Electra Private Equity PLC Annual Report 2006

ELECTRA

Annual Report and Accounts for the year ended 30 September 2006

References in this Report and Accounts to Electra Private Equity PLC and its subsidiaries have been abbreviated to 'Electra'. References to Electra Partners LLP or to Electra Partners Group Limited and its subsidiaries, have been abbreviated to 'Electra Partners'.

Electra Private Equity 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 LLP
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Company Number
303062

Website details
www.electraequity.com

Registered Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants &
Registered Auditors

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

Share Dealing Service

An internet and telephone dealing service has been arranged through Lloyds TSB Registrars, which provides a simple way for UK shareholders of Electra to buy or sell Electra's shares. At the time of printing, online dealing commission is 0.5%, with a minimum charge of £15. Telephone dealing commission is 1% on the first £50,000 and 0.2% thereafter with a minimum charge of £25. Any purchase of shares is subject to Stamp Duty Reserve Tax (SDRT) at the prevailing rate.

To deal, simply log onto www.shareview.co.uk/dealing or call 0870 850 0852 between 8.00am and 4.30pm, Monday to Friday.

The service is only available to shareholders of Electra with a UK registered address who are aged 18 and over.

Shareview Dealing is provided by Lloyds TSB Bank plc. Lloyds TSB Bank plc is authorised and regulated by the Financial Services Authority and is a signatory to the Banking Codes.

This is not a recommendation to buy or sell shares. The value of shares and any income from them can fluctuate and you may get back less than the amount invested. If you have any doubt over what action you should take, please contact an authorised financial adviser.

Chairman's Statement

Overview of Year
Electra has once again had a successful year with strong net asset value growth, share price performance and a busy period of investment activity. Towards the end of the financial year the Board undertook a review of Electra's market, its investment management and its investment strategy. Subsequently, shareholders approved the Board's proposals to adopt a new investment strategy whereby Electra returned to full investment of its capital resources in private equity, complemented by ongoing share buybacks and the active management of its capital position.

Results
The net asset value per share increased over the year by 29% from 1,197p per share to 1,545p per share. Inclusive of the special dividend of 20p per share paid in March 2006, Electra achieved a total return to shareholders of 31% for the year to 30 September 2006. Over the same period the FTSE All-Share Index increased by 11.1% and Electra's share price rose by 23.2%.

Investment Activity
Realisations continued at a significant level with aggregate proceeds of £257 million over the year. £131 million was invested and there were outstanding commitments to invest in new portfolio investments and private equity funds of £133 million at 30 September 2006. New portfolio investments during the year included SAV Credit, Bizspace and Vent-Axia. In addition, Electra invested in the secondary buy-out of Amtico following the successful sale of its original holding and in the refinancing and restructuring of Capital Safety Group I. Full details of the investment activity are included in the Manager's Report.

Inclusive of the special dividend ... Electra achieved a total return to shareholders of 31% for the year to 30 September 2006.

Update of Investment Strategy and Terms of Appointment of Electra Partners
Since the change of investment strategy in April 1999, Electra has created significant value for shareholders. In the period from 1 April 1999 to 30 September 2006, Electra sold investments realising a total of £2.2 billion, made further investments of £0.7 billion and returned a total of £1.2 billion in cash to shareholders through tender offers and on-market share buybacks. Over the same period, Electra's cash position moved from borrowings of £600 million to a net liquid assets position of £238 million. During this period Electra's net asset value increased by 96.5%, which compares with a rise in the FTSE All-Share Index of 2.4% over the same period.

In order to build on this strong track record of value creation, the Board undertook a review of Electra's market, its Investment Manager and its investment strategy. Following this review, the Board considered that Electra had strong potential to continue to create significant value for shareholders. In order to best achieve this the Board proposed that shareholders approve a new investment strategy whereby Electra returns to full investment of its capital resources in private equity, complemented by ongoing share buybacks and the active management of its capital position.

The Board also proposed that Electra Partners LLP, a new limited liability partnership formed by the existing senior management team, be appointed as Electra's Manager. Contractual and compensation arrangements were negotiated with Electra Partners to reflect the new long term investment strategy for Electra and to ensure that arrangements were in line with current market practice. The Board was assisted in this process by Lazard and MM&K (an independent firm of strategic remuneration consultants) and approval was given by shareholders to these proposals at the Extraordinary General Meeting held on 12 October 2006.

Electra's Objectives

Following approval of these proposals Electra will target a rate of return on equity of between 10% and 15% per annum over the long-term. Electra will aim to achieve this target rate of return by:

- exploiting a track record of successful private equity investment;
- utilising Electra's inherent competitive advantages as an investor;
- exploiting the proven skills of Electra Partners' senior management team with its strong record of dealflow generation and long-term presence in the private equity market;
- investing in a number of value creating transactions with a balanced risk profile across a broad range of investment sectors through a variety of financial instruments;
- effecting ongoing on-market share buybacks to generate shareholder value;
- actively managing its capital position and gearing in light of prevailing market conditions.

Following approval of these proposals Electra will target a rate of return on equity of between 10% and 15% per annum over the long-term.

Further Authority to Buy Back Shares

During the year ended 30 September 2006, Electra made on-market purchases at a cost of £64.3 million and cancelled 4.78 million shares. Authority was given at the Extraordinary General Meeting to buy back and cancel up to a further 5.8 million shares (representing 14.99% of the shares in issue). This authority will cease at the Annual General Meeting which has been convened for 8 February 2007. Directors will seek to renew this general authority at the forthcoming Annual General Meeting.

Special Dividend

In the year ended 30 September 2006 Electra again received distributable revenue at a level which requires it as an investment trust to pay a dividend. Accordingly the Board is proposing a special dividend of 17p per share which will be paid on 9 March 2007 to shareholders on the Register of Members at the close of business on 9 February 2007 subject to approval by shareholders at the forthcoming Annual General Meeting. This is the second year in which a dividend has been proposed for this reason. However, this is not a variation in the policy of maximising capital growth and the Board would not expect dividend payments to continue on a regular basis once a substantial proportion of Electra's capital resources are once again invested in private equity transactions.

Board of Directors

With the review of the investment strategy and management arrangements completed, it is now appropriate to refresh the membership of the Board. I indicated in my interim statement that this process was in hand and, since then, the Nomination Committee has interviewed a number of candidates. The Board hopes to make an announcement on Board composition in the near future.

All current Directors with the exception of Professor Sir George Bain will retire and offer themselves for re-election at the forthcoming Annual General Meeting.

Financial Statements

Electra's financial statements for the year ended 30 September 2006 have been prepared for the first time under the International Financial Reporting Standards ("IFRS"). The major impact of IFRS for Electra in this year related to the accounting treatment of the special dividend which was paid in March 2006 and to the format of the financial statements.

Private Equity Investment Trusts ("PEIT")

Private equity is an increasingly attractive and dynamic asset class. In its recent discussion paper, the Financial Services Authority acknowledges that many investors have difficulty in accessing private equity, although one of the ways to do so is through PEITs. Electra is a substantial PEIT which offers this opportunity.

Outlook

The year has been one of great achievement for Electra with excellent results, the completion of a major business review and shareholders' approval for a strategy which returns Electra to full investment of its capital resources in private equity.

The Board believes that Electra Partners, with its strong track record and investment capability, has the best team to maximise returns on the existing portfolio and to implement the new strategy.

Electra, with its differentiated investment approach, has a good market position and provides shareholders with simple and liquid access to private equity.

The year has been one of great achievement for Electra with excellent results, the completion of a major business review and shareholders' approval for a strategy which returns Electra to full investment of its capital resources in private equity.

Sir Brian Williamson
15 December 2006

Board of Directors

Sir Brian Williamson CBE
Chairman
Aged 61, 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 62, 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 Founder Director of E-Synergy, which specialises in venture funding for early-stage technology companies. He is Chairman of Infection Control Enterprise and a Director of other private companies. Previously he was a Director of JP Morgan Fleming Worldwide Income Investment Trust and several other Fleming investment trusts between 1991 and 2005.

Professor Sir George Bain *
Aged 67, 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 73, 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 63, 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 64, 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

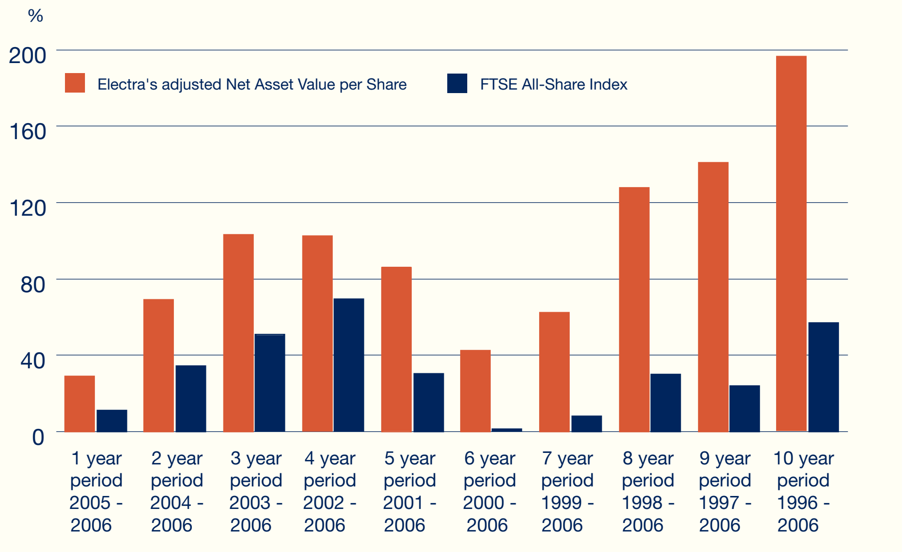
Left to right

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

Financial Highlights

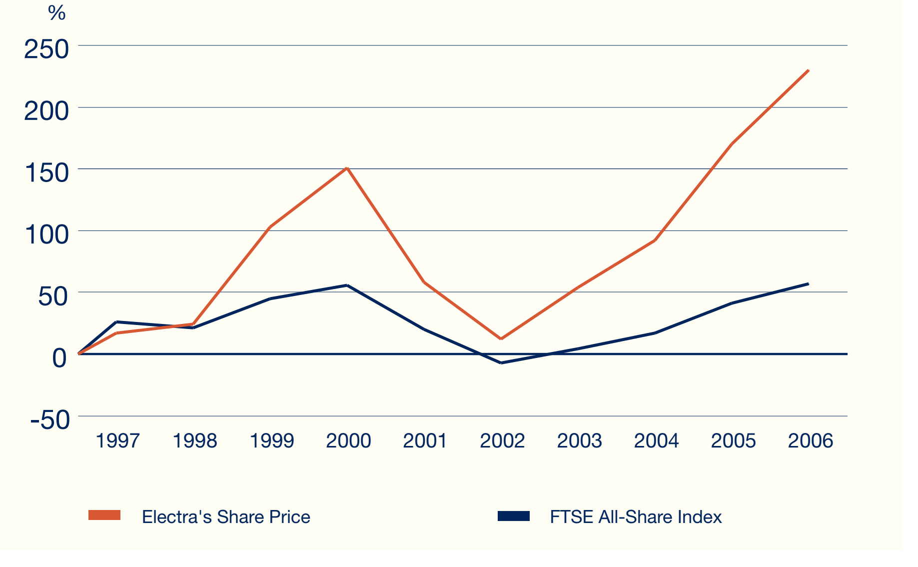
Electra has achieved returns substantially in excess of the FTSE All-Share Index over the last ten years.

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 net asset value per share at 30 September.
The net asset value per share for the years 1996 to 2004 are as previously reported under UK GAAP.
The net asset value per share for the years 2005 and 2006 are on an IFRS basis. As at 30 September 1997 and 1998 the net asset value per share has been adjusted to reflect the inclusion of the management company valued at 14.50p per share.

Electra's Share Price compared to FTSE All-Share over last ten years
As at 30 September



Five Year Record

For the year ended 30 September	2002	2003	2004	2005	2006
Net asset value per share (p)	763.94	759.60	[1] 912.86	[2] 1,197.22	[3] 1,545.07
Increase/(decrease) in net asset value per share (%)	(7.9)	(0.6)	20.2	31.2	29.0
Increase/(decrease) in FTSE All-Share Index (%)	(23.0)	12.6	12.0	20.9	11.1

Ten Year Record of Net Assets, Share Price and Earnings

As at 30 September	Net Assets £'000	[4] Fully adjusted Net Asset Value per Share p	Basic Earnings per Share p	Dividends Paid per Share p	[5] Share Price as at 5 April per Share p	[6] Share Price as at 30 September per Share p
1997	1,082,802	640.04	14.05	[9] 10.25	462.5	483.0
1998	1,145,319	676.15	15.88	11.18	605.5	512.0
1999	[6] 987,460	950.77	(3.88)	–	715.0	836.0
2000	[7] 874,042	1,084.96	(19.12)	–	1,022.5	1034.0
2001	[8] 541,110	829.52	(22.94)	–	908.5	651.0
2002	498,330	763.94	(8.95)	–	637.0	462.5
2003	495,498	759.60	(2.55)	–	522.0	633.5
2004	[1] 426,723	912.86	5.70	–	747.5	793.5
2005	[2] 520,883	1,197.22	64.09	–	931.0	1,113.0
2006	[3] 598,292	1,545.07	20.58	[10] 20.00	1,326.0	1,371.0

Notes

The net asset value per share for the years 1997 to 2004 above are as previously reported under UK GAAP. 2005 and 2006 have been prepared on an IFRS basis as explained in the Basis of Accounting.

1 During the year ended 30 September 2004 £100,000,000 was repaid to shareholders via a tender offer and 6,232,000 shares were repurchased for cancellation (cost: £48,082,000).
2 During the year ended 30 September 2005 3,238,000 shares were repurchased for cancellation (cost: £29,677,000).
3 During the year ended 30 September 2006 4,785,000 shares were repurchased for cancellation (cost: £64,257,000).
4 As at 30 September 1997 and 1998 the net asset value per share has been adjusted to reflect the inclusion of the management company valued at 14.50p per share.
5 Middle market price at close of business on 5 April or 30 September or, if appropriate, previous business day in each case.
6 During the year ended 30 September 1999 £544,222,000 was repaid to shareholders via a tender offer.
7 During the year ended 30 September 2000 £250,000,000 was repaid to shareholders via a tender offer.
8 During the year ended 30 September 2001 £150,000,000 was repaid to shareholders via a tender offer and 100,000 shares were repurchased for cancellation (cost : £907,000).
9 Includes special dividend of 0.55p per share.
10 Includes special dividend of 20.00p per share paid in March 2006.

The Manager

Electra's investment portfolio is managed by Electra Partners LLP an independent private equity fund manager.

Following its review of Electra's investment strategy, the Board of Electra concluded that Electra Partners is the best manager to maximise returns on the existing portfolio and to implement the revised investment strategy and policy. This was supported by the successful track record of the senior management team in managing Electra's assets over the last 15 years.

Team

Electra Partners comprises a team of senior partners supported by investment professionals and administrative staff who together manage Electra's business and assets. Following the recruitment of additional investment executives, the team is expected to total at least 35 in number. The senior management team are:

Hugh Mumford, Managing Partner

Hugh is the Managing Partner of Electra Partners LLP and was Chief Executive of Electra Partners Limited ("EPL") from 1991. He is a Cambridge graduate and a Chartered Accountant and prior to joining the management team of the Electra Group in 1981 he worked for 13 years for KPMG in London. Hugh has been Chairman of EPL's Investment Committees since 1989 and is Chairman of Electra Partners' Investment Committees.

Hugh represents Electra's interest on the board of a number of investee companies, including Baxi.

Tim Syder, Deputy Managing Partner

Tim is a Deputy Managing Partner of Electra Partners LLP. He joined EPL in 1989 and was a member of its Investment Committee. He was responsible for setting up its European network and is a member of Electra Partners' Investment Committees. After qualifying as a Chartered Accountant with KPMG, he moved to County Bank where he was a founder member of the team that established NatWest Ventures.

Tim represents Electra's interest on the board of Esporta and has also been involved with The Stationery Office and Gower transactions.

David Symondson, Deputy Managing Partner

David is a Deputy Managing Partner of Electra Partners LLP. He joined EPL in 1983 from KPMG where he qualified as a Chartered Accountant. David has been involved in numerous private equity deals, across a broad range of sectors from leveraged buy-outs, private to public to larger development capital transactions. He was a member of the Investment Committee at EPL and is a member of Electra Partners' Investment Committees.

David represents Electra's interest on the board of Allflex II, Capital Safety Group II and SAV Credit and has been involved in the Bezier, Pillar Property and Premium Credit transactions.

Rhian Davies, Partner

Rhian is a Partner of Electra Partners LLP. She joined EPL in 1992 from the Corporate Reconstruction and Insolvency department of Pricewaterhouse-Coopers where she qualified as a Chartered Accountant. Rhian has a degree in Mathematics from Bristol University. She was a member of the Investment Committee at EPL and is a member of Electra Partners' Investment Committees.

Rhian represents Electra's interest on the board of Capital Safety Group II and has also been involved with the Allflex II and SAV Credit transactions.

Philip Dyke, Partner

Philip is a Partner of Electra Partners LLP. He is a Chartered Secretary and prior to joining the Electra Partners Group in 1987 he worked for Globe Investment Trust for 17 years. His responsibilities have included the Compliance and Company Secretarial functions of EPL and of its clients including Electra. He was a member of the Investment Committee at EPL with special responsibility for compliance matters and is a member of Electra Partners' Investment Committees.

Stephen Ozin, Partner

Stephen is a Partner of Electra Partners LLP. He is a Chartered Accountant and has an Economics degree from the LSE and a Masters in Finance from the London Business School and prior to joining EPL in 1990 worked for Coopers & Lybrand Deloitte. He was CFO of EPL from 2005, having previously been CFO of Electra Partners Europe Limited. He is a member of the Electra Partners' Investment Committees.

Investment Portfolio Analysis

Excluding Investments in Floating Rate Notes

Summary of Changes to Investment Portfolio

Year ended 30 September	2006 £'000	2005 £'000	2004 £'000
Opening valuation	353,274	413,088	679,611
Investments	130,669	82,365	48,361
Realisations	(257,084)	(250,030)	(392,405)
Net capital increase	153,300	107,851	77,521
Closing valuation *	380,159	353,274	413,088

* The valuations at 30 September exclude accrued income (2006: £5,874,000; 2005: £17,024,000; 2004: £15,773,000).

For the first time in seven years, the total value of the investment portfolio increased as a result of new investment and value increases exceeding realisations.

In the year to 30 September 2006, Electra's net asset value increased from 1,197p to 1,545p per share, an increase of 29%. This compares to an increase of 31% and 20% in the previous two years. Over the last three years the net asset value per share has risen by 103%.

The performance continues to be driven by buoyant market conditions for realisations, which have enabled Electra to successfully realise investments for cash proceeds exceeding £900 million in the three year period, generating profits of over £300 million. Partly as a result of the exceptional level of cash receipts in the past three years, Electra has become increasingly liquid and at 30 September 2006 held net liquid assets, primarily in the form of floating rate notes, of £238 million. The total portfolio at 30 September 2006 thus comprised £380 million of investments, excluding accrued income, and £238 million of net liquid assets.The restrictions on new investments which have been in force since 2001 have also contributed to the position of relatively high liquidity.

Over the year, investments were completed to a value of £131 million, compared to £82 million in the previous year. At 30 September 2006 there were outstanding commitments to invest of £133 million.

Realisations from the portfolio amounted to £257 million, generating proceeds equivalent to 73% of the opening value of the portfolio. On average, realisations were achieved at prices which exceeded book value by 95%.

For the first time in seven years, the total value of the investment portfolio increased as a result of new investment and value increases exceeding realisations. At 30 September 2006, the portfolio comprised direct investments in 55 companies with a value of £313 million together with investments in 34 private equity funds with a value of £67 million. Of the direct investments, those with an aggregate value of £63 million were quoted on a recognised stock exchange but subject to restrictions on sale. Geographically, 78% of the portfolio was situated in the UK and Europe, 13% in the USA, 7% in Asia and 2% in South America.

Current Operations and Outlook

The year has seen significant changes in the composition of Electra's portfolio. Although the level of investment continues to increase, cash generated from realisations gave rise to an increase of £53 million in short term liquidity after funding investment of £131 million and returns to shareholders of £73 million in the form of a special dividend and on-market share buybacks.

With the removal of restrictions on new investment, it is anticipated that the rate of investment will increase further in contrast to the level of realisations, which will fall as a result of the change in age profile of the portfolio. This will lead to a reversal in Electra's current liquid position as the investment portfolio increases.

Electra is currently receiving attractive investment opportunities despite conditions in the private equity market which remain very competitive. Furthermore, the ability to adopt a flexible approach enables Electra to maximise the benefits from these investment opportunities. Electra is therefore in a good position to add new investments with potential to a portfolio which is already well positioned for further growth.

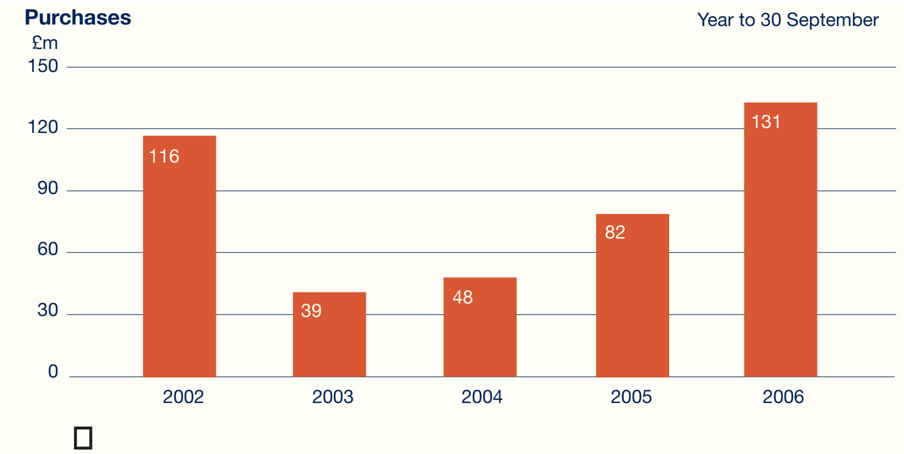
Investment Portfolio Review

Investments

Electra invested £131 million in the year and at 30 September 2006, had outstanding commitments to invest of £133 million. Investments and commitments taken together represented a marked step up in investment activity and compared to investments and commitments of £82 million and £70 million made in the previous year. Since 2001 Electra's investment strategy has restricted the funds available for investment. Such restrictions have gradually decreased as the pre-2001 portfolio has been realised, with the result that the investment rate has increased in each of the last three years. Following approval at the Extraordinary General Meeting on 12 October 2006, all restrictions on new investment have been removed.

Electra invested £131 million in the year and at 30 September 2006, had outstanding commitments to invest of £133 million.

The investments made by Electra in the year of £131 million were made up of £104 million in direct investments and £27 million in private equity funds. Direct investments included £18 million in the refinancing of Capital Safety Group II and £23 million in the secondary buyout of Amtico. While these investments had previously been held by Electra, the refinancing and restructuring provided excellent opportunities to reinvest in a cost effective manner while continuing to benefit from the growth of these companies.



Other direct investments included £16 million in the buyout of Vent-Axia, the UK market leader in the manufacture of residential and commercial ventilation fans, £15 million in SAV Credit, to finance the expansion of this company in the sub-prime credit market, and £13.7 million in Bizspace, which provides low cost, flexible workspace occupied on short term licences.

Of the £27 million invested in private equity funds, £12.6 million was invested in the Electra European Fund II (now Cognetas Fund II) with the balance being invested primarily in three other funds. Electra's investment policy includes taking strategic positions in funds where the relationship is likely to give rise to significant co-investment and co-underwriting opportunities. Total undrawn commitments to funds at 30 September 2006 amounted to £95 million.

Realisations

Realisations from the portfolio during the year amounted to £257 million. The substantial level of realisations reflected the strength of the private equity market which continued throughout the year. Prices achieved on realisation were above expectations and, in overall terms, proceeds from realisations exceeded the book value at the beginning of the year by 95%.

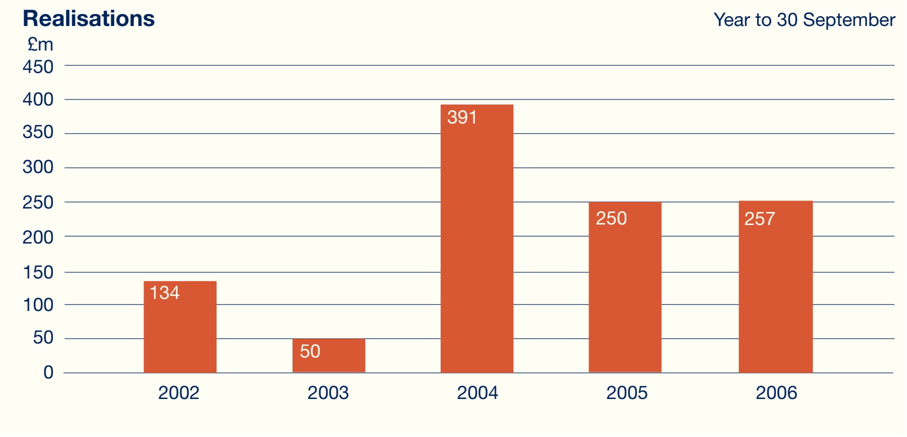
Largest Investment Realisations

Company	Valuation at 30 September 2005 £'000	Proceeds from Disposal £'000
Inchcape Shipping Services	* 38,900	102,000
Capital Safety Group I	** 55,600	*** 59,000
Amtico	17,300	36,800
Tensar	–	**** 17,000
	111,800	214,800

* Includes accrued interest of £0.2 million
** Includes accrued interest of £15.0 million
*** Proceeds include interest of £15.5 million
**** Proceeds include interest of £2.9 million

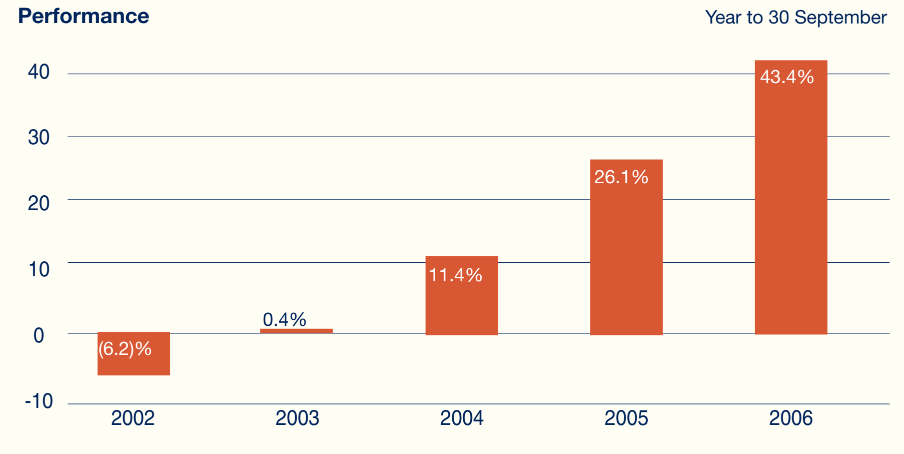
Realisations from the portfolio during the year amounted to £257 million.

The most significant realisation related to the investment in Inchcape Shipping Services, which was sold in January 2006 providing net proceeds to Electra of £102 million, 162% higher than the carrying value at 30 September 2005 which demonstrates the value that can be achieved in the current marketplace in a well controlled and competitive auction. The proceeds of £102 million compare to a book value of the investment at 30 September 2005 of £38.7 million. The original cost of the investment in 1999 was £17 million and the subsequent further investment of £10 million was repaid by Inchcape Shipping Services prior to the final sale. The refinancing and restructuring of Capital Safety Group I resulted in proceeds to Electra of £59 million, which included interest payments of £15.5 million, accounted for through the revenue account. As well as the proceeds, Electra acquired a significant stake in the restructured company. In August, Electra sold its investment in Amtico to another financial investor resulting in proceeds to Electra of £36.8 million. The rate of return to Electra over the eleven years in which the investment was held was just over 14% per annum and the proceeds, together with previous loan repayments, provided a multiple of 3.5 times the original investment. The other significant sale was that of Tensar, where total proceeds amounted to £17 million. This investment had previously been provided against in full, in view of the company's potential exposure to a legal action.



Performance

The investment portfolio performed very strongly in the year to 30 September 2006, driven principally by the high level of realised gains. Over the year, changes in value to the portfolio gave rise to a net capital increase of £153 million, a percentage appreciation of 43.4%. Of these gains, £124 million represented realised profits on the sale of investments and a further £10 million resulted from share price movements of restricted listed securities held at the end of the financial year. The remaining £19 million represented the net increase in unrealised appreciation in respect of unlisted investments held at the end of the year. Total increases in unrealised appreciation amounted to £25 million offset by valuation decreases of £6 million.



Over the year, changes in value to the portfolio gave rise to a net capital increase of £153 million, a percentage appreciation of 43.4%.

A significant portion of the realised gains was accounted for by the sale of Inchcape Shipping Services and Amtico, which provided gains of £63 million and £20 million respectively.

Largest Valuation Changes

Company	£'000	%
Inchcape Shipping Services	63.1	162
Amtico	19.5	113
Tensar *	17.0	–
Dinamia	6.3	58
Capital Safety Group II	5.8	31
Hemingway	5.3	118

* Includes income recognised on realisation.

Increases in unrealised appreciation were made in respect of ten investments, the largest relating to Electra's investments in Capital Safety Group II, Greenpark and Baxi. Increases of £5.8 million in Capital Safety Group II and £4.3 million in Baxi were made to reflect strong operating performance. The increase in value of Greenpark, a company engaged in the production of electricity from coal mine methane, reversed a provision previously made against the cost of the investment. Valuation reductions were made in the case of four investments for a total of £6 million of which £4.9 million related to Prize Foods which was fully provided against after a disappointing trading performance.

Largest Private Equity Investments

ALLFLEX HOLDINGS II

Location: International

Equity Ownership	49.6%
Valuation	£30,902,000
Cost	£30,127,000

Valuation based on multiple of earnings

In 1998 Electra invested £23.1 million in the US$160 million buyout of Allflex. Allflex is, by a significant margin, the world's leading manufacturer and distributor of plastic and electronic animal identification tags ("Rfid") 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 2005, Allflex achieved sales of $142.7 million (2004: $112.1 million) and in 2006 continues to benefit from the increased awareness worldwide of the need for accurate animal identification and traceability. Allflex is a major supplier to the mandatory Rfid schemes adopted by Australia and Canada. Worldwide pressure to use Rfid tags is increasing as Rfid traceability schemes can be updated in real time and are more accurate.

CAPITAL SAFETY GROUP II

Location: International

Equity Ownership	47.6%
Valuation	£24,144,000
Cost	£18,394,000

Valuation based on multiple of earnings

In 2005 Electra invested £18.4 million in Capital Safety Group II ("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 2006 the company achieved audited sales of £83.6 million (2005: £76.5 million using comparative exchange rates) with an operating profit before exceptional items of £16.4 million (2005: £13.6 million). Trading in the current financial year continues to be strong with CSG launching a new tagged safety harness utilising Allflex's robust all-weather tags.

AMTICO HOLDINGS

Location: UK

Equity Ownership	18.4%
Valuation	£22,500,000
Accrued income	£243,000
Cost	£22,500,000

Valuation based on price of recent transaction

In June 2006 Amtico was sold for £101 million and Electra Private Equity received £38.1m. There was an opportunity to reinvest in the secondary buyout and Electra Private Equity invested £22.5 million for a mixture of equity and mezzanine debt.

Amtico designs, manufactures and markets laminated vinyl flooring tiles. The company is focused on producing premium priced quality products that simulate other materials (wood, marble, slate, metal etc.) with a high 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 2006 sales were £86 million (2005: £81.4 million) and operating profit (before interest and exceptionals) was £9.4 million (2005: £8.6 million). Following the secondary buyout, the new CEO continues to focus the group on its core markets and the group is expected to show improved results over the prior year.

FREIGHTLINER GROUP — Location: UK

Equity Ownership	**37.9%**
Valuation	**£20,120,000**
Cost	**£19,055,000**

Valuation based on multiple of earnings

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

Freightliner's business consists of two separate divisions – Intermodal and Heavy Haul. Intermodal offers a fully integrated rail service for the transportation of containers from deep sea ports to inland collection points and includes local haulage to the final destination. Heavy Haul provides 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 2006, the audited results show sales of £236 million (2005: £202 million) with operating profits of £18.8 million (2005: £20.5 million). The trading environment continues to be difficult due to increased fuel costs. Subsequent to the year end the group has refinanced some of its debt which will reduce the interest cost. Trading for the year to 31 March 2007 is expected to show an improvement over the prior year.

BAXI HOLDINGS — Location: UK & Europe

Equity Ownership	**9.5%**
Valuation	**£19,192,000**
Accrued income	**£4,673,000**
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 continued to make good progress in the year ended December 2005 and reported sales of £769 million (2004: £709 million) and EBIT of £95.7 million (2004: £90.5 million). Trading has seen some weakness in the UK and France in the current year although this has been offset by improved trading in the remainder of Continental Europe and in Emerging markets.

VENT-AXIA GROUP — Location: UK

Equity Ownership	**nil%**
Valuation	**£16,000,000**
Accrued income	**£102,000**
Cost	**£16,000,000**

Valuation based on price of recent transaction

In August 2006 Electra invested £16 million in the mezzanine debt issued as part of the buyout of Vent-Axia Group of companies.

The Vent-Axia Group is the UK's leading manufacturer of ventilation equipment for commercial and residential markets. The Group also has smaller subsidiaries manufacturing cable conduit and motors.

The Vent-Axia Group traded in line with expectations in the year ended 31 July 2006 and reported sales of £99.8 million (2005: £98.6 million) and EBITA of £17.4 million (2005: £16.2 million).

SAV CREDIT	Location: UK

Equity Ownership	**22.9%**
Valuation	**£15,000,000**
Cost	**£15,000,000**

Valuation based on price of recent transaction

In March 2006 Electra provided £15 million of development capital to SAV Credit to support the growth of the business.

SAV Credit is a leading provider of credit cards and financial services products to consumers who are overlooked by the mainstream financial services providers. This 'sub-prime' market is estimated to represent some 20% of the adult population in the UK.

The company's lead product is the 'aqua' mastercard. Since 31 March 2006 SAV Credit's receivables book has grown from £43.5 million to £56 million at 31 August 2006. Further growth of SAV Credit's receivables book is expected for the next few years.

BIZSPACE UNIT TRUST	Location: UK

Equity Ownership	**85.3%**
Valuation	**£13,705,000**
Cost	**£13,705,000**

Valuation based on multiple of earnings

In December 2005, Electra earmarked up to £15 million to invest in Bizspace Unit Trust (a Jersey Property Unit Trust) ("BUT") with Bizspace PLC ("Bizspace"). Bizspace at the time was an AIM listed property company (now a private company) specialising in the provision of office and light industrial space to small and medium sized enterprises on a short term licence basis.

Electra has invested £13.7 million to date and earmarked a further £1.25 million for capital expenditure on the assets acquired which, invested alongside Bizspace's initial £1 million investment and secured bank facilities has created a portfolio of property assets of c.£40 million.

The assets in the portfolio are managed by Bizspace alongside assets owned by Bizspace.

MOSER BAER	Location: India

Equity Ownership	**6.0%**
Valuation	**£15,190,000**
Cost	**£1,900,000**

Valuation based on multiple of earnings

In 1998 Electra invested US$8.0 million to fund the expansion of Moser Baer into recordable CDs (CDRs). 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 2.7 billion discs per annum. Whilst capital investment in additional DVD-R lines continues, the company has produced recordable high definition (HD) discs and is also planning to diversify into the manufacture of photo voltaic cells.

In the six months to 30 September 2006 the company reported unaudited sales of $218 million compared to sales of $387 million for the 12 months to March 2006. Profit after tax increased to $7.0 million for the half year against $1.2 million in the full year to March 2006. The partial recovery of profits came from small increases in the selling prices for CDRs, an improved mix of value added disks and reductions in the cost of polycarbonate, a key raw material.

ZENSAR TECHNOLOGIES	Location: India

Equity Ownership	**22.1%**
Valuation	**£11,099,000**
Cost	**£4,211,000**

Valuation based on multiple of earnings

Electra invested in Zensar Technologies 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 3,200 people who are deployed at the customers' own premises and at Zensar's development centres in India.

In the half year to September 2006, Zensar made a profit after tax of $5.8 million on sales of $63 million. This was an attractive growth over the full year to March 2006 when sales were $97 million and profit after tax was $7.6 million.

Schedule of Largest Private Equity Investments

Company	Directors' valuation of holding at 30 Sept 2005 £'000	Net purchases/ (sales) £'000	Performance in year £'000	* Directors' valuation of holding at 30 Sept 2006 £'000	Cost of holding at 30 Sept 2006 £'000
ALLFLEX HOLDINGS II Animal identification tags	30,537	–	365	30,902	30,127
CAPITAL SAFETY GROUP II Specialist safety equipment	–	18,394	5,750	24,144	18,394
AMTICO Luxury flooring manufacturer	–	22,500	–	22,500	22,500
FREIGHTLINER GROUP Rail freight operator	21,271	(2,216)	1,065	20,120	19,055
BAXI HOLDINGS Heating products	14,908	–	4,284	19,192	14,908
VENT-AXIA Fan manufacturer	–	16,000	–	16,000	16,000
SAV CREDIT Credit card issuer	–	15,000	–	15,000	15,000
BIZSPACE Property leasing company	–	13,705	–	13,705	13,705
FORTHPANEL Property holding company	7,702	–	(65)	7,637	10,739
MOSER BAER Manufacturer of recordable CDs	17,234	–	(2,044)	15,190	1,900
ZENSAR TECHNOLOGIES Software	10,002	–	1,097	11,099	4,211
	101,654	83,383	10,452	195,489	166,579

The unlisted investments shown above represent 51% of the Group's private equity investments at 30 September 2006.

* Excludes accrued income.

Classification and Distribution of Investments

	UK and Continental Europe Unlisted %	UK and Continental Europe Listed %	USA, Far East including India and Elsewhere Unlisted %	USA, Far East including India and Elsewhere Listed %	**Total 2006 %**	Total 2005 %
EQUITIES						
Basic Industries						
Chemicals	–	–	0.27	–	**0.27**	0.28
Construction and Building Materials	4.27	–	–	–	**4.27**	3.24
Forestry and Paper	–	–	–	–	**–**	0.09
	4.27	–	0.27	–	**4.54**	3.61
General Industrials						
Aerospace and Defence	–	–	0.16	–	**0.16**	0.22
Diversified Industrials	–	0.03	0.03	–	**0.06**	0.07
Electronic and Electrical Equipment	2.39	–	–	–	**2.39**	0.42
Engineering and Machinery	–	–	0.01	–	**0.01**	0.03
	2.39	0.03	0.20	–	**2.62**	0.74
Cyclical Consumer Groups						
Automobiles and Parts	0.31	–	–	–	**0.31**	–
Household Goods and Textiles	2.49	0.98	–	–	**3.47**	3.45
	2.80	0.98	–	–	**3.78**	3.45
Non-Cyclical Consumer Groups						
Food Producers and Processors	0.35	–	–	0.09	**0.44**	0.35
Health	0.25	0.04	0.69	1.04	**2.02**	2.51
Packaging	0.80	–	–	–	**0.80**	0.80
Pharmaceuticals and Biotechnology	–	0.19	–	–	**0.19**	0.34
	1.40	0.23	0.69	1.13	**3.45**	4.00
Cyclical Services						
Distributors	0.35	–	–	–	**0.35**	1.33
Leisure, Entertainment and Hotels	0.73	0.41	–	–	**1.14**	1.96
Media and Photography	–	–	0.06	–	**0.06**	0.06
Support Services	9.55	0.01	0.04	–	**9.60**	12.06
Transport	2.61	–	0.34	–	**2.95**	9.73
	13.24	0.42	0.44	–	**14.10**	25.14

	UK and Continental Europe Unlisted %	Listed %	USA, Far East including India and Elsewhere Unlisted %	Listed %	**Total 2006 %**	Total 2005 %
Non-Cyclical Services						
Food and Drug Retailers	0.28	–	–	–	**0.28**	0.47
Telecommunication services	–	0.01	–	0.31	**0.32**	0.34
	0.28	0.01	–	0.31	**0.60**	0.81
Utilities						
Electricity	0.68	–	–	–	**0.68**	–
Financials						
Investment Companies	2.70	4.87	3.24	–	**10.81**	9.69
Real Estate	2.25	–	0.66	–	**2.91**	4.21
Speciality and Other Finance	1.94	–	–	–	**1.94**	–
	6.89	4.87	3.90	–	**15.66**	13.90
Information Technology						
Information Technology Hardware	–	–	1.97	–	**1.97**	2.79
Software and Computer Services	–	–	1.65	0.18	**1.83**	2.70
	–	–	3.62	0.18	**3.80**	5.49
Fixed Interest						
Debentures & loans	50.77	–	–	–	**50.77**	42.86
TOTAL 2006	**82.72**	**6.54**	**9.12**	**1.62**	**100.00**	
TOTAL 2005	81.89	3.98	12.33	1.80		100.00

All classes of investment in one company are treated as equity investments for the purposes of this table, accrued income has been excluded.

Investments in floating rate notes are separately treated as debentures and loans for the purposes of this table.

Report of the Directors

To the Members of Electra Private Equity PLC

The Directors present the audited Accounts of the Group for the year ended 30 September 2006 and their Report on its affairs.

Investment Trust Status

The Company carries on business as an investment trust. HM Revenue and Customs has approved the Company as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the accounting period to 30 September 2005. The Directors are of the opinion that, since that date, the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under that section.

Business Review

Objective and investment strategy

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 were available for new investment together with all realisation proceeds for investments made subsequently.

Following the approval by shareholders at the Extraordinary General Meeting held on 12 October 2006, a new investment strategy has been adopted whereby the Company returns to full investment of its capital resources in private equity, complemented by on-going share buybacks and the active management of its capital position. Following implementation of this new investment strategy, Electra will target a return on equity of between 10 and 15 per cent per annum over the long-term.

Investment policy

Consistent with its previous investment policy, the Company intends to target private equity opportunities (including direct investment, fund investment and secondary buyouts of portfolios and funds) so that the risks associated with such investments are justified by expected returns. Such investment will be made across a broad range of sector and types of financial instrument.

The Company will continue to focus principally on Western Europe, with the majority of investments expected to be made in the United Kingdom, which continues to be the largest private equity market in Western Europe and where historically the Company has made the majority of its investments. The Company will also continue to invest across all industry sectors, but would expect there to be an emphasis on areas where the senior management team of Electra Partners has specific knowledge and expertise. In circumstances where Electra Partners believe that there is merit in gaining exposure to countries and sectors outside Electra Partners' network and expertise, the Company will also consider investing in specific funds managed by a third party with such expertise or co-investing with private equity managers with whom the senior management team of Electra Partners has developed a long-standing relationship.

Electra will also continue to invest in a range of financial instruments such as equity, senior equity, convertibles and mezzanine debt.

Current and future development

A review of the main features of the year is contained in the Chairman's Statement and the Investment Manager's Review on pages 3 to 5 and 12 to 15 respectively.

The Board regularly reviews the development and strategic direction of the Company, a process which culminated in the approval by the Company's shareholders of the new investment strategy at the Extraordinary General Meeting held on 12 October 2006. The Board's main focus continues to be on the Company's long-term investment return. Attention is paid to the integrity and success of the investment process and to factors which may have an impact on this. Due regard is given to the promotion of the Company, including effective communication with shareholders and other external parties.

Performance

A detailed review of performance during the year is contained in the Investment Manager's Review on pages 12 to 15.

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

The key performance indicators ('KPIs') used to measure the progress and performance of the Company are established industry measures and are as follows:

- Return on equity over the long term
- The movement in net asset value per ordinary share
- The movement in share price

Details of the KPIs are shown on pages 8 to 9.

Risk Management

As the Company is focused on private equity and therefore on unquoted companies, the Directors aim to limit the risk attaching to the portfolio as a whole by careful selection and distribution of investments, and by monitoring the spread of holdings in terms of maturity and industry sector. The Board reviews the investment portfolio with the Manager on a regular basis.

The Risks facing the Company include Market Risk, Interest Rate Risk, Liquidity Risk and Foreign Currency Risk as further detailed in Note 16 of the Notes to the Accounts.

Investment Management Arrangements

EP Private Equity Limited, a subsidiary of Electra Partners Group Limited, was the Manager of the Company during the year under review. Electra Partners LLP was appointed as the Manager of the Company following shareholders' approval of new management arrangements at the Extraordinary General Meeting held on 12 October 2006.

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 EP Private Equity Limited during the year ended 30 September 2006 had a rolling one year notice period and therefore could be terminated on one year's notice, without penalty. The new contract with Electra Partners LLP, was approved by shareholders at the Extraordinary General Meeting held on 12 October 2006. Electra may terminate the new management agreement on 12 months' notice, after the initial two year period. After three years, the Company has the right to require Electra Partners LLP to work a shorter notice period for which Electra Partners LLP will receive priority profit share in the ordinary course. Whatever notice period is worked, Electra Partners LLP will be entitled to receive additional compensation equivalent to 12 months' priority profit share (determined by reference to the previous 12 months' priority profit share).

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

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

During the year the Company continued to operate carried interest and co-investment schemes for executives of Electra Partners and details of these schemes are contained in Note 21 of the Notes to the Accounts.

Socially Responsible Investment

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

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

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

Results and Dividend

A revenue profit attributable to shareholders of £8.616 million (2005: £28.893 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 17p per ordinary share in respect of the year ended 30 September 2006 which, subject to approval by shareholders at the Annual General Meeting to be held on 8 February 2007, will be paid on 9 March 2007 to shareholders on the Register of Members at the close of business on 9 February 2007.

Authority to make Market Purchases of Shares

As at 30 September 2006, the Company had authority to purchase for cancellation up to a further 56,472 shares. This authority increased to a total of 5,804,530 shares following the Extraordinary General Meeting held on 12 October 2006.

During the year the Company made the following purchases of its own shares in the market under authority granted by shareholders at a total cost of £64.257 million:

Shares Purchased for Cancellation	Date of Purchase	% of Issued Capital at Date of Purchase	Price per share
550,000	6 February 2006	1.26%	1,270p
950,000	8 March 2006	2.21%	1,280p
960,000	15 March 2006	2.28%	1,300p
325,000	29 March 2006	0.79%	1,300p
2,000,000	19 September 2006	4.91%	1,398p

Multi-Currency Loan Facility

At 30 September 2006 borrowings under the £250 million (2005: £250 million) multi-currency facility amounted to £165,823,000 (2005: £157,248,000).

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 2006. No other person was a Director of the Company during any part of the year. In accordance with either the Company's Articles of Association or the Combined Code on Corporate Governance (2003), Mr RA Armstrong, Lord King of Bridgwater, Mr MED'A Walton, Mr JP Williams and Sir Brian Williamson will all retire at the Annual General Meeting in 2007 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 2006 and 15 December 2006.

	30 September 2006 Shares	1 October 2005 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	**10,000**	50,000

Substantial Shareholders
At 15 December 2006 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	5.93
Asset Value Investors Limited on behalf of clients	2,250,000	5.81
Legal & General Group PLC companies	1,496,566	3.86

Charitable and Political Donations
During the year the Group made no charitable or political donations (2005: £nil).

Audit Information
Pursuant to Section 234ZA (2) (a) of the Companies Act 1985, each of the Directors confirms that (a) so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware and (b) they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

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

Creditor Payment Policy
The Company agrees the terms of payment with its suppliers when agreeing the terms of each agreement. Suppliers are aware of the terms of payment and the Company abides by the terms of payment. The Group's average creditor payment period at 30 September 2006 was one day (2005: one day) and that of the Company was one day (2005: 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 8 February 2007. 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 5,804,530 of the Company's ordinary shares (or such lesser number of shares as is equal to 14.99% of the total number of ordinary shares in issue at the date of the passing of the resolution) subject to the constraints set out in the special resolution. The Directors 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.

Directors believe that the renewal of the Board's authority to purchase shares, as detailed above, is consistent with the changes approved at the Extraordinary General Meeting held on 12 October 2006 and is in the best interests of shareholders as a whole. The Directors recommend shareholders to vote in favour of this special resolution.

Post Balance Sheet Events

As detailed in the Chairman's Statement on pages 3 to 5, the Company held an Extraordinary General Meeting on 12 October 2006 at which shareholders approved an updated investment strategy and the appointment of Electra Partners LLP as its Investment Manager.

By order of the Board of Directors
PJ Dyke, Secretary, Paternoster House
65 St Paul's Churchyard, London EC4M 8AB
15 December 2006

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 throughout the year to 30 September 2006. 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. The remuneration of the Directors is determined by the provisions in the Articles of Association and by shareholders' resolutions.

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 2007 and subsequent years. Non-executive Directors are not eligible to receive bonuses, pension benefits, share options or other benefits.

Directors' Service Contracts

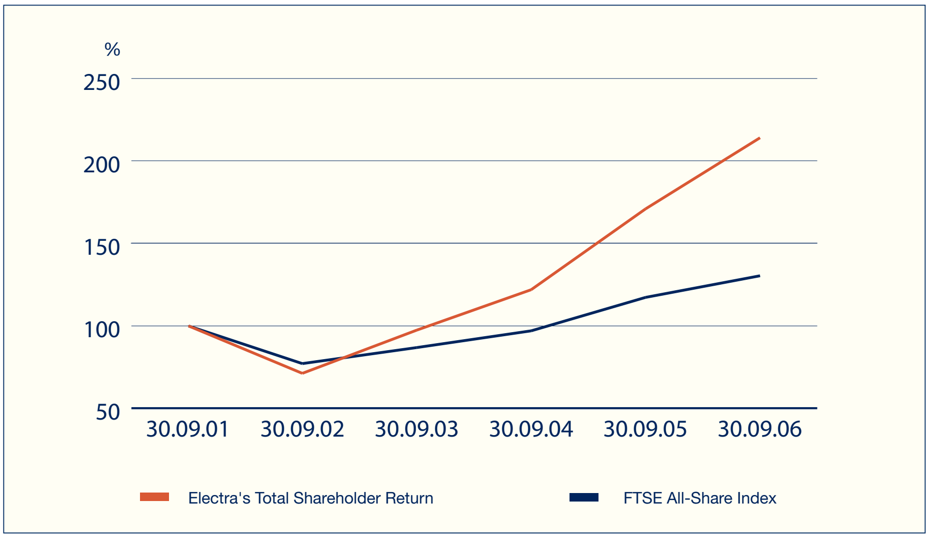
None of the Directors has a service contract with the Company. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office.

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 2006 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 was the most appropriate index against which to compare the Company's performance for these five years.

Electra Private Equity 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 2006 £000	30 September 2005 £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 (2005: £28,500) paid to third parties for making available the services of one of the Directors (2005: one).

By order of the Board of Directors
PJ Dyke, Secretary, Paternoster House
65 St Paul's Churchyard, London, EC4M 8AB
15 December 2006

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 2006 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. During the year the Directors assessed the performance of Electra Partners and proposed changes in the management arrangements. Full details were set out in a circular letter to shareholders dated 19 September 2006. The Board meetings consider, as appropriate, such matters as overall strategy, investment performance, gearing, share price performance, share price discount, the shareholder profile of the Company and communication with shareholders. The Board considers that it meets sufficiently regularly to discharge its duties effectively.

The number of scheduled meetings of the Board and Committees of the Board held during the year and the attendance of the individual Directors at those meetings is shown in the table below. In addition, a number of Directors attended further Board meetings held during the year at short notice to address specific issues. These included matters relating to the updated investment strategy, terms of appointment of Electra Partners and related issues which were announced on 19 September 2006. All 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 pending approval from shareholders of the change in investment strategy and terms of appointment of Electra Partners.

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

	Board	Nomination Committee	Audit Committee
Number of Meetings	**5**	**2**	**3**
Sir Brian Williamson	5	2	* –
RA Armstrong	5	2	3
Professor Sir George Bain	4	2	2
Lord King of Bridgwater	5	2	3
MED'A Walton	5	2	3
JP Williams	5	2	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. 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. The Directors (including the Chairman) who have been in office for more than nine years will submit themselves to annual re-election.

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.

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, Mr JP Williams and Mr MED'A Walton will retire at the Annual General Meeting to be held in 2007 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.

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 internal control report provided by it give sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

The Remuneration 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 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 Controls: 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 2006. 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 profit 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.

Report of the Independent Auditors

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

We have audited the group and parent company financial statements (the "financial statements") of Electra Private Equity PLC for the year ended 30 September 2006 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Change in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC 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 form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Investment Manager's Review, the Corporate Governance Statement and the other items included in the contents section. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 part of the Directors' Remuneration Report to be audited 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 part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 September 2006 and of its profit and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 September 2006 and cash flows for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
15 December 2006

- The maintenance and integrity of the www.electraequity.com website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement

For the year ended 30 September

Note		Revenue £'000	Capital £'000	2006 Total £'000	Revenue £'000	Capital £'000	* Restated 2005 Total £'000
1	Net gains on investments	**33,484**	**143,579**	**177,063**	49,443	96,906	146,349
1	Profits/(losses) on revaluation of foreign currencies	**–**	**6,122**	**6,122**	–	(2,472)	(2,472)
		33,484	**149,701**	**183,185**	49,443	94,434	143,877
3	Other Income	**2,437**	**–**	**2,437**	2,374	–	2,374
4	Priority profit share paid to general partners	**(10,681)**	**–**	**(10,681)**	(8,964)	–	(8,964)
4	Other expenses	**(3,539)**	**(645)**	**(4,184)**	(2,603)	512	(2,091)
	Net Profit before Finance Costs and Taxation	**21,701**	**149,056**	**170,757**	40,250	94,946	135,196
7	Finance costs	**(8,799)**	**–**	**(8,799)**	(6,140)	–	(6,140)
	Profit on Ordinary Activities before Taxation	**12,902**	**149,056**	**161,958**	34,110	94,946	129,056
8	**Taxation Expenses**	**(4,286)**	**(7,208)**	**(11,494)**	(5,217)	(480)	(5,697)
	Profit after Taxation	**8,616**	**141,848**	**150,464**	28,893	94,466	123,359
18	**Attributable to Equity Shareholders**	**8,616**	**141,848**	**150,464**	28,893	94,466	123,359
11	**Basic and Diluted Earnings per Ordinary Share**	**20.58p**	**338.80p**	**359.38p**	64.09p	209.54p	273.63p

The Total column of this statement represents the Group's Income Statement prepared in accordance with IFRS and the Companies Act. The supplementary Revenue and Capital columns are both prepared under guidance published by the Association of Investment Trust Companies. This is further explained in the Basis of Accounting on page 43.

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

* As restated for the adoption of IFRS, as explained within the Basis of Accounting.

	2006	2005
Number of Ordinary Shares in issue at 30 September	**38,722,687**	**43,507,687**

Note		2006	2005
	Dividends Paid		
9	Total paid (£'000)	**8,592**	–
9	Per share	**20p**	–

Statement of Changes in Equity

Note	For the year ended 30 September for the Group	2006 £'000	2005 £'000
18	Total equity at 1 October *	**520,883**	426,723
12	Adoption of IAS 39 **	**1,239**	–
18	Profit after taxation	**150,464**	123,359
18	Special dividend †	**(8,592)**	–
18	Exchange differences	**(1,445)**	478
18	Repurchase of own shares	**(64,257)**	(29,677)
	Total Equity Shareholders' Funds at 30 September	**598,292**	520,883

Note	For the year ended 30 September for the Company	2006 £'000	2005 £'000
18	Total equity at 1 October *	**496,760**	426,114
12	Adoption of IAS 39 **	**1,239**	–
18	Profit after taxation	**167,214**	100,323
18	Special dividend †	**(8,592)**	–
18	Repurchase of own shares	**(64,257)**	(29,677)
	Total Equity Shareholders' Funds at 30 September	**592,364**	496,760

* As restated for the adoption of IFRS, explained within the Basis of Accounting and Note 23.

** Opening balance at 1 October 2005 has been restated for IAS 39 such that listed investments have been valued at bid rather than mid price and marketability discounts have not been applied.

† Special dividend paid of 20p per share after share buy-back of 550,000 ordinary shares on 6 February 2006.

Consolidated Balance Sheet

Note		As at 30 Sept 2006 £'000	As at 30 Sept 2006 £'000	* Restated As at 30 Sept 2005 £'000	* Restated As at 30 Sept 2005 £'000
	Non-Current Assets				
12	Investments held at fair value:				
	Unlisted and listed		**386,033**		370,298
	Floating rate notes		**394,201**		265,595
			780,234		635,893
	Current Assets				
13	Trade and other receivables	**1,481**		12,847	
	Cash and cash equivalents	**9,875**		62,610	
		11,356		75,457	
	Current Liabilities				
14	Trade and other payables	**15,591**		15,556	
	Net Current (Liabilities)/ Assets		**(4,235)**		59,901
	Total Assets less Current Liabilities		**775,999**		695,794
15	Bank loans		**165,823**		157,248
			610,176		538,546
22	Provision for liabilities and charges		**11,884**		17,663
	Net Assets		**598,292**		520,883
	Capital and Reserves				
17	Called-up share capital		**9,681**		10,877
18	Share premium	**24,147**		24,147	
18	Capital redemption reserve	**33,594**		32,398	
18	Translation reserve	**(967)**		478	
18	Realised capital profits	**645,621**		584,240	
18	Unrealised capital losses	**(136,980)**		(154,430)	
18	Revenue reserves	**23,196**		23,173	
			588,611		510,006
	Total Equity Shareholders' Funds		**598,292**		520,883
	Net Asset Value per Ordinary Share		**1,545.07p**		1,197.22p
	Ordinary Shares in issue 30 September		**38,722,687**		43,507,687

* As restated for the adoption of IFRS, as explained within the Basis of Accounting and in Note 23.

The notes on pages 43 to 66 are an integral part of the financial statements.

Balance Sheet

Note		As at 30 Sept 2006 £'000	As at 30 Sept 2006 £'000	* Restated As at 30 Sept 2005 £'000	* Restated As at 30 Sept 2005 £'000
	Non-Current Assets				
12	Investments held at fair value:				
	Subsidiary undertakings		**7,979**		7,979
	Unlisted and listed		**321,957**		318,751
	Floating Rate Notes		**394,201**		265,594
			724,137		592,324
	Current Assets				
13	Trade and other receivables	**6,280**		7,390	
	Cash and cash equivalents	**8,957**		61,888	
		15,237		69,278	
	Current Liabilities				
14	Trade and other payables	**136,425**		147,179	
	Net Current Liabilities		**(121,188)**		(77,901)
			602,949		514,423
22	Provision for Liabilities and Charges		**10,585**		17,663
			592,364		496,760
	Capital and Reserves				
17	Called-up share capital		**9,681**		10,877
18	Share premium	**24,147**		24,147	
18	Capital redemption reserve	**33,594**		32,398	
18	Realised capital profits	**657,968**		600,274	
18	Unrealised capital losses	**(141,960)**		(180,066)	
18	Revenue reserve	**8,934**		9,130	
			582,683		485,883
	Total Equity Shareholders' Funds		**592,364**		496,760

* As restated for the adoption of IFRS as explained within the Basis of Accounting and in Note 23.

The notes on pages 43 to 66 are an integral part of the financial statements.

The Accounts on pages 37 to 66 were approved by the Directors on 15 December 2006 and were signed on their behalf by:

Sir Brian Williamson, *Chairman*

Consolidated Cash Flow Statement

For the year ended 30 September	£'000	2006 £'000	£'000	* Restated 2005 £'000
Operating Activities				
Purchases of investments	**(457,865)**		(307,487)	
Amounts paid under incentive scheme	**(13,691)**		(2,343)	
Sales of investments	**460,114**		365,797	
Dividends and distributions received	**14,560**		2,817	
Other investment received	**28,323**		44,792	
Interest income received	**2,139**		2,066	
Other income received	**297**		307	
Expenses paid	**(13,407)**		(11,222)	
Taxation paid	**(7,380)**		–	
Net Cash Inflow from Operating Activities		**13,090**		94,727
Financing Activities				
Bank loans drawn	**71,680**		47,424	
Bank loans repaid	**(56,680)**		(52,424)	
Repurchase of own shares	**(64,257)**		(38,848)	
Loans received	**–**		5,248	
Finance costs	**(7,451)**		(5,337)	
Other finance costs	**(222)**		(803)	
Dividend paid	**(8,592)**		–	
Net Cash Outflow from Financing Activities		**(65,522)**		(44,740)
Changes in cash and cash equivalents		**(52,432)**		49,987
Cash and cash equivalents at 1 October		**62,610**		12,880
Translation difference		**(303)**		(257)
Cash and cash equivalents at 30 September		**9,875**		62,610

* As restated for the adoption of IFRS, as explained within the Basis of Accounting.

Cash Flow Statement

For the year ended 30 September	£'000	2006 £'000	£'000	2005 £'000
Operating Activities				
Purchases of investments	**(416,359)**		(321,893)	
Amounts paid under incentive scheme	**(13,691)**		(2,346)	
Sales of investments	**421,131**		342,907	
Dividends and distributions received	**7,257**		2,496	
Other investment income received	**19,234**		29,041	
Interest received	**2,157**		2,018	
Other income received	**297**		307	
Expenses paid	**(14,181)**		(4,610)	
Taxation paid	**(7,380)**		–	
Net Cash (Outflow)/Inflow from Operating Activities		**(1,535)**		47,920
Financing Activities				
Repurchase of own shares	**(64,257)**		(29,676)	
Intercompany loans	**21,978**		32,477	
Other finance costs	**(222)**		(803)	
Dividend paid	**(8,592)**		–	
Net Cash (Outflow)/Inflow from Financing Activities		**(51,093)**		1,998
Changes in cash and cash equivalents		**(52,628)**		49,918
Cash and cash equivalents at 1 October		**61,888**		11,607
Translation difference		**(303)**		363
Cash and cash equivalents at 30 September		**8,957**		61,888

Basis of Accounting

The Accounts for the year ended 30 September 2006 have been prepared in accordance with the Companies Act 1985 and International Financial Reporting Standards ("IFRS"). IFRS comprises standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") as adopted in the European Union as at 30 September 2006.

In order to reflect the activities of an investment trust company, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In analysing total income between capital and revenue returns, the Directors have followed the guidance contained in the Statement of Recommended Practice for investment trusts issued by the Association of Investment Trust Companies in December 2005 (the "SORP").

The recommendations of the SORP which have been followed include:

- Realised and unrealised profits or losses arising on the revaluation or disposal of investments classified as held at fair value through profit and loss should be shown in the capital column of the income statement. Realised gains are taken to the realised reserves in equity and unrealised gains are transferred to the unrealised reserves in equity.
- Returns on any share or debt security whether in respect of dividends, interest or otherwise) should be shown in the revenue column of the income statement. The total of the revenue column of the income statement is taken to the revenue reserve in equity.
- The Board should determine whether the indirect costs of generating capital gains should also be shown in the capital column of the income statement.

If the Board decides that this should be so, the management fee should be allocated between revenue and capital in accordance with the Board's expected long term split of returns, and other expenses should be charged to capital only to the extent that a clear connection with the maintenance or enhancement of the value of investments can be demonstrated. The Board has decided that the Company should continue to charge priority profit share and finance costs as revenue items for the year ended 30 September 2006.

In accordance with the Company's status as a UK investment company under Section 266 of the Companies Act 1985, net capital return may not be distributed by way of dividend.

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

First Time Adoption of International Financial Reporting Standards ("IFRS 1")

The date of transition to IFRS for the Group and Company is 1 October 2004. The IFRS accounting policies detailed herein have been applied retrospectively to the opening balance sheet as at 1 October 2004 and all subsequent periods, except as described below. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in Note 23.

As permitted by IFRS 1, the UK GAAP accounting policies in respect of financial instruments as applied at 30 September 2005 have continued to be used for the comparative financial information presented in this report. The effect of adopting IAS 32 Financial Instruments: disclosure and presentation, and IAS 39 Financial Instruments: recognition and measurement, for the comparative periods would not have been significant.

Under IFRS 1 cumulative translation differences on the consolidation of subsidiaries are being accumulated from the date of transition to IFRS and disclosed in a separate Translation Reserve and not from the original acquisition date.

New Standards and Interpretations Not Applied

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

International Accounting Standards		Application Date
IAS 1	Amendment – presentation of Financial Statements: Capital Disclosures	1 January 2007
IAS 39	Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions	1 January 2006
IAS 39	Amendment – The Fair Value Option	1 January 2006
IAS 39 and IFRS 4	Amendment – Financial Guarantee Contracts	1 January 2006
IFRS 7	Financial Instruments: Disclosures	1 January 2007
IFRIC 7	Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies	1 March 2006
IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10	Interim Financial Reporting and Impairment	1 November 2006

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application.

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. A subsidiary is an entity where the Company has the power to govern the financial and operating policies so as to obtain benefit from its activities. The structures through which the Company's investments are made mean that for the purposes of consolidation, the Company is deemed not to have significant influence or control over the operating and financial decisions of the investee companies. Consequently, investments held through limited partnerships and any significant investment holdings are not consolidated or accounted for using the equity method. Control in all cases vests with parties outside the Electra Group.

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

Principles of Valuation of Investments

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. One of the principal methodologies, as above, 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.

Listed Investments

The listed investment portfolio is held within a limited partnership fund managed by Electra Partners. Listed investments are stated at the last traded bid price on the balance sheet date without discount. Investments in overseas companies listed both abroad and on the London Stock Exchange are classified as investments listed overseas.

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. Investments in other limited partnership funds are treated as unlisted investments and disclosed separately.

Floating Rate Notes

Floating rate notes are held at fair value which equates to the issue price.

Accrued Income

Accrued income is included within investment valuations.

Cash and Cash Equivalents

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

Dividends

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

Foreign Currencies

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

Income
Dividends receivable from equity shares are brought into account on the ex-dividend date or, where no ex-dividend date is quoted, are brought into account when the Group's right to receive payment is established. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the shares and debt securities. 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 for expenses in connection with the disposal of non-current asset investments, which are deducted from the disposal proceeds of the investment.

Finance Costs
Costs of borrowings are expensed as revenue items through the Income Statement as they accrue on an effective yield basis.

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.

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 share, so as 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.

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 the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

The provision for the incentive schemes is based on the valuation of investments as at the balance sheet date.

Revenue and Capital Reserves
The Capital Profit component of Total Income is taken to the non-distributable Realised Capital Profit Reserve within the Consolidated Statement of Changes in Equity. The Revenue Profit component of Total Income is taken to the Revenue Reserve from which dividend distributions are made.

Key Estimates and Assumptions

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

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to the valuation of unquoted investments. These are valued in accordance with International Private Equity Venture Capital Valuation Guidelines. Judgement is required in order to determine the appropriate valuation methodology under these guidelines and subsequently in determining the inputs into the valuation model used. These judgements include making assessments of the future earnings potential of portfolio companies, appropriate earnings multiples to apply, and marketability discounts. Although the judgements are significant, the valuation guidelines are clear, well established and supported by a large part of the global private equity industry.

Notes to the Accounts

1 Segmental Analysis

For the year ended 30 September 2006

	UK & Continental Europe £'000	Americas £'000	Far East £'000	2006 Total £'000	UK & Continental Europe £'000	Americas £'000	Far East £'000	2005 Total £'000
Net Gain on Investments								
Realised capital gains on investments	**116,983**	**1,852**	**2,942**	**121,777**	80,742	7,886	1,903	90,531
Unrealised capital gains/(losses) on investments *	**10,930**	**10,422**	**450**	**21,802**	3,794	(1,196)	3,777	6,375
Portfolio investment income	**32,581**	**622**	**281**	**33,484**	48,224	926	293	49,443
	160,494	**12,896**	**3,673**	**177,063**	132,760	7,616	5,973	146,349
Capital gains on revaluation of foreign currency	**–**	**5,870**	**252**	**6,122**	–	(2,781)	309	(2,472)
	160,494	**18,766**	**3,925**	**183,185**	132,760	4,835	6,282	143,877
Other income				**2,437**				2,374
Priority profit share paid to general partners				**(10,681)**				(8,964)
Other Expenses				**(4,184)**				(2,091)
Net profit before finance costs and taxation				**170,757**				135,196
Finance costs				**(8,799)**				(6,140)
Profit on ordinary activities before taxation				**161,958**				129,056
Portfolio Additions and Sales								
Purchases at cost	**452,294**	**5,571**	**–**	**457,865**	298,770	8,717	–	307,487
Disposal proceeds	**433,396**	**18,698**	**4,990**	**457,084**	349,653	22,801	2,576	375,030
Balance sheet								
Investments held at fair value	**696,855**	**54,547**	**28,832**	**780,234**	547,098	56,213	32,582	635,893

* After deducting the increase in incentive scheme provision of £8,482,000, see Notes 18 and 22.

Financial liabilities are shown in Note 16.

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

2 Net Revenue Gain On Investments Held at Fair Value

For the year ended 30 September	£'000	2006 £'000	£'000	2005 £'000
Income of the Investment Trust				
UK Dividend Income from Non-current Assets				
Unlisted – UK	**689**		1,601	
Partnership interests – UK*	**6,608**		1,502	
		7,297		3,103
Other Investment Income from Non-current Assets				
Unlisted – UK	**22,876**		22,533	
Unlisted – overseas	**98**		1,194	
Partnership interests – UK	**2,556**		5,065	
		25,530		28,792

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

2 Net Revenue Gain On Investments Held at Fair Value continued

For the year ended 30 September	£'000	2006 £'000	£'000	2005 £'000
Net Income of Subsidiary Undertakings				
UK Dividend Income from Non-current Assets				
Unlisted – UK	–		7,609	
		–		7,609
Other Investment Income from Non-current Assets				
Unlisted – UK	657		9,939	
		657		9,939
		33,484		49,443

3 Other Income

For the year ended 30 September	£'000	2006 £'000	£'000	2005 £'000
Interest and Other Income				
Bank interest income	2,053		1,946	
Bank interest receivable - Partnership interests *	60		–	
Rental income	298		298	
Other income - Partnership interests *	24		81	
		2,435		2,325
Interest Receivable and Other Income				
Other interest	2		49	
		2		49
		2,437		2,374

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

4 Expenses

	Year to 30 Sept 2006 £'000	Year to 30 Sept 2005 £'000
Priority profit share paid to General Partner	10,681	8,964

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. The priority profit share is 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 share.

4 **Expenses** continued

For the year ended 30 September	Revenue £'000	2006 Capital £'000	Revenue £'000	2005 Capital £'000
Other expenses				
Administrative expenses	**1,325**	**–**	1,558	–
Restructuring expenses	**1,225**	**–**	–	–
Directors' remuneration (see Note 5)	**303**	**–**	303	–
Auditors' remuneration	**686**	**–**	410	–
Reversal of income accruals	**–**	**–**	332	–
Capital foreign exchange movements	**–**	**645**	–	(512)
	3,539	**645**	2,603	(512)

The restructuring expenses consist of professional fees incurred during the renegotiation of the Investment Managers' contract, the circular to shareholders in respect of the update of investment strategy, terms of appointment of the Investment Manager and related matters, and the revision of underlying partnership agreements.

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 £236,000 (2005: £14,100) was paid to PricewaterhouseCoopers LLP, USA in relation to taxation advisory and compliance services.

	Year to 30 Sept 2006 £'000	Year to 30 Sept 2005 £'000
Audit fees		
Company	**210**	152
Group companies	**77**	32
Limited Partnership Funds	**26**	26
Tax and compliance	**81**	77
	394	287
Advisory services		
Audit related regulatory reporting	**115**	40
Further assurance services	**28**	–
Tax advisory services	**149**	83
Auditors' Remuneration	**686**	410

5 Directors' Remuneration

	Year to 30 Sept 2006 £'000	Year to 30 Sept 2005 £'000
Chairman's remuneration for year	**150**	150
Directors' fees	**153**	153
	303	303
Emoluments		
Chairman and highest paid Director:	**150**	150
	150	150

5 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:

	2006 Number	2005 Number		2006 Number	2005 Number
£25,001 – £30,000	**4**	4	£145,001 – £150,000	**1**	1
£35,001 – £40,000	**1**	1			

During the year no Director (2005: none) waived remuneration amounting to £nil (2005: £nil).

The Directors' fees include £28,500 (2005: £28,500) paid to third parties for making available the services of one of the Directors (2005: one).

6 Employees (Excluding Directors)

The Company has no employees (2005: none).

7 Finance Costs

	Year to 30 Sept 2006 £'000	Year to 30 Sept 2005 £'000
Loans Repayable between One and Five Years		
Interest on Bank loans	**7,436**	5,337
Loan commitment fees	**222**	803
	7,658	6,140
Other interest	**1,141**	–
	8,799	6,140

8 Taxation on Ordinary Activities

A tax charge of £11,494,000 arose in the year to 30 September 2006 (2005: £5,697,000). Corporation tax at 30% (2005: 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:

For the year ended 30 September	Revenue £'000	2006 Capital £'000	Revenue £'000	2005 Capital £'000
(a) UK Corporation Tax				
Current tax	**4,271**	**495**	5,217	–
Adjustment in respect of prior periods	**15**	**4,196**	–	–
Overseas tax adjustments in respect of prior periods	**–**	**1,218**	–	480
	4,286	**5,909**	5,217	480
Deferred tax oveseas	**–**	**1,299**	–	–
	4,286	**7,208**	5,217	480

8 Taxation on Ordinary Activities continued

(b) Factors affecting the tax charge for the year

	Revenue Year ended 30 Sept 2006 £'000	**Capital Year ended 30 Sept 2006 £'000**	Revenue Year ended 30 Sept 2005 £'000	Capital Year ended 30 Sept 2005 £'000
Return on ordinary activities before taxation	**12,902**	**149,056**	34,110	94,946
Return on ordinary activities multiplied by the standard rate of UK corporation tax of 30% (2005: 30%)	**3,871**	**44,716**	10,233	28,484
Effects of:				
Prior year adjustments	**(15)**	**–**	–	–
Dividend income	**(207)**	**–**	(2,763)	–
Disallowable expenses	**250**	**–**	34	–
Priority profit share of partnership income appropriated by General Partners	**430**	**(430)**	718	(718)
Brought forward losses utilised	**(86)**	**(1,754)**	(3,004)	(3,516)
Capital allowances	**(2)**	**–**	(2)	–
Unutilised losses arising in the year	**45**	**–**	1	–
Deferred tax overseas	**–**	**1,299**	–	–
Overseas tax charge	**–**	**1,218**	–	480
Adjustment of taxes for previous periods	**–**	**4,196**	–	–
Subsidiary capital gains	**–**	**495**	–	–
Capital profits not chargeable due to Investment Trust status	**–**	**(42,532)**	–	(25,250)
Tax charge	**4,286**	**7,208**	5,217	480

9 Dividends

For the year ended 30 September	**2006 £'000**	Restated 2005 £'000
Dividends paid in the period	**8,592**	–
Dividends paid per share	**20p**	–

Under IFRS dividends are recognised in the accounts in the period in which they are approved rather than declared, thus the 20p special dividend stated in the 30 September 2005 Annual Report has been included in the Statement of Changes in Equity for the year to 30 September 2006 with a restatement of the 30 September 2005 Balance Sheet. The amount shown at 30 September 2005 of £8,701,537 was a 20p special dividend on outstanding share capital of 43,507,687 ordinary shares. Following share buybacks during the period, 42,957,687 ordinary shares were outstanding at the date of dividend payment resulting in a final payment of £8,591,537. In addition, the Directors are proposing a final dividend in respect of the financial year ended 30 September 2006 of 17p per ordinary share. This will be payable to shareholders who are on the register of members at the record date, which is the basis on which the requirement of Section 842 Income and Corporation Taxes Act 1988 is considered.

10 Revenue Return Attributable to Equity Shareholders

The Revenue Return attributable to shareholders includes a profit of £8,396,000 (2005: profit of £11,290,000) which has been dealt with in the Accounts of the Company.

11 Earnings Per Share

	2006 p	2005 p
Revenue return per ordinary share	**20.58**	64.09
Capital return per ordinary share	**338.80**	209.54
Earnings per ordinary share (basic and diluted)	**359.38**	273.63

The calculation of revenue return per share is based on the revenue profits attributable to shareholders of £8,616,000 (2005: £28,893,000) on a weighted average number of 41,867,509 (2005: 45,082,631) ordinary shares of 25p in issue. The calculation of capital return per share is based on the capital profit attributable to ordinary shareholders of £141,848,000 (2005: £94,466,000) on a weighted average number of 41,867,509 (2005: 45,082,631) ordinary shares of 25p in issue. There were no potentially dilutive shares in either year.

12 Non-Current Assets
Investments held at fair value

	Group		Company	
	30 Sept 2006 £'000	30 Sept 2005 £'000	**30 Sept 2006 £'000**	30 Sept 2005 £'000
Subsidiary Undertakings at Fair Value				
Unlisted – UK and Continental Europe	**–**	–	**1,345**	1,345
Unlisted – USA and Other	**–**	–	**6,634**	6,634
	–	–	**7,979**	7,979

For the year ended 30 September for the Group

	2006			2005		
	Valuation £'000	**Accrued Income £'000**	**Total £'000**	Valuation £'000	Accrued Income £'000	Total £'000
Unlisted at Fair Value						
UK and Continental Europe	**201,861**	**5,229**	**207,090**	201,382	15,481	216,863
UK Floating Rate Notes	**392,004**	**2,197**	**394,201**	265,026	569	265,595
USA and Other	**43,617**	**438**	**44,055**	41,036	1,386	42,422
Partnership interests – UK and Continental Europe	**44,884**	**–**	**44,884**	23,457	–	23,457
Partnership interests – USA and Other	**26,815**	**–**	**26,815**	35,147	–	35,147
	709,181	**7,864**	**717,045**	566,048	17,436	583,484
Listed at Fair Value						
UK and Continental Europe	**62,982**	**207**	**63,189**	52,252	157	52,409
	772,163	**8,071**	**780,234**	618,300	17,593	635,893

For the year ended 30 September for the Company

	2006			2005		
	Valuation £'000	**Accrued Income £'000**	**Total £'000**	Valuation £'000	Accrued Income £'000	Total £'000
Unlisted at Fair Value						
UK and Continental Europe	**142,975**	**4,775**	**147,751**	164,672	243	164,915
UK Floating Rate Notes	**392,004**	**2,197**	**394,201**	265,026	569	265,595
USA and Other	**43,617**	**–**	**43,617**	41,036	–	41,036
Partnership interests – UK and Continental Europe	**45,274**	**–**	**45,274**	21,134	–	21,134
Partnership interests – USA and Other	**22,126**	**–**	**22,126**	39,383	–	39,383
	645,997	**6,972**	**652,969**	531,251	812	532,062

12 Non-Current Assets

For the year ended 30 September for the Company

			2006			2005
		Accrued			Accrued	
	Valuation	Income	Total	Valuation	Income	Total
Listed at Fair Value	£'000	£'000	£'000	£'000	£'000	£'000
UK and Continental Europe	62,982	207	63,189	52,252	157	52,283
	708,979	7,179	716,158	583,503	2,563	584,345

Investments Held at Fair Value

For the year ended 30 September for the Group

			Group			Company
		Accrued			Accrued	
	Valuation	Income	Total	Valuation	Income	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Valuation at 1 October 2005						
Investments	618,300	–	618,300	575,807	–	575,807
Reclass of Partnership assets	–	–	–	7,695	–	7,695
Adoption of IAS 39	1,239	–	1,239	1,239	–	1,239
Subsidiary undertakings	–	–	–	7,979	–	7,979
	619,539	–	619,539	592,720	–	592,720
Accrued income at 1 October 2005	–	17,593	17,593	–	843	843
Changes due to currency movements	(2,559)	–	(2,559)	(2,263)	–	(2,263)
	616,980	17,593	634,573	590,457	843	591,300
Purchases	457,865	–	457,865	416,359	–	416,359
	1,074,845	17,593	1,092,438	1,006,816	843	1,007,659
Accrued income realised	–	(17,542)	(17,542)	–	(843)	(843)
Disposals	(332,966)	–	(332,966)	(308,245)	–	(308,245)
	741,879	51	741,930	698,571	–	698,571
Increase in accrued income provision	–	8,020	8,020	–	7,179	7,179
Increase in valuation	30,284	–	30,284	18,387	–	18,387
Valuation at 30 September 2006	772,163	8,071	780,234	716,958	7,179	724,137
Cost at 30 September 2006	903,987	–	903,987	844,471	–	844,471

The amount of investments held in limited partnership funds that are managed by Electra Partners is £89,610,000 (2005: £113,618,000).

13 Trade and Other Receivables – Current

	Group		Company	
	30 Sept 2006 £'000	30 Sept 2005 £'000	30 Sept 2006 £'000	30 Sept 2005 £'000
Sales for future settlement	–	7,240	–	–
Taxation recoverable	48	1,033	–	2
Amounts owed by subsidiary undertakings	–	–	4,859	6,181
Trade debtors and other debtors	1,433	4,574	1,421	1,207
	1,481	12,847	6,280	7,390

14 Trade and Other Payables – Current

	Group		Company	
	30 Sept 2006 £'000	30 Sept 2005 £'000	**30 Sept 2006 £'000**	30 Sept 2005 £'000
Amounts Falling Due within One Year				
Amounts owed to subsidiary undertakings	**–**	–	**123,107**	134,401
Corporation tax	**6,463**	5,217	**6,606**	5,217
Overseas taxation	**1,603**	480	**1,603**	–
Trade creditors and other creditors	**7,525**	9,859	**5,109**	7,561
	15,591	15,556	**136,425**	147,179

15 Creditors

	Group		Company	
	30 Sept 2006 £'000	30 Sept 2005 £'000	**30 Sept 2006 £'000**	30 Sept 2005 £'000
Bank loans				
Due between one to four years (2005: one to five years)	**165,823**	157,248	**–**	–

A variable rate of interest is charged on the bank loans. The bank loan relates to a £250,000,000 committed unsecured multi-currency revolving credit facility. The facility is repayable on 27 September 2010. Under the Facility Agreement the Group is liable to pay interest at LIBOR rates plus mandatory costs plus a margin with variable rates determined by the ratio of portfolio value plus cash to total borrowed funds.

16 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 12 to 15.
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.

16 Financial Instruments

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 basis of accounting 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 2006.

Currency	Foreign currency monetary assets		Foreign currency monetary liabilities		Net foreign currency monetary assets/ (liabilities)	
As at 30 September	**2006 £'000**	2005 £'000	**2006 £'000**	2005 £'000	**2006 £'000**	2005 £'000
US Dollar	**135,572**	160,187	**(106,872)**	(113,045)	**28,700**	47,142
Euro	**74,947**	40,627	**(43,951)**	(44,203)	**30,996**	(3,576)
Total	**210,519**	200,814	**(150,823)**	(157,248)	**59,696**	43,566

16 Financial Instruments continued

(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 2006.

Currency As at 30 September 2006	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Sterling	**579,590**	**413,619**	**72,785**	**93,186**
US Dollar	**135,572**	**3,579**	**13,695**	**118,298**
Euro	**74,947**	**597**	**–**	**74,350**
Total	**790,109**	**417,795**	**86,480**	**285,834**

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

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	497,689	326,484	90,925	80,280
US Dollar	160,187	2,987	17,236	139,964
Euro	40,627	41	–	40,586
Total	698,503	329,512	108,161	260,830

Currency As at 30 September	Fixed rate financial assets weighted average interest rate 2006 %	 2005 %	Fixed rate financial assets on which no interest is paid weighted average period until maturity 2006 years	 2005 years
Sterling	**11.9**	9.6	**–**	–
US Dollar	**13.9**	5.6	**3**	4
Euro	**–**	–	**–**	–

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

Financial Liabilities

The interest rate profile of the financial liabilities:

Currency As at 30 September	Floating rate financial liabilities 2006 £'000	 2005 £'000
US Dollar	**106,872**	113,045
Euro	**43,951**	44,203
Sterling	**15,000**	–
Total	**165,823**	157,248
Total loan facility	**250,000**	250,000

The floating rate financial liabilities comprise a loan facility based on a rate per annum, the aggregate of margin, LIBOR and mandatory cost. Terms of the loan facility are detailed in Note 15. The Group does not currently hold fixed rate interest bearing financial liabilities, or financial liabilities on which no interest is paid.

16 Financial Instruments continued

(iv) Maturity of Financial Liabilities

The maturity profile of the Group's financial liabilities as at 30 September 2006 was:

As at 30 September	2006 £'000	2005 £'000
Between one and four years (2005: one and five years)	**165,823**	157,248

(v) Fair Values of Financial Assets and Liabilities

All the financial assets of the Group are held at fair value as at 30 September.

As at 30 September	Fair Value 2006 £'000	Fair Value 2005 £'000
Primary Financial Assets Held		
Equity shares	**282,531**	260,907
Non-equity shares	**13,786**	23,362
Fixed interest securities	**72,694**	84,642
Floating rate securities	**411,223**	266,982
Cash at bank and in hand	**9,875**	62,610
Primary Financial Liabilities held to Finance the Group's Operations		
Bank loans	**165,823**	157,248

The unlisted financial assets held are valued at amounts considered by the Directors to be a fair value, in accordance with the Principles of Valuation of Unlisted Equity Investments are detailed within the Basis of Accounting.

17 Share Capital

	30 Sept 2006 £'000	30 Sept 2005 £'000
Allotted, called-up and fully paid 38,722,687 (2005: 43,507,687) ordinary shares of 25p each	**9,681**	10,877
Unissued 161,277,313 (2005: 156,492,313) ordinary shares of 25p each	**40,319**	39,123
Authorised 200,000,000 ordinary shares of 25p each	**50,000**	50,000

During the year ended 30 September 2006, the Company purchased from shareholders 4,785,000 ordinary shares of 25p at prices between £12.70 and £13.98 per share. The cost of acquiring 4,785,000 ordinary shares of 25p including expenses of £447,000 amounted to £64,257,000.

18 Capital and Reserves

For the year ended 30 September 2006 for the Group

	Called-up share capital £'000	Share premium £'000	* Capital redemption reserve £'000	[1] Translation reserve £'000	[2] Realised capital profits/ (losses) £'000	[3] Unrealised capital (losses)/ profits £'000	[4] Revenue reserve £'000	Total Shareholders' funds £'000
At 1 October 2005 **	**10,877**	**24,147**	**32,398**	**478**	**584,240**	**(154,430)**	**23,173**	**520,883**
Adoption of IAS 39	**–**	**–**	**–**	**–**	**–**	**1,239**	**–**	**1,239**
Opening balance at 1 October 2005	**10,877**	**24,147**	**32,398**	**478**	**584,240**	**(153,191)**	**23,173**	**522,122**
Net revenue transferred to reserves	**–**	**–**	**–**	**–**	**–**	**–**	**8,616**	**8,616**
Dividend payment	**–**	**–**	**–**	**–**	**–**	**–**	**(8,593)**	**(8,593)**
Net profits on realisation of investments during the year	**–**	**–**	**–**	**–**	**121,777**	**–**	**–**	**121,777**
Increase in value of non-current investments	**–**	**–**	**–**	**–**	**–**	**30,284**	**–**	**30,284**
Increase in incentive provisions	**–**	**–**	**–**	**–**	**–**	**(8,482)**	**–**	**(8,482)**
Gains and losses on foreign currencies	**–**	**–**	**–**	**(1,445)**	**(947)**	**6,425**	**–**	**4,033**
Unrealised net appreciation at 1 October 2005 on investments sold during the year	**–**	**–**	**–**	**–**	**12,016**	**(12,016)**	**–**	**–**
Repurchase of own shares	**(1,196)**	**–**	**1,196**	**–**	**(64,257)**	**–**	**–**	**(64,257)**
Tax liabilities on capital	**–**	**–**	**–**	**–**	**(7,208)**	**–**	**–**	**(7,208)**
At 30 September 2006	**9,681**	**24,147**	**33,594**	**(967)**	**645,621**	**(136,980)**	**23,196**	**598,292**

For the year ended 30 September 2005 for the Group

	Called-up share capital £'000	Share premium £'000	* Capital redemption reserve £'000	[1] Translation reserve £'000	[2] Realised capital profits/ (losses) £'000	[3] Unrealised capital (losses)/ profits £'000	[4] Revenue reserve £'000	Total Shareholders' funds £'000
At 1 October 2004 (under UK GAAP and IFRS)	11,686	24,147	31,589	–	567,693	(202,672)	(5,720)	426,723
Net revenue transferred to reserves under UK GAAP	–	–	–	–	–	–	20,191	20,191
Net profits on realisation of investments during the year	–	–	–	–	90,531	–	–	90,531
Increase in value of non-current investments	–	–	–	–	–	16,031	–	16,031
Increase in incentive provisions	–	–	–	–	–	(9,656)	–	(9,656)
Gains and losses on foreign currencies	–	–	–	–	569	(2,215)	164	(1,482)
Unrealised net appreciation at 1 October 2004 on investments sold during the year	–	–	–	–	(44,082)	44,082	–	–
Repurchase of own shares	(809)	–	809	–	(29,677)	–	–	(29,677)
Overseas taxation	–	–	–	–	(480)	–	–	(480)
At 30 September 2005 under UK GAAP	10,877	24,147	32,398	–	584,554	(154,430)	14,635	512,181
Ordinary dividend	–	–	–	–	–	–	8,702	8,702
Transfer to Translation Reserve	–	–	–	478	(314)	–	(164)	–
At 30 September 2005 under IFRS	10,877	24,147	32,398	478	584,240	(154,430)	23,173	520,883

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

** As restated for the adoption of IFRS, as explained within Note 23.

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

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

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

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

18 Capital and Reserves continued

For the year ended 30 September 2006 for the Company

	Called-up share capital £'000	Share premium £'000	* Capital redemption reserve £'000	[1] Realised capital profits/ (losses) £'000	[2] Unrealised capital (losses)/ profits £'000	[3] Revenue reserve £'000	Total Shareholders' funds £'000
At 1 October 2005 **	**10,877**	**24,147**	**32,398**	**600,274**	**(180,066)**	**9,130**	**496,760**
Adoption of IAS 39	**–**	**–**	**–**	**–**	**1,239**	**–**	**1,239**
Opening balance at 1 October 2005	**10,877**	**24,147**	**32,398**	**600,274**	**(178,827)**	**9,130**	**497,999**
Dividend payment	**–**	**–**	**–**	**–**	**–**	**(8,592)**	**(8,592)**
Net profits transferred to reserves during the year	**–**	**–**	**–**	**104,426**	**54,392**	**8,396**	**167,214**
Unrealised net appreciation at 1 October 2005 on investments sold during the year	**–**	**–**	**–**	**17,525**	**(17,525)**	**–**	**–**
Repurchase of own shares	**(1,196)**	**–**	**1,196**	**(64,257)**	**–**	**–**	**(64,257)**
At 30 September 2006	**9,681**	**24,147**	**33,594**	**657,968**	**(141,960)**	**8,934**	**592,364**

For the year ended 30 September 2005 for the Company

	Called-up share capital £'000	Share premium £'000	* Capital redemption reserve £'000	[1] Realised capital profits/ (losses) £'000	[2] Unrealised capital (losses)/ profits £'000	[3] Revenue reserve £'000	Total Shareholders' funds £'000
At 1 October 2004	11,686	24,147	31,589	602,380	(241,528)	(2,160)	426,114
Net profits transferred to reserves during the year	–	–	–	79,237	9,796	2,588	91,621
Unrealised net appreciation at 1 October 2004 on investments sold during the year	–	–	–	(51,666)	51,666	–	–
Repurchase of own shares	(809)	–	809	(29,677)	–	–	(29,677)
At 30 September 2005 under UK GAAP *	10,877	24,147	32,398	600,274	(180,066)	428	488,058
Ordinary dividend	–	–	–	–	–	8,702	8,702
At 30 September 2005 under IFRS	10,877	24,147	32,398	600,274	(180,066)	9,130	496,760

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

** As restated for the adoption of IFRS, as explained within Note 23.

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

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

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

19 Contingent Liabilities and Commitments

The Company has undertaken to invest up to a further US$15,358,539 (2005: US$12,561,000) 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 £55,704,000 (2005: £38,761,000).

At 30 September 2006 the Company had uncalled commitments of £2,142,000 to a limited partnership fund advised by Electra Partners (2005: £3,257,000).

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.

20 Particulars of Holdings

Principal Subsidiary Undertakings

All companies are incorporated in Great Britain and registered in England and Wales unless otherwise stated. All companies operate in their country of incorporation. The financial statements of these companies are included in the consolidated financial statements of the Group.

Principal Subsidiary Undertakings

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

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

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.

Other Companies Held as Investments at Fair Value

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

Significant Interests in Investee Undertakings

The investee fair value of the undertakings shown below each represent by value more than 1% of the non-current asset investments of the Group:

	Carrying value at 30 Sept 2005 £'000	**Carrying value at 30 Sept 2006 £'000**	**Cost 30 Sept 2006 £'000**
Abbey National	24,996	**44,996**	**44,996**
Accrued income	56	**3**	
Floating rate notes 100.0%			
Allflex Holdings II	30,537	**30,902**	**30,127**
Warrants 100.0%			

20 **Particles of Holdings** continued

Other Companies Held as Investments at Fair Value continued

	Carrying value at 30 Sept 2005 £'000	**Carrying value at 30 Sept 2006 £'000**	**Cost 30 Sept 2006 £'000**
Alliance & Leicester	25,000	**25,000**	**25,000**
Accrued income	28	**31**	
Floating rate notes 100.0%			
Amtico Holdings	–	**22,500**	**22,500**
Accrued income	–	**243**	
Ordinary shares 18.4%			
Mezzanine loan 100.0%			
Unsecured deep discount bond 24.5%			
Bank of Ireland	–	**35,005**	**35,005**
Accrued income	–	**205**	
Floating rate notes 100.0%			
Barclays Bank	50,000	**52,000**	**52,000**
Accrued income	145	**103**	
Floating rate notes 100.0%			
Baxi Holdings	14,908	**19,192**	**14,908**
Accrued income	–	**4,673**	
Ordinary shares 9.9%			
Unsecured deep discount bond 9.9%			
Bizspace Unit Trust	–	**13,705**	**13,705**
Capital units 93.2%			
Income units 93.2%			
BNP Paribas	–	**55,000**	**55,000**
Accrued income	–	**340**	
Floating rate notes 100.0%			
Candover Investments	14,933	**17,290**	**3,751**
Accrued income	124	**171**	
Ordinary shares 3.4%			
Capital Safety Group	–	**24,144**	**18,394**
B Ordinary shares 47.6%			
Redeemable Preference shares 56.7%			
Dinamia (Spain)	10,863	**20,339**	**11,274**
Ordinary shares 10.4%			
Freightliner Group	21,271	**20,120**	**19,055**
Accrued income	–	**102**	
'A' ordinary shares 37.9%			
Loan stock 44.3%			
GE Capital	–	**10,009**	**10,009**
Accrued income	–	**115**	
Floating rate notes 100.0%			

20 Particulars of Holdings continued

Other Companies Held as Investments at Fair Value 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 2005 £'000	**Carrying value at 30 Sept 2006 £'000**	**Cost 30 Sept 2006 £'000**
HBOS	50,003	**40,000**	**40,000**
Accrued income	–	**345**	
Floating rate notes 100.0%			
Lloyds Bank	15,000	**30,000**	**30,000**
Accrued income	167	**171**	
Floating rate notes 100.0%			
Moser Baer (India)	17,234	**15,190**	**1,900**
Ordinary shares 6.0%			
Nationwide Building Society	25,000	**25,000**	**25,000**
Accrued income	3	**198**	
Floating rate notes 100.0%			
Orthofix International (USA)	8,113	**7,999**	**122**
Common Stock 5.0%			
Republic of Italy	–	**14,994**	**14,994**
Accrued income	–	**50**	
Floating rate notes 100.0%			
Royal Bank of Scotland	–	**60,000**	**60,000**
Accrued income	–	**519**	
Floating rate notes 100.0%			
SAV Credit	–	**15,000**	**15,000**
Preferred shares 36.1%			
Vent-Axia	–	**16,000**	**16,000**
Accrued income	–	**243**	
Mezzanine loan 45.7%			
Senior loan 47.1%			
Zensar Technologies (India)	10,002	**11,099**	**4,211**
Ordinary shares 22.1%			

21 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 2006 the participants received £13,691,000 (2005: £2,346,000) and are entitled to receive £1,869,000 (2005: £6,656,000) under these schemes and had unrealised gains of £9,842,000 (2005: £15,059,000). 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 2006 the participants received £nil (2005: nil) under the scheme and had unrealised gains of £743,000 (2005: £743,000).

21 Related Party Transactions continued

As detailed in Note 22, current and former executives of Electra Partners Group, the Investment Manager, are entitled to incentives based on the performance of investments in Electra. Under the arrangements relating to the management of the listed portfolio, certain executives of Electra Partners will receive bonuses over a one year period if the listed portfolio outperforms a composite index. No Directors of Electra 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.

Transactions between the Company and its subsidiaries, which are related parties of the Company are eliminated on Consolidation.

Net sales of investments from Electra Investments Limited to Electra amounted to £743,000 for the year ended 30 September 2006 (2005: £8,055,000). Net loans advanced by Electra Investments Limited to Electra were £13,912,000 (2005: £18,975,000). Interest of £7,108,000 (2005: £5,360,000) was paid on the outstanding balance.

Net loans for working capital and to clear intercompany balances were made to Albion (Electra) for £6,000 (2005: £nil) to Electra Property, Inc for £23,000 (2005: £nil), to Electra Holdings, Inc for £2,762,000 (2005: £nil), to Electra Oil & Gas, Inc for £18,000 (2005: from Electra Oil & Gas, Inc for £4,000), to EUK Limited for £735,000 (2005: from EUK Limited for £2,210,000) and from Electra Associates, Inc £2,431,000 (2005: to Electra Associates, Inc for £98,000).

22 Provision for Liabilities and Charges

	£'000	Group 30 Sept 2006 £'000	£'000	Company 30 Sept 2006 £'000
Incentive scheme provision				
At 1 October 2005	**17,663**		**17,663**	
Amounts paid and payable under incentive schemes	**(15,560)**		**(15,560)**	
		2,103		**2,103**
Incentive scheme provision				
Increase in incentive scheme provision		**8,482**		**8,482**
		10,585		**10,585**
Deferred tax overseas		**1,299**		**–**
At 30 September 2006		**11,884**		**10,655**

Current and former executives of Electra Partners, the Investment Manager, are entitled to incentives based on the performance of investments in Electra. Under the current contractual terms of the Realisation Incentive Schemes, executives receive the value of any amounts that were due at 30 September 2000 and 8% on uplifts in value from that date. The deferred tax provision relates to overseas tax provided on unrealised gains on investment.

23 Change of Accounting Policy

The impact of the movement from UK GAAP to IFRS to the Profit After Taxation, Total Equity Shareholders' Funds and the change in cash and cash equivalents as per the Cash Flow Statement is detailed below. As explained in the Basis of Accounting, the UK GAAP accounting policies in respect of financial instruments as applied at 30 September 2005 have continued to be used for the comparative financial information, as permitted under IFRS 1.

Income Statement

Under IFRS the Statement of Total Return is now called the Income Statement. Presentational changes to the Income Statement have resulted in the change of description of certain line items. Dividends are no longer shown on the face of the Income Statement but are shown instead in the Statement of Changes in Equity. Income received from investments is now shown within the net gains on investments. This was previously a separate line under UK GAAP.

Utilisation fees in respect of the loan facility negotiated in the year ended 30 September 2005 were previously charged to other expenses. £803,000 has now been reclassified to finance costs from other expenses in the prior year.

Foreign exchange gains and losses arising in 2005 in subsidiary companies on loans in currencies other than the subsidiary's functional currencies are now classified as other expenses. £512,000 has been classified as other expenses from exchange differences arising on consolidation shown in the prior year.

A reconciliation of profit as previously reported to profit under IFRS is shown below:

	Group Year to 30 September 2005 £'000	Company Year to 30 September 2005 £'000
Transfer to Reserves for the period under UK GAAP	115,135	90,705
Ordinary dividends *	8,702	8,702
Exchange differences arising on consolidation	(478)	–
Profit After Taxation Under IFRS **	123,359	99,407

* Under IAS 10 dividends declared after the balance sheet date are not recognised as a liability at the balance sheet date.

** There is no change in Profit After Taxation in the 30 September comparative period under IFRS from UK GAAP. The exchange difference arising on consolidation, which was previously included in the Consolidated Statement of Total Return, is not detailed in the Income Statement under IFRS but is included in the Translation Reserve on the Balance Sheet. Under IFRS 1 the Translation Reserve has been accumulated from the date of transition to IFRS and not from the original acquisition date as shown in Note 18.

The return on ordinary activities after taxation split between revenue and capital returns attributable to equity shareholders for the year to 30 September 2005 are unaffected by the above changes. None of the changes described above affect the Company's legal and tax position as an investment trust.

Cash Flow Statement

Under IFRS the Cash Flow statement reconciles the movement in cash and cash equivalents, whilst under UK GAAP it reconciles the movement in cash only. The impact of this change is shown in the table below. The presentation of items previously charged to operating activities has changed as some of these amounts are now considered to be part of the financing costs following the changes detailed above. £803,000 classified as expenses in the consolidated cash flow statement for the year ended 30 September 2005 is now shown within finance costs. The Cash Flow statement is now reorganised into two segments; the operating and financing cash flows.

23 Change of Accounting Policy continued

	Group Year to 30 September 2005 £'000	Company Year to 30 September 2005 £'000
Change in cash under UK GAAP	11,256	–
Short term deposits *	61,243	–
Change in cash and cash equivalents under IFRS	72,499	–

* For the purposes of the Cash Flow Statement, short term deposits are classified as cash equivalents under IAS 7, whilst they were included as liquid resources under UK GAAP. IFRS has not significantly changed any of the cash flows of the Group.

Balance Sheet and Equity

Under IFRS dividends are recorded as a liability when paid or approved. This has had the effect of increasing the total equity attributable to equity shareholders at 30 September 2005. Under UK GAAP, declared but unpaid dividends were accrued in the period to which they related. The affect of this is detailed below:

	Group 30 September 2005 £'000	Company 30 September 2005 £'000	Group 1 October 2004 £'000	Company 1 October 2004 £'000
Total equity shareholders' funds under UK GAAP	512,181	488,058	426,723	426,114
Ordinary dividends *	8,702	8,702	–	–
Total equity shareholders' funds under IFRS	520,883	496,760	426,723	426,114

There have been some presentational changes to the Balance Sheets. In the Consolidated and Company Balance Sheets, accrued income is now included within investments held at fair value. This has resulted in £17,593,000 of accrued income being reclassified from trade and other receivables to investments held at fair value at 30 September 2005. In the Company Balance Sheet, the investments in underlying limited partnership funds are now treated as investments at fair value.

Under IFRS, dividends declared after the balance sheet date are no longer recognised as liabilities. The restatement to the Group and Company equity shareholders' funds is shown in the table above.

As explained in the Basis of Accounting IAS 32 and IAS 39 were not applied to the financial information for the comparative period shown in this report. As permitted under IFRS 1, they have been applied for the first time for the year ended 30 September 2006. The impact of this on the equity shareholders' funds at 1 October 2004 is set out in Note 18.

A number of the Group's entities have US dollars as their functional currencies. Differences arising on translation of their opening equity at the Balance Sheet dates is now recognised within equity in the separate translation reserve of the Group. The impact on the capital and reserves at 1 October 2004 and 30 September 2005 are shown in Note 18.

There have been no other adjustments which affect the equity shareholders' funds for the comparative period.

Notice is hereby given that the seventy-second Annual General Meeting of Electra Private Equity PLC will be held at 12.00 noon on Thursday 8 February 2007 in The Great Hall at The Barber-Surgeons' Hall, Monkwell Square (off Wood Street), 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 2006.
2. To approve the Directors' Remuneration Report for the year ended 30 September 2006 which is set out in the Annual Report and Accounts of the Company for the year ended 30 September 2006.
3. To declare a special dividend for the year ended 30 September 2006 which the Directors recommend should be at the rate of 17p 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 73, 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 MED'A Walton as a Director of the Company.
7. To re-elect Mr JP Williams as a Director of the Company.
8. To re-elect Sir Brian Williamson as a Director of the Company.
9. 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.
10. To authorise the Directors to fix the remuneration of the Auditors.

Special Business

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

11. 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 5,804,530 or such lesser number of shares as is equal to 14.99 per cent of the total number of ordinary shares in issue as at the date of the passing of this resolution;
    - (ii) the minimum price which may be paid for an ordinary share shall be 25 pence;
    - (iii) the maximum price, exclusive of any expenses, which may be paid for an ordinary share shall be an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased;
    - (iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors); and
    - (v) unless renewed, the authority hereby conferred shall expire on the earlier of 8 May 2008 or the conclusion of the Company's Annual General Meeting in 2008 save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares which will or may be completed or executed wholly or partly after such expiry.

By order of the Board of Directors
PJ Dyke, Secretary, Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB
15 December 2006

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 6ED, 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 6 February 2007 ("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 6 February 2007 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 MED'A Walton, Mr JP Williams and Sir Brian Williamson are contained on page 6.

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