +852 2530 8700

Printed by Nicholas Gray Limited