ELECTRA PRIVATE EQUITY PLC

Report and Accounts

30 September 2009

ELECTRA

Contents

Annual Report and Accounts for the year ended 30 September 2009

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

Financial Highlights

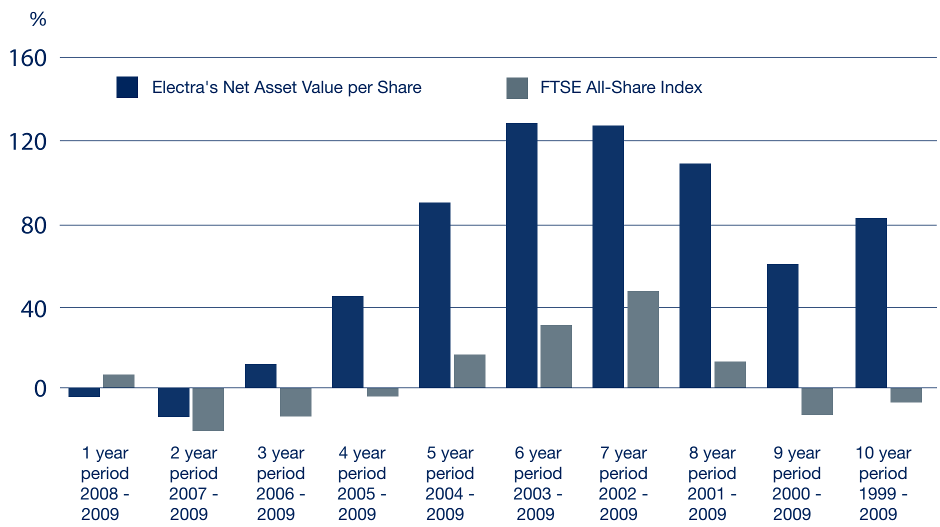
Electra's objective is to achieve a rate of return on equity of between 10-15% per annum over the long term by investing in a portfolio of private equity assets.

As at 30 September 2009

Net asset value per share	**1,720p**
Share price	**1,224p**
Net asset value per share increase over five years (including Special Dividends)	**95.3%**
Share Price increase over five years	**54.3%**
Return on equity over five years (annualised)	**13.3%**

For the year ended 30 September	2005	2006	2007	2008	2009
Net asset value per share (p)	1,197	1,545	2,001	1,801	1,720
Increase/(decrease) in net asset value per share (%)	31.2	29.0	29.5	(10.0)	(4.5)
Increase/(decrease) in FTSE All-Share Index (%)	20.9	11.1	8.7	(25.1)	6.1
Increase/(decrease) in Share price (%)	40.3	23.2	22.5	(26.5)	(0.9)

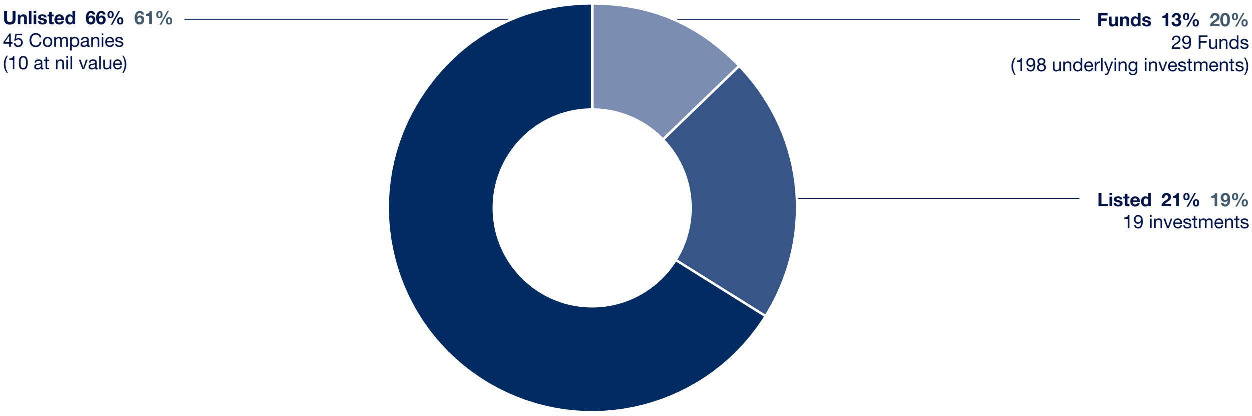
Percentage Change in Electra's Net Asset Value Per Share Compared to FTSE All-Share Index



Each period of performance is based on the opening net asset value per share at 30 September. The net asset value per share for the years 1999 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.

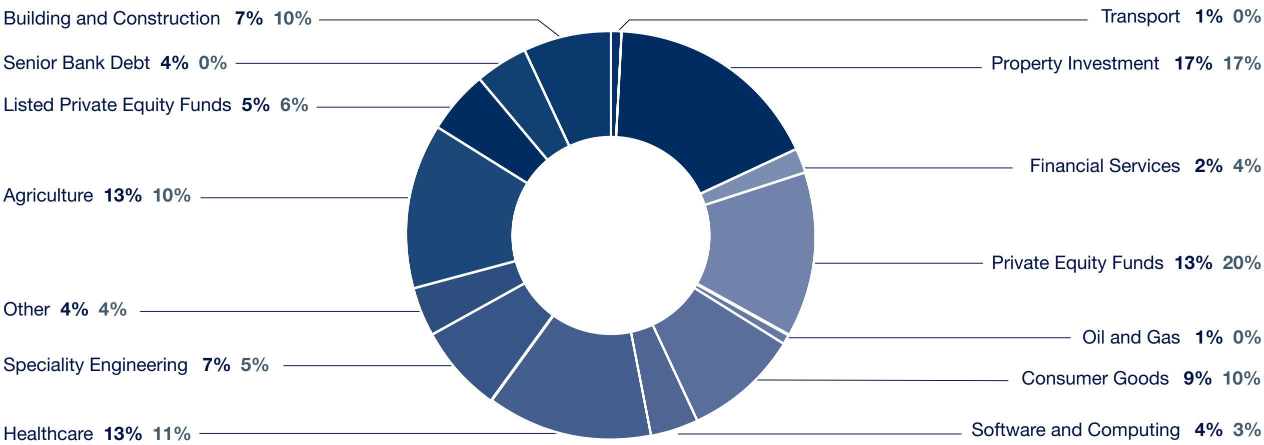
Investment Portfolio – £547 million (£505 million)

2009 2008



Classification and Distribution of the Investment Portfolio

2009 2008



Objective and Investment Policy

The business and affairs of Electra are managed on an exclusive and fully discretionary basis by Electra Partners, an independent private equity fund manager. Electra is managed as an HM Revenue and Customs approved investment trust.

Electra's objective is to achieve a rate of return on equity of between 10–15% per annum over the long term by investing in a portfolio of private equity assets. Unless required to do so as an investment trust, Electra's Directors would not recommend the payment of dividends on a regular basis.

Electra Partners, on behalf of Electra, will aim to achieve this target rate of return by:

- exploiting a track record of successful private equity investment;
- utilising the proven skills of its senior management team, its strong record of deal flow 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; and
- actively managing its total capital position and levels of gearing in light of prevailing economic conditions.

Total bank borrowings by Electra will always be less than 40% of its total assets.

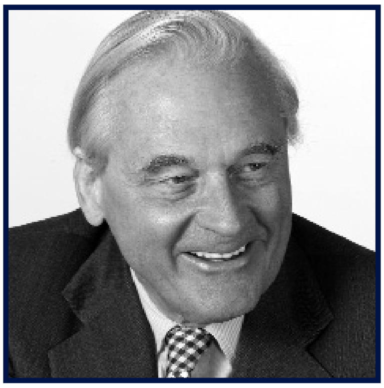
Electra Partners will target private equity opportunities (including direct investment, fund investment and secondary buy-outs of portfolios and funds) so that the perceived risks associated with such investments are justified by expected returns. These investments will be made across a broad range of sectors and types of financial instrument such as equity, senior equity, convertibles and mezzanine debt.

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

In implementing Electra's investment strategy, Electra Partners typically targets investments at a cost of £20–75 million in companies with an enterprise value of £60–200 million.

Electra will not invest more than 15% of its total assets at the time of investment in any other listed closed-ended investment funds.

Chairman's Statement



Overview

Despite the challenging environment, Electra ended the year in good shape. Whilst the operating environment for many of our portfolio companies has been difficult, with varying degrees of pressure on working capital, the diverse and defensive characteristics of our investments mean that Electra is well positioned for the future.

During the year, the priority for Electra's Manager, Electra Partners, has been to protect and enhance the existing portfolio. Our holdings were not impervious to the near collapse of bank finance and the cessation of supplier credit insurance, and we had to write off our investment in Vasanta. However, the agreement to combine Baxi and De Dietrich Remeha has delivered a significant uplift in value.

... the diverse and defensive characteristics of our investments mean that Electra is well positioned for the future.

Results

At 30 September 2009 Electra's net asset value per share was 1,720p compared with 1,801p at 30 September 2008, a decline of 4.5%. Over the same period the FTSE All-Share Index increased by 6.1%. Over the five years to 30 September 2009 the net asset value per share, inclusive of Special Dividends, increased by 95% and Electra achieved an annualised return on equity of 13.3%.

Share Price Performance

The fall in Electra's share price of 53% over the first half of the year was driven by an overall decline in the stock market as well as the perception that risks associated with the listed private equity sector outweighed its upside potential. The perception of risk arose from concerns on corporate leverage, over-commitment to third party funds and exposure to highly priced, excessively geared leveraged buyouts – none of which applies to Electra. In recent months there has been a recovery in Electra's share price (an increase of 112% over the six months to 30 September 2009) which has resulted in a year on year decrease of just 1%. Over the five years to 30 September 2009 Electra's share price increased by 54.3% compared to a 16.0% increase in the FTSE All-Share Index.

Investment Activity

The mid-market buyout sector was relatively quiet during the year as many participants struggled with existing portfolio problems and the absence of bank debt. Electra Partners considered 139 investment opportunities (2008: 186) and bid on 14 possible transactions (2008: 19). However, in contrast to last year, many of these were co-investment or bolt-on acquisitions to existing investments, or mezzanine type opportunities. As expected, valuation uncertainties and difficult bank conditions resulted in low levels of new investment and realisations over the last year.

Over the five years to 30 September 2009 the net asset value per share, inclusive of Special Dividends, increased by 95% and Electra achieved an annualised return on equity of 13.3%.

In total £88 million was invested over the year compared with £114 million in the previous year. Of the £88 million invested, £31 million was to acquire a secondary position in the Frankfurt-based Steadfast Capital Fund I, £17 million was invested in Credit Opportunities, a special purpose fund established by Electra to invest in stressed debt situations and £10.4 million was invested in London & Stamford Property rights issue. Realisations in the year, which mainly comprised sales of quoted investments and proceeds from secondaries, amounted to £27 million compared to £192 million in the previous year. Full details of the investment activity over the year are included in the Manager's Review.

The combination of the funding available from the new banking facilities and ZDP shares diversifies and lengthens the maturity of Electra's sources of funding. The Board believes this extra liquidity and access to capital puts Electra in a strong position at this stage of the economic cycle.

Bank Facilities and Zero Dividend Preference Shares

Although Electra's existing bank facilities were not due for renewal until September 2010, Electra agreed terms in July with its existing lenders for a new multi-currency revolving credit facility of £185 million for three and a half years. Shortly afterwards Electra's new wholly-owned subsidiary, Electra Private Equity Investments plc, undertook an institutional cash placing and raised £42 million net by the issue of seven year Zero Dividend Preference Shares ("ZDP shares"). Mr Armstrong, Mr Williams and I have been appointed Directors of the new subsidiary.

The combination of the funding available from the new banking facilities and ZDP shares diversifies and lengthens the maturity of Electra's sources of funding. The Board believes this extra liquidity and access to capital puts Electra in a strong position at this stage of the economic cycle.

Resources and Commitments

At 30 September 2009 Electra had cash, liquidity funds and floating rate notes of £266 million and £170 million of borrowings drawn down under the new banking facility. Available investment capacity amounted to £281 million comprising £54 million of net liquid resources together with banking facilities of £185 million and £42 million of net proceeds from the ZDP share issue. At that date Electra also had a quoted portfolio valued at £117 million and commitments to third party funds, which may be drawn down over the next five years, amounting to £103 million.

Buy-Backs of Shares for Cancellation

During the year to 30 September 2009 Electra repurchased for cancellation 257,000 (2008: 1.66 million) shares for a total cost of £2.1 million (2008: £26 million). The shares were acquired at an average discount of 52.3% to the net asset value of 1,720p per share at 30 September 2009.

Over the last five years 11.4 million shares have been purchased for cancellation resulting in a repayment to shareholders of £143.9 million. With the need to fund the future redemption of the ZDP shares and anticipating attractive investment opportunities, the Board considers that purchases of shares for cancellation will be less likely in the medium term. Directors will, however, continue to seek shareholder authority on an annual basis to enable them to purchase shares for cancellation when they believe it will be in the best interests of shareholders.

Appointment of non-executive Director

The Board announced the appointment of Roger Perkin as a non-executive Director of Electra with effect from 24 November 2009. Part of Mr Perkin's role will be to assume the chairmanship of the Audit Committee after the Annual General Meeting in 2010. Mr Perkin is a former senior partner at Ernst & Young and brings with him a significant amount of global accounting experience, having specialised in financial services.

Corporate Governance

Having reviewed the AIC Code and Guide in the light of Sir David Walker's review of corporate governance in the UK banking industry, the Board decided during the year to appoint an independent Company Secretary. Accordingly, since June 2009 the services of Company Secretary have been undertaken by Frostrow Capital LLP, in addition to its existing role as Board adviser. Frostrow took over from Philip Dyke, a Partner of Electra Partners LLP, who undertook the duties of Company Secretary for the previous 20 years. We thank him for his invaluable contribution. Philip remains a Partner of Electra Partners LLP.

With a stable portfolio our Manager is not firefighting and can devote its energies to seeking new opportunities.

Articles of Association

Shareholders last approved a number of changes to the Articles of Association at the Annual General Meeting held in 2008. Following final implementation of the Companies Act 2006 on 1 October 2009, together with the recent implementation of the EU Shareholder Rights Directive in the UK, the Board has decided to seek shareholders' approval to update the Company's Articles of Association to bring them in line with current legislation. Full details of these proposals are set out in the explanatory notes to the changes to the Articles on pages 77 to 83.

Alternative Investment Fund Managers Directive

The Board continues to monitor the draft Alternative Investment Fund Managers Directive and supports the representations of UK private equity trade bodies that have been made to the EU concerning this Directive.

Outlook

In recent months global capital markets have seen a number of developments. In particular Electra Partners believes that distressed sellers exist across the capital structure and a shortage of capital to pursue opportunities means that competition for deals is likely to be reduced. These factors, together with Electra's flexible investment mandate, will enable Electra Partners to target the growing number of investment opportunities in the market including capital for restructuring, buyouts, private equity into public companies, development capital, secondary investments and debt.

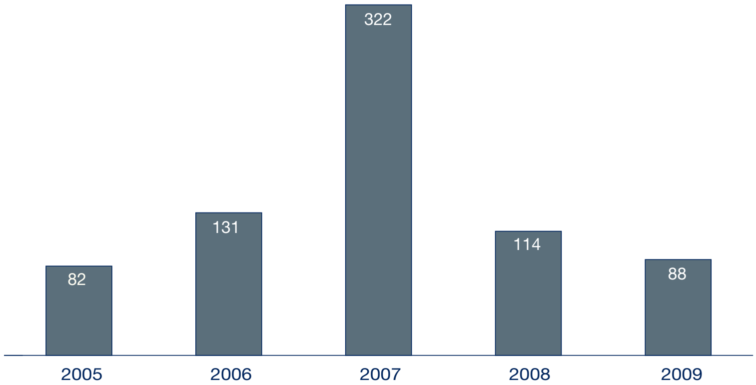
With a stable portfolio our Manager is not firefighting and can devote its energies to seeking new opportunities. This, together with £281 million of investment capacity, means that Electra is in a good position for the future.

Sir Brian Williamson
Chairman
7 December 2009

Portfolio Highlights

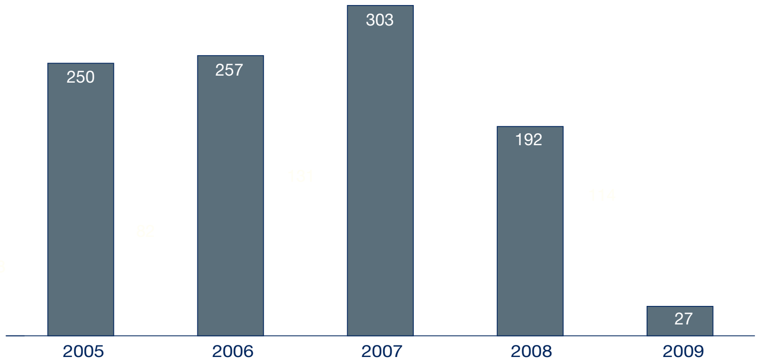
Purchases
£m

Year to 30 September



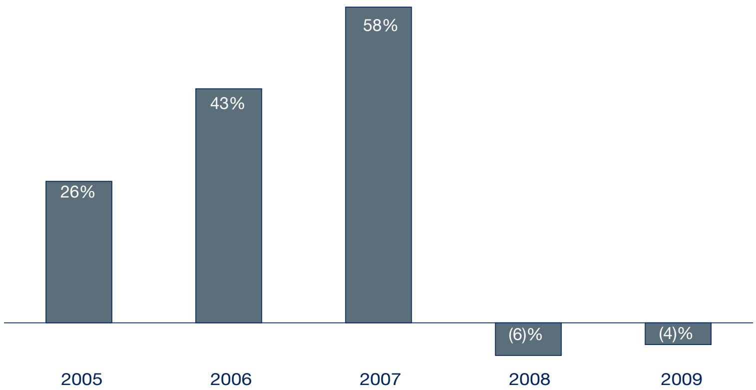
Realisations
£m

Year to 30 September



Portfolio Performance *

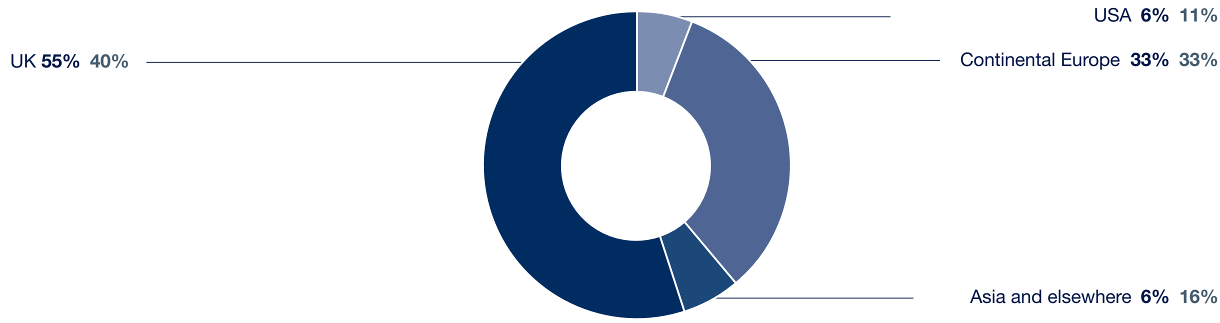
Year to 30 September



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

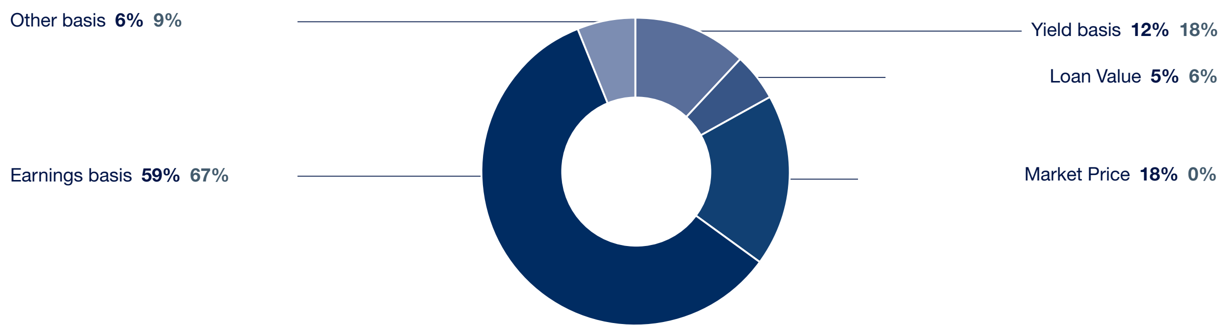
Geographic Split of Investment Portfolio – £547 million (£505 million)

2009 2008



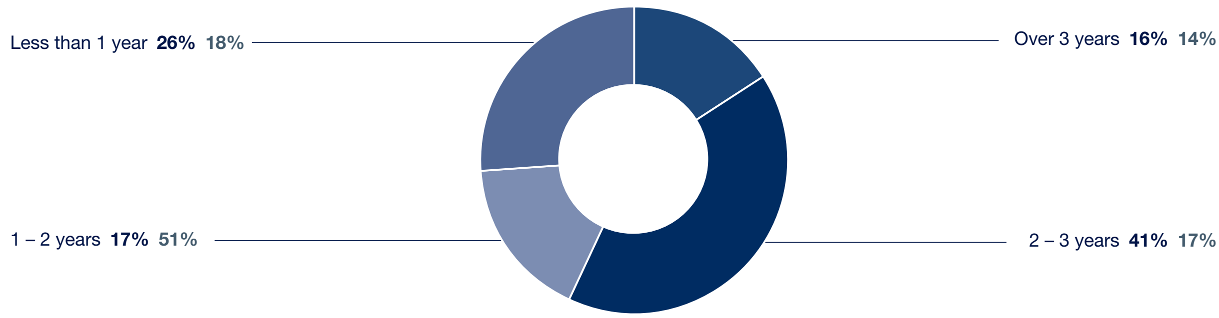
Valuation Basis of Investment Portfolio – £357 million (£307 million)
(excluding listed investments and funds)

2009 2008



Age Analysis of Investment Portfolio – £357 million (£307 million)
(excluding listed investments and funds)

2009 2008



The Manager

Electra's investment portfolio is managed by Electra Partners, an independent private equity fund manager. As at 30 September 2009, it had funds under management and available investment capacity of over £900 million on behalf of Electra and other clients. Over the last 15 years Electra Partners has invested in excess of £3 billion in private equity investments, accumulating considerable expertise and building a strong track record.

Electra Partners' senior management team has worked together since 1992 and the investment professionals average over 15 years in private equity. They are backed by a 30-strong team skilled in finance, compliance, investor relations and marketing.

Senior Management Team	
Hugh Mumford	Managing Partner
Tim Syder	Deputy Managing Partner
David Symondson	Deputy Managing Partner
Rhian Davies	Partner
Philip Dyke	Partner
Steve Ozin	Partner

Investment Team	
Alex Cooper-Evans	Investment Partner
Ian Dyke	Investment Partner
Charles Elkington	Investment Partner
Nigel Elsley	Investment Partner
Roger Isaac	Investment Partner
Peter Carnwath	Portfolio Manager
Oliver Huntsman	Portfolio Manager
John Levack	Portfolio Manager
John Martin	Investment Manager
Sarah Williams	Investment Manager

The Portfolio

Electra's portfolio consists of investments in companies and other investment vehicles (the "investment portfolio"). In addition, at 30 September 2009 the Company held cash, liquidity funds and floating rate notes valued at £266 million.

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

At 30 September 2009 Electra's available investment capacity amounted to £281 million comprising net liquid resources of £54 million, together with banking facilities of £185 million and £42 million of net proceeds from the ZDP share issue.

As at 30 September	2009 £m	2008 £m
Investment Portfolio *		
Direct investments	474	403
Funds	73	102
	547	505
Available Investment Capacity	281	336
Investment Portfolio and Available Investment Capacity *	828	841

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

At 30 September 2009 Electra held direct investments in 64 companies with an aggregate value of £474 million and investments in 29 funds with an aggregate value of £73 million.

The top ten and twenty investments account for 51% and 69% respectively of the investment portfolio.

Geographically, 55% of the investment portfolio was situated in the UK, 33% in Continental Europe, 6% was based in the USA and 6% in Asia and elsewhere.

Investment Portfolio Analysis

Overall, Electra has performed well in the year under review given the volatile market, the decline in the UK and Continental European economies and the difficulties in the banking sector.

Overall, Electra has performed well in the year under review given the volatile market, the decline in the UK and Continental European economies and the difficulties in the banking sector. In the year to 30 September 2009, Electra's net asset value per share declined from 1,801p per share at the beginning of the period to 1,720p per share at 30 September 2009, a decline of 4.5%. This compares to a decline of 10% in the previous year.

The last financial year undoubtedly posed many challenges. Several of Electra's portfolio companies entered a period of lower profitability at a time when refinancing options were limited. The loss of the investment in Vasanta, which led to a write-off of £29 million in the year, is an example of the difficulties caused by market conditions. In this case the removal of credit insurance placed too great a burden on the financing available to the company causing the loss of customers and a lowering of profitability.

While the stock market rebounded strongly in the second half of the year, this was only partially reflected in the valuation of Electra's portfolio, as a result of the nature of the investments. However, with few exceptions the portfolio is conservatively financed and is poised to resume value growth when conditions allow.

Year ended 30 September	2009 £m	2008 £m	2007 £m
Opening portfolio	505	620	380
Investments	88	114	322
Realisations	(27)	(192)	(303)
Net capital (decrease)/increase	(19)	(37)	221
Closing portfolio *	547	505	620

* Excludes accrued income on the investment portfolio. 2009: £29,450,000 (2008: £9,034,000, 2007: £13,419,000).

The economic situation in the UK and elsewhere continues to have an impact on portfolio activity both in terms of new investment and realisations. New investment has continued to fall, the total reaching £88 million compared to £114 million in 2008 and £322 million in 2007. Realisations were the most affected with only one investment being sold from the unlisted portfolio. Total realisations for the year amounted to £27 million compared to £192 million in 2008 and £303 million in 2007.

With a realistically valued portfolio and the liquidity available to make significant further purchases, Electra remains in a good position to make progress as soon as market conditions improve.

Prospects

For the second year running, conditions in the UK economy and financial markets have made the process of adding value to the portfolio difficult to achieve without taking significant risk. In the last few months, however, there has been some evidence of an improvement in the markets in which Electra operates. While banking finance remains difficult to obtain, it appears that the pricing of potential transactions is beginning to reflect the current environment. Should this trend continue, the current year will see an increase in the investment rate. In addition, we continue to seek opportunities to enhance the existing portfolio and, based on transactions currently in the pipeline, we expect further progress to be made in this respect.

With a realistically valued portfolio and the liquidity available to make significant further purchases, Electra remains in a good position to make progress as soon as market conditions improve.

Investment Portfolio Review

Investments

In the year to 30 September 2009 new investments totalled £88 million compared to £114 million in the previous year. This is the second year running that investment has been made at a comparatively low level. While the number of potential new deals reviewed during the year has remained at a reasonable level, we declined to pursue the majority of these as in our view the prices being asked did not reflect economic reality. Indeed, because of the difficulties in judging future levels of profitability and obtaining adequate bank financing, new investment became challenging. During the year we concentrated on existing portfolio companies with a view to increasing profitability and reducing bank lending ratios.

We have also taken advantage of pricing anomalies in the debt market. A new special purpose vehicle, Credit Opportunities, was set up to purchase senior debt at a discount. During the year, £17 million was spent in the purchase of senior debt securities in 14 companies at an average price of 73%, a discount of 27% to nominal value. In another transaction, £11.5 million nominal value of mezzanine debt in Baxi was purchased at a discount of 65%. The debt market has moved favourably since these investments have been made.

The most significant investment made during the year was the purchase of a secondary interest in the Steadfast Capital Fund I based in Germany. The total cost of this secondary investment was £30.8 million and it was acquired at a discount to the local manager's valuation. The portfolio acquired included a significant investment in MPS, a market leader in the manufacture and distribution of abattoir equipment. MPS accounted for approximately 60% of the total consideration, the remainder of the consideration being spread over a number of further investments.

In accordance with the strategy of improving existing portfolio investments, we have commenced a number of initiatives. In the case of Baxi, we provided support in the form of a further capital investment of £6.2 million in addition to the mezzanine debt purchase mentioned above, prior to its agreement to combine with De Dietrich Remeha to form BDR Thermea. BDR Thermea will benefit from significant synergies and will have a leading position in the European heating products market. In the case of Safeland, we repurchased for a nominal consideration the securities sold approximately two years ago for £12.5 million. A number of further portfolio initiatives remain ongoing which, if successful, will bring benefit in the current year.

During the year we concentrated on existing portfolio companies with a view to increasing profitability and reducing bank lending ratios.

Realisations

In view of the economic conditions prevailing for much of the year, realisations from the portfolio fell sharply. Total realisations for the year amounted to £27 million compared with £192 million in the previous year. Realisations of unlisted investments amounted to only £10 million of which £7.5 million was accounted for by the sale of an investment from a secondary portfolio in France. Realisations from funds also fell to a low level, with total redemptions during the year falling to just under £5 million, most of which arose from the sale of two investments, one in Argentina and the other in the USA. During the year, we realised £12 million from the sale of quoted securities including £7.4 million in respect of eTelecare, a company based in the Philippines, originally acquired as part of another investment over 15 years ago.

Performance

Over the year to 30 September 2009 Electra's investment portfolio declined in value by a net amount of £19 million, a decrease of 3.8%. The two halves of the financial year were a marked contrast with the decline in the first half year of £78 million offset by an increase in the second half of £59 million. Most of the performance in the second half came from the listed portfolio which increased in value by £43 million, an increase of 70%, whereas the unlisted portfolio, including direct unlisted, secondaries and funds, increased by £16 million, a percentage increase of 4.0%. The marked difference in performance between the listed and unlisted portfolios was due to a number of factors. These include a significant part of the unlisted portfolio being carried at a value which is not directly related to stock market levels and due recognition being given to reduced liquidity where market multiples were applied.

During the financial year the listed portfolio increased in value by 13% after taking account of a £13.3 million decline in the valuation of Candover. Excluding Candover, the listed portfolio increased by 34% with significant contributions from London & Stamford Property in the UK and Zensar in India, whose value increased over the year by 136%.

The combination of Baxi with De Dietrich Remeha ... gave rise to an increase in value over the year of £20.4 million together with an increase in accrued income of £14.6 million giving an overall increase in value of £35 million.

Over the financial year, the unlisted portfolio declined by 7.6%. The performance was negatively impacted by Vasanta which was sold at a loss of £29.4 million. The combination of Baxi with De Dietrich Remeha on the other hand gave rise to an increase in value over the year of £20.4 million together with an increase in accrued income of £14.6 million giving an overall increase in value of £35 million.

Largest Valuation Changes

Company	Valuation at 30 September 2009 £m	Valuation Increase/(Decrease) £m	%
Increases			
Baxi	41.3	20.4	98
Zensar	15.6	9.0	136
London & Stamford Property	38.0	7.8	26
CH-Pharma	12.7	5.8	83
Allflex	50.7	5.5	12
Supervia	5.5	5.5	–
Thermocoax	12.5	5.4	76
Decreases			
Vasanta	–	(29.4)	(100)
Candover	5.4	(13.3)	(71)
Capital Safety	6.2	(10.0)	(62)
Premier Asset Management	3.3	(7.1)	(68)
Amtico	6.5	(6.3)	(49)
Bizspace	0.2	(5.5)	(96)

Other significant increases included CH-Pharma and Thermocoax where higher profitability was responsible for the valuation increases of £5.8 million and £5.4 million respectively, while the increase of £5.5 million of Allflex was due to currency movements. We also increased the value of Electra's investment in Supervia by £5.5 million to reflect the turnaround of an investment previously written off. Supervia holds the franchise of a commuter railroad in Rio de Janeiro, which currently has 14 years to run. After a number of years of financial restructuring, this railroad is now profitable and Electra's interest has been revalued accordingly.

Decreases in valuation included Capital Safety and Amtico, which were written down by £10 million and £6.3 million respectively to reflect declines in profitability and Bizspace where the increase in property yields led to a decline in value of £5.5 million.

Electra Partners LLP
7 December 2009

Schedule of Top Twenty Investments*

Company	Fair Value of holding at 30 Sept 2008 £'000	Net purchases/ (sales) £'000	Performance in year £'000	Fair Value of holding at 30 Sept 2009 £'000	Cost of holding at 30 Sept 2009 £'000
ALLFLEX HOLDINGS Animal identification tags	45,629	(413)	5,533	**50,749**	40,482
BAXI HOLDINGS Heating products	11,174	9,678	20,447	**41,299**	32,132
LONDON & STAMFORD PROPERTY † Property holding company	19,800	10,395	7,821	**38,016**	30,195
PROMONTORIA Property holding company	27,683	(2)	2,704	**30,385**	16,479
MPS Abattoir equipment	–	17,529	3,946	**21,475**	17,529
LIL-LETS GROUP Feminine hygiene products	21,412	–	(263)	**21,149**	21,412
CREDIT OPPORTUNITIES Senior debt portfolio	–	17,103	3,483	**20,586**	18,051
LABCO Medical diagnostics	23,536	102	(3,292)	**20,346**	23,709
NUAIRE Ventilation systems manufacturer	22,691	(265)	(3,271)	**19,155**	23,140
VOLUTION (VENT-AXIA) Fan manufacturer	15,840	–	–	**15,840**	15,840
ZENSAR TECHNOLOGIES † Software	6,597	–	8,953	**15,550**	4,211
DINAMIA † Spanish private equity	13,198	–	(451)	**12,747**	11,274
CH-PHARMA Contract pharmaceuticals manufacturer	6,921	–	5,755	**12,676**	5,300
MOSER BAER † Manufacturer of photovoltaic cells	12,972	–	(366)	**12,606**	1,900
THERMOCOAX Specialist engineering products	7,166	–	5,362	**12,528**	4,429
PINE Property investment	9,900	170	(1,170)	**8,900**	13,790
AMTICO Luxury flooring manufacturer	12,689	–	(6,233)	**6,456**	22,275
CAPITAL SAFETY GROUP Specialist safety equipment	16,135	–	(9,885)	**6,250**	17,586
ORTHOFIX † Orthopaedic related medical devices	3,443	–	2,582	**6,025**	122
SUPERVIA Commuter railroad	–	–	5,469	**5,469**	17,085
	276,786	**54,297**	**47,124**	**378,207**	**336,941**

The investments shown above represent 80% of the Group's direct investments at 30 September 2009 as shown on page 11.

* Excludes floating rate notes, liquidity funds and accrued income
† Listed

Large Private Equity Investments

ALLFLEX HOLDINGS		Location: International

Equity Ownership	**33.0%**
Valuation	**£50,749,000**
Cost	**£40,482,000**

Valuation based on multiple of earnings

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

In the year ended 31 December 2008, Allflex generated sales of $201.6 million (2007: $170.9 million) and completed three small acquisitions, securing complementary products and access to new markets. In addition Allflex won a genetic traceability contract from Switzerland.

On a constant currency basis the business is experiencing further growth in 2009. The pending introduction of new identification regulations will provide a further stimulus in future.

BAXI HOLDINGS		Location: UK and Europe

Equity Ownership	**11.3%**
Valuation	**£41,299,000**
Accrued income	**£15,435,000**
Cost	**£32,132,000**

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. Turnover of the group is split approximately 67% in the UK and 33% in Continental Europe.

In July 2009 Baxi announced that it had reached agreement with De Dietrich Remeha Group to form a combined group with a leading position in the European heating market. This transaction completed on 30 October 2009. Pro forma 2008 turnover and EBITDA of the combined group, BDR Thermea Group, were approximately €1,700 million and €220 million respectively.

PROMONTORIA		Location: Germany and Austria

Equity Ownership	**10.9%**
Valuation	**£30,385,000**
Cost	**£16,479,000**

Valuation based at a discount to March 2008 vacant possession value

Promontoria is a property investment company which owns more than 100 retail properties tenanted to Deutsche Woolworth ("DW"). The freehold and long leasehold stores are situated throughout the major towns and cities in Germany and Austria.

Promontoria is unleveraged and its properties were professionally valued on a vacant possession basis in 2008 at over €400 million. Although DW is in administration, full rent continues to be paid and it is anticipated that a new management team will operate the business on a revised basis with a majority of the Promontoria stores. Of the balance, some significant development opportunities are believed to exist.

MPS	Location: The Netherlands

Equity Ownership	**28.1%**
Valuation	**£21,475,000**
Cost	**£17,529,000**

Valuation based on multiple of earnings

In November 2008, Electra invested €36 million in the acquisition of a 51% limited partnership interest in Steadfast Capital Fund I GmbH; through this transaction, Electra has invested €21 million in MPS (Meat Processing Systems).

Based in the Netherlands, MPS is the global leader in the manufacture of abattoir equipment and employs 400 people worldwide.

MPS traded ahead of its budget during the first half of 2009. In the year ended 31 December 2008, MPS generated sales of over €80 million. Cash generation has again been strong during 2009.

LIL-LETS GROUP	Location: UK and South Africa

Equity Ownership	**61.7%**
Valuation	**£21,149,000**
Accrued income	**£7,574,000**
Cost	**£21,412,000**

Valuation based on multiple of earnings

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

In the UK the company has responded to the current economic climate by increasing promotional activity and by bolstering its sales team. The product livery has been refreshed and new listings have been achieved with most major retailers for Lil-lets' compact applicator product. This latter initiative significantly extends the brand's footprint. South Africa remains a growth business and the brand's dominant market position has enabled profitability to be extended into other categories with the result that Lil-lets is now the feminine hygiene market leader by volume.

Group sales in the year to 31 December 2008 were £34.8 million (2007: £36.3 million).

CREDIT OPPORTUNITIES	Location: UK

Equity Ownership	**n/a**
Valuation	**£20,586,000**
Cost	**£18,051,000**

Valuation based on market prices

In November 2008, Electra committed €32.5 million to a special purpose vehicle established to take advantage of the discounted senior debt available in the market due to the large volume of sellers of such paper and the lack of buyers.

At 30 September 2009, Electra had invested £21.2 million, which has been valued at current market prices, in senior debt tranches of 14 different companies. The focus has been on managing both the capital gain and yield available across a portfolio of companies and sectors with a view to holding the individual investments until repayment.

In the last six months, senior debt prices have increased significantly. The current average market price for the portfolio is approximately 15% above the average acquisition price.

LABCO	Location: France

Equity Ownership	**4.7%**
Valuation	**£20,346,000**
Cost	**£23,709,000**

Valuation based on multiple of earnings

In July 2008, Electra invested €30 million in the €150 million equity capital increase by Labco SAS.

Paris-based Labco is Europe's largest private network of clinical laboratories. With a presence in six countries, Labco has over 300 laboratories conducting over 250,000 blood and urine tests per day and serving ten million patients each year.

Market growth is derived from an ageing European population, advances in medical technology and an increasing propensity for preventative testing. With a dominant market position in France and Spain, Labco is a leading consolidator of the European laboratory sector which is currently highly fragmented.

The capital increase was used to finance the acquisition of a number of laboratories in Belgium, France, Germany, Italy and Spain. Financial performance in the eight months to August 2009 was in line with budget with revenues of over €300 million.

NUAIRE	Location: UK and France

Equity Ownership	**38.8%**
Valuation	**£19,155,000**
Cost	**£23,140,000**

Valuation based on multiple of earnings

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

Nuaire had a satisfactory year's trading, delivering profits only marginally behind the prior year in a very challenging environment. In the year to 30 September 2009 Nuaire generated unaudited group sales of £55.9 million (2008: £58.9 million). Nuaire continues to seek to increase its addressable market and has committed to increasing its investment in new product development during the next year.

VOLUTION (VENT-AXIA)	Location: UK

Equity Ownership	**nil**
Valuation	**£15,840,000**
Accrued income	**£1,062,000**
Cost	**£15,840,000**

Valuation based on redemption value of debt instruments

In 2006 Electra invested £16 million in the mezzanine and subordinated debt layer of the secondary management buy-out of Volution. The total debt package was £132.5 million.

Volution, whose principal trading subsidiary is Vent-Axia, is one of the leading brand suppliers of ventilation equipment.

In the year to 31 July 2009 the group had sales of £82.5 million and operating profits of £7.3 million. The business has repaid £17.6 million of bank debt.

The current year is a challenging environment for businesses associated with the construction industry.

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 2009 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 2007. In accordance with the self-assessment of Corporation Tax this approval is based upon the computations submitted by the Company and is subject to the findings of any enquiries that HM Revenue and Customs may make. The Directors are of the opinion that since that date the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under that section.

Business Review

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

Objective and investment policy

The Objective and Investment Policy of the Company are set out on page 4.

Current and future development

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

The Board regularly reviews the development and strategic direction of the Company, a process which last culminated in the approval by the Company's shareholders of the new investment strategy in October 2006. The Board believes this investment strategy remains effective in the light of prevailing market conditions. The Board's main focus continues to be on the Company's long-term investment return.

Performance

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

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

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

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

Details of the KPIs are shown on pages 2 and 5.

Social, community, employee and environmental issues

In carrying out its activities and in its relationships with the community, the Company aims to conduct itself responsibly, ethically and fairly. The Company has no employees and the Board is comprised entirely of non-executive Directors. As an investment trust, the Company has no direct impact on the environment. However, the Company believes that it is in the shareholders' interests to consider environmental, social and ethical factors when selecting and retaining investments. Further details of how the Company views socially responsible investment are set out on page 22.

Risk management

As the Company is focused on investment in private equity assets, Electra Partners aims to limit the risk attaching to the portfolio as a whole by careful selection of investments and by the spread of holdings in terms of overall portfolio analysis, age and geographic split in accordance with the Company's Objective and Investment Policy. The breakdown of the portfolio is shown on pages 3 and 9.

The principal risks facing the Company include Market Price Risk, Credit Risk, Interest Rate Risk, Liquidity Risk, and Foreign Currency Risk as further detailed in Note 17 of the Notes to the Accounts.

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

Macroeconomic risks

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

Long term strategic risk

The Company is subject to the risk that its long-term strategy and its level of performance fails to meet the expectations of its shareholders. The Board monitors the level of discount of share price to net asset value per share and considers the most effective methodologies to keep this at a minimum, including the share buy-back policy. The Company has, in the last year, repurchased shares within parameters set by the Board and subject to shareholder authority.

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

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

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

Government policy and regulation risk

The Company carries on business as an investment trust under section 842 of the Income and Corporation Taxes Act 1988. Continuation of approval by HM Revenue and Customs is subject to the Company conducting its affairs in a manner which will satisfy the conditions for continual approval as an investment trust. Anticipated and actual changes in government policy and treatment of investment trusts are closely monitored, as are other changes which could affect the Company's business or financial position.

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

Investment risks

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

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

Once invested, the performance of the Company's portfolio is dependent upon a range of factors. These include but are not limited to (i) the quality of the initial investment decision; (ii) the ability of the portfolio company to execute successfully its business strategy; and (iii) actual outcomes against the key assumptions underlying the portfolio company's financial projections. Any one of these factors could have an impact on the valuation of a portfolio company and upon the Company's ability to make a profitable exit from the investment within the desired timeframe.

A rigorous process is put in place by Electra Partners for managing the relationship with each investee company. This includes regular asset reviews and, in many cases, board representation by one of Electra Partners' executives.

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

Operational risk

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

The Company's system of internal control mainly comprises the monitoring of the services provided by Electra Partners, including the operating controls established by them to ensure they meet the Company's business objectives, as further detailed in the Corporate Governance Statement on page 31.

Management Arrangements

On 12 October 2006 Electra Partners was appointed as the Manager following shareholders' approval of new management arrangements. The new management agreement dated 12 October 2006 ran for an initial three year period with a 12 month rolling notice period. Neither party could serve notice to terminate during the first two years of the agreement. Electra could have terminated the new management agreement on 12 months' notice, expiring at any time after the initial two year period. After three years, it has the right to terminate on a shorter notice period. Whatever notice period is worked, Electra Partners will be entitled to receive additional compensation equivalent to 12 months' priority profit share (determined by reference to the previous 12 months' priority profit share).

Electra Partners was also able to terminate the new management agreement on 12 months' notice, after the initial two year period. If Electra Partners 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 is not entitled to any additional compensation.

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

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

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

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

Socially Responsible Investment

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

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

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

Results

A revenue profit attributable to shareholders of £12.047 million (2008: loss of £5.058 million) was transferred to Revenue Reserves. No dividend is proposed in respect of the year ended 30 September 2009 (year ended 30 September 2008: nil).

Authority to Make Market Purchases of Shares

As at 30 September 2009, the Company had authority to purchase for cancellation up to a further 5,297,269 shares. This authority will lapse at the 2010 Annual General Meeting when a Special Resolution will be proposed to renew the Company's authority to make market purchases of its own shares.

During the year the Company made the following purchases of its own shares in the market under authority granted by shareholders at a total cost of £2.1 million:

Shares Purchased for Cancellation	Date of Purchase	% of Issued Capital at Date of Purchase	Price per share
7,000	26 November 2008	0.20%	851p
250,000	2 December 2008	0.70%	808p

The Company does not hold any shares in treasury. At 30 September 2009 a total of 35,338,687 ordinary shares of 25p each were in issue.

Multi-Currency Loan Facility

At 30 September 2009 borrowings under the £185 million (2008: £250 million) multi-currency facility amounted to £169,732,000 (2008: £158,870,000).

Directors

The current Directors of the Company are listed on pages 70 and 71. Sir Brian Williamson, Mr RA Armstrong, Ms C Bowe, Mr MED'A Walton, Ms L Webber and Mr JP Williams served as Directors throughout the year ended 30 September 2009. 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 AIC Code of Corporate Governance, Sir Brian Williamson, Mr RA Armstrong, Mr MED'A Walton and Mr JP Williams will all retire at the Annual General Meeting in 2010 and, being eligible, offer themselves for re-election.

The Board appointed Mr R Perkin as a non-executive Director on 24 November 2009. Mr Perkin is a former senior partner at Ernst & Young with significant global accounting experience and financial services expertise. It is intended that Mr Perkin will become Chairman of the Audit Committee after the Annual General Meeting. Mr Perkin offers himself for election at the Annual General Meeting in 2010.

Directors' Conflicts of Interest

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

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

Directors' Interests

The interests of the Directors (including connected persons) in the ordinary shares of the Company are shown below. Save as disclosed, no Director had any notifiable interest in the securities of the Company or of any subsidiary of the Company. There have been no changes in the interests of any of the Directors in the ordinary shares of the Company between 1 October 2009 and 7 December 2009.

	30 September 2009 Shares	1 October 2008 Shares
Sir Brian Williamson	**840**	–
RA Armstrong	**23,723**	23,723
C Bowe	**1,129**	1,129
MED'A Walton	**16,016**	16,016
L Webber	**1,500**	1,500
JP Williams	**10,000**	10,000

Upon appointment Mr R Perkin did not have an interest in any ordinary shares of the Company.

Substantial Interests

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

	Voting Rights Notified		Percentage of Voting Rights *	
	Direct No	Indirect No	Direct %	Indirect %
Asset Value Investors Limited as discretionary manager	3,496,024	–	9.89	–
Prudential Plc group of companies	2,580,081	–	7.30	–
The Cooperative Asset Management	2,027,730	–	5.74	–
Rensburg Sheppards Investment Management Limited	–	1,780,564	–	5.04
HBOS plc	67,208	1,633,324	0.19	4.62
Bear, Stearns International Trading Limited	1,441,394	–	4.08	–
British Empire Securities and General Trust PLC	1,440,112	–	4.08	–
Legal & General Group Plc	1,409,952	–	3.99	–

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

Charitable and Political Donations

During the year the Group made no charitable or political donations (2008: £nil).

Audit Information

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

Auditors

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

Creditor Payment Policy

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

Going Concern

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

Annual General Meeting

The Annual General Meeting will be held on Tuesday 2 February 2010. In addition to the ordinary business the following special business will be considered:

Adoption of new Articles of Association (Resolution 10)

A special resolution will be proposed to adopt new Articles of Association in substitution for, and to the exclusion of, the existing Articles of Association of the Company. This resolution is being put to shareholders so that the Company may align its Articles with the Companies Act 2006. Explanatory details of the changes are set out on pages 77 to 83). The Directors believe that the proposed adoption of new Articles of Association is in the best interests of shareholders as a whole and recommend shareholders to vote in favour of Resolution 10.

Authority to purchase own shares (Resolution 11)

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

The Directors believe that the renewal of the Board's authority to purchase shares, as detailed above, is in the best interests of shareholders as a whole and therefore recommend shareholders to vote in favour of Resolution 11.

Additional Information for Shareholders

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

Share capital

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

Dividends and distributions

Subject to the provisions of the Companies Acts, the Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends whenever the financial position of the Company, in the opinion of the Board, justifies such payment.

The Board may withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25% interest (as defined in the Articles) if such a person has been served with a notice after failure to provide the Company with information concerning interest in those shares required to be provided under the Companies Acts.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting or class meeting, every member present in person and every duly appointed proxy has, upon a show of hands, one vote and on a poll every member who is present in person or by proxy has one vote for every complete 25p in nominal amount of the shares of which he is the holder. In the case of joint holders of a share the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the shares. Under the Companies Acts members are entitled to appoint a proxy, who need not be a member of the Company, to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting or class meetings as a corporate representative. The person or any one of such persons so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition no member shall be entitled to vote if he has been served with a notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representative. The Articles provide a deadline for submission of proxy forms of not than less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to statute, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the Directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members of the Company. The Directors may, at any time after the allotment of any share, but before any person has been entered in the Register of Members as the holder, recognise a renunciation by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The Directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares) provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

The Directors may also refuse to register an allotment or transfer of shares (whether fully-paid or not) in favour of more than four persons jointly. If the Directors refuse to register an allotment or transfer they shall within two months after the date on which the letter of allotment or transfer was lodged with the Company send to the allottee or transferee a notice of the refusal.

The Directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share and when submitted for registration is accompanied by the relevant share certificates and such other evidence as the Directors may reasonably require.

Subject to statutes and applicable CREST rules, the Directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A shareholder does not need to obtain the approval of the Company, or of other shareholders of shares in the Company, for a transfer of shares to take place.

Appointment and replacement of Directors

Directors shall be no less than three and no more than fifteen in number. A Director is not required to hold any shares of the Company by way of qualification. The Company may by ordinary resolution increase or reduce the maximum or minimum number of Directors.

At each Annual General Meeting, any Director who was elected or last re-elected a Director at or before the Annual General Meeting held in the third calendar year before the current calendar year shall retire by rotation and such further Directors (if any) shall retire by rotation as would bring the number retiring by rotation up to one-third of the number of Directors in office at the date of the notice of the meeting (if their number is not a multiple of three, the number shall be the number nearest to but not greater than one-third). The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. The additional Directors to retire shall be those who have been longest in office since their last re-election or in the case of those who were appointed or re-elected on the same date, shall be determined by lot. A retiring Director is eligible for re-election.

The Board may appoint any person to be a Director (so long as the total number of Directors does not exceed the limit prescribed in the Articles). Any such Director shall hold office only until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

The office of Director shall be vacated if a Director:

(i) resigns in writing or offers to resign in writing and the Board resolves to accept such offer;

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

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

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

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

Powers of the Directors

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

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertakings, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The aggregate amount remaining undischarged of all money borrowed by the Company or its subsidiaries may not, without the prior sanction of an ordinary resolution, exceed the aggregate of (i) the amount paid up or credited as paid up on the share capital of the Company or (ii) the total of the capital and revenue reserves of the Company and its subsidiaries, subject to certain adjustments.

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

Significant agreements: Change of control

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

By order of the Board of Directors
Frostrow Capital LLP, Secretary
25 Southampton Buildings, London WC2A 1AL
7 December 2009

Directors' Remuneration Report

The Directors submit this report in accordance with the requirements of Sections 420 – 422 of the Companies Act 2006. An Ordinary Resolution for the approval of this report will be put to members at the forthcoming Annual General Meeting.

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

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises all of the Directors of the Company and is chaired by Mr JP Williams.

The Committee met once during the year to review the remuneration of Mr MED'A Walton and in light of his commitment and effort in the current year regarding a number of one-off events (including the Zero Dividend Preference share issue and the new bank facilities), it was agreed that he should receive a one-off payment of £20,000. The basic Director's fee for each Director is £35,000 per annum with an additional fee of £115,000 per annum for the Chairman of the Company. An additional fee of £6,000 per annum is payable to the Chairman of the Audit, the Valuations and the Remuneration and Nomination Committees. Separate additional fees of £3,000 per annum are payable to the non-Chairman members of the Valuations Committee.

Policy on Directors' Remuneration

The policy of the Remuneration and Nomination Committee is that remuneration of non-executive Directors should be fair and sufficient to attract 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 2010 and subsequent years. Non-executive Directors are not eligible to receive bonuses, pension benefits, share options or other benefits. The Remuneration and Nomination Committee relies mainly on general salary surveys in respect of its consideration of the level of Directors' remuneration. The total remuneration of the Directors is determined by the provisions in the Articles of Association and by shareholders' resolutions.

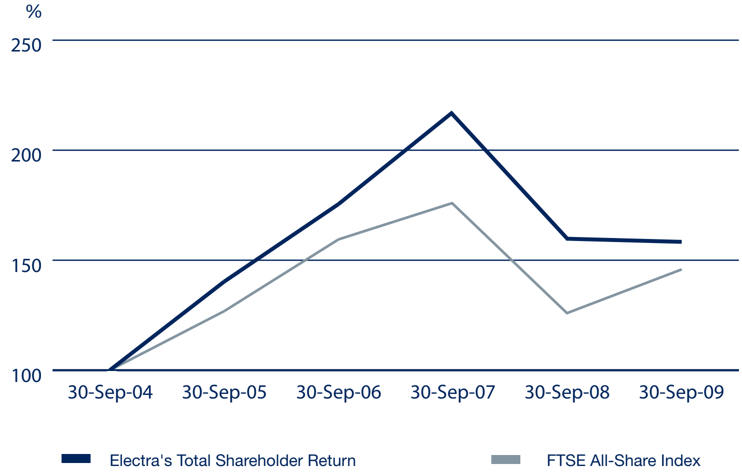
Directors' Service Contracts

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

Total Shareholder Return

The graph below compares the Company's total shareholder return over the five financial years to 30 September 2009 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 2009 £000	30 September 2008 £000
Sir Brian Williamson (Chairman and highest paid Director)	**150.0**	150.0
RA Armstrong	**41.0**	30.6
Professor Sir George Bain	**–**	9.9
C Bowe	**38.0**	30.1
Lord King of Bridgwater	**–**	9.9
MED'A Walton	**61.0**	38.9
L Webber	**38.0**	30.1
JP Williams	**41.0**	30.6
Total	**369.0**	330.1

JP Williams, Chairman of the Remuneration and Nomination Committee
Paternoster House
65 St Paul's Churchyard, London EC4M 8AB
7 December 2009

Corporate Governance

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

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

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code during the year to 30 September 2009.

The Board of Directors

The Board was comprised of six Directors throughout the year to 30 September 2009 all of whom were non-executive. The Board appointed Mr R Perkin as a non-executive Director on 24 November 2009. The Board has nominated Mr JP Williams as the Senior Independent Director.

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

The number of 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. All the Directors attended the Annual General Meeting.

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

	Board	Audit Committee	Remuneration and Nomination Committee	Valuations Committee
Number of Meetings	**9**	**2**	**1**	**4**
Sir Brian Williamson *	9	–	1	–
RA Armstrong **	9	2	1	–
C Bowe	7	2	–	4
MED'A Walton	9	2	† –	4
L Webber	9	2	1	4
JP Williams **	9	2	1	–

* Sir Brian Williamson was not a member of the Audit or Valuations Committees.
** Mr RA Armstrong and Mr JP Williams were not members of the Valuations Committees.
† Mr MED'A Walton was asked not to attend the meeting of the Remuneration and Nomination Committee.

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

The Directors believe that the Board has 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 70.

Independence of the Board

Sir Brian Williamson, Mr RA Armstrong, Mr MED'A Walton and Mr JP Williams 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 AIC 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 for annual re-election.

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

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.

Directors' Terms of Appointment

It is the Board's policy that Directors shall retire and be subject to appointment by shareholders at the first Annual General Meeting following their appointment by the Board and be subject to re-election at least every third year thereafter. Directors who have served for more than nine years and who wish to continue in office are required to submit themselves for re-election annually.

Re-election of Directors

In accordance with the AIC Code's provisions and or the Company's Articles, each of Sir Brian Williamson, Mr RA Armstrong, MED'A Walton and Mr JP Williams will retire at the Annual General Meeting to be held in 2010 and each offers himself for re-election. Mr R Perkin will offer himself for election at the Annual General Meeting to be held in 2010.

Independent Professional Advice

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

Company Secretary

Having reviewed the AIC Code and Guide in the light of Sir David Walker's review of corporate governance in the UK banking industry, the Board decided during the year to appoint an independent Company Secretary. Accordingly, since June 2009 the services of Company Secretary have been undertaken by Frostrow Capital LLP, in addition to its existing role as Board adviser. Frostrow took over from Philip Dyke, a Partner of Electra Partners LLP, who undertook the duties of Company Secretary for the previous 20 years. We thank him for his invaluable contribution. Philip remains a Partner of Electra Partners LLP.

The Audit Committee

The Board is supported by the Audit Committee which 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 the Company's website.

The Committee's responsibilities include:

- monitoring and reviewing the integrity of the financial statements, the internal financial controls and the independence, objectivity and effectiveness of the external auditors;
- making recommendations to the Board in relation to the appointment of the external auditors and approving their remuneration and terms of their engagement;
- developing and implementing the Company's policy on the provision of non-audit services by the external auditors;
- reviewing the arrangements in place within Electra Partners whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company; and
- considering annually whether there is a need for the Company to have its own internal audit function.

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

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

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

The Remuneration and Nomination Committee

The Remuneration and Nomination Committee, chaired by Mr JP Williams, comprises all non-executive Directors of the Company, the majority of whom will always be independent.

The Committee met once during the year to review the remuneration of Mr MED'A Walton and the results of this review are set out in the Directors' Remuneration Report.

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

The Valuations Committee

The Valuations Committee adds a further level of oversight to the valuation process carried out by Electra Partners under its contractual arrangements with the Company. The Valuations Committee is chaired by Mr MED'A Walton. The other members of the Committee are Ms C Bowe and Ms L Webber.

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 level of proxies lodged for each resolution is announced at the Meeting and is published on the Company's website.

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

Internal Control

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

The Board is responsible for the Company's system of internal control and has reviewed its effectiveness for the year ended 30 September 2009. This encompasses a review of all controls including financial, operational and compliance controls and risk management. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

Since investment management, custody of assets and many administrative services are provided or arranged for the Company by Electra Partners, the Company's system of internal control mainly comprises the monitoring of the services provided by Electra Partners, including the operating controls established by them to ensure they meet the Company's business objectives. 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 Objective and Investment Policy.
- Management Agreements and Investment Performance – the Board regularly monitors the performance of Electra Partners to ensure that the Company's assets and affairs are managed in accordance with the Company's Objective and Investment Policy.

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

- The Board reviews the terms of the management agreements and receives regular reports from Electra Partners executives.
- The Board reviews the certificates provided by Electra Partners on a six monthly basis verifying compliance with documented controls.

Voting Policy

Under the investment management arrangements Electra Partners has complete discretion in relation to all voting issues in respect of the Company's investments. Electra Partners' policy 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.

Other Information in the Report of the Directors

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

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable;
- state that the financial statements comply with IFRSs as adopted by the European Union;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

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

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Directors' Report contained in the Reports section of the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board of Directors
Sir Brian Williamson, Chairman, Paternoster House
65 St Paul's Churchyard, London EC4M 8AB
7 December 2009

Report of the Independent Auditors

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

We have audited the financial statements of Electra Private Equity PLC for the year ended 30 September 2009 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Group and Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective Responsibilities of Directors and Auditors

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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 to 497 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the company's affairs as at 30 September 2009 and of the group's loss and group's and company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 35, in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

RML Pugh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 December 2009

- 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

Note	For the year ended 30 September	Revenue £'000	Capital £'000	2009 Total £'000	Revenue £'000	Capital £'000	2008 Total £'000
1	Net profit/(loss) on investments held at fair value	**35,325**	**(25,276)**	**10,049**	26,188	(46,538)	(20,350)
1	Loss on revaluation of foreign currencies	**–**	**(19,006)**	**(19,006)**	–	(18,384)	(18,384)
		35,325	**(44,282)**	**(8,957)**	26,188	(64,922)	(38,734)
3	Other income	**1,142**	**–**	**1,142**	2,857	9,556	12,413
24	Incentive schemes	**–**	**(6,037)**	**(6,037)**	–	(9,496)	(9,496)
4	Priority profit share paid to general partners	**(11,891)**	**–**	**(11,891)**	(13,435)	–	(13,435)
4	Other expenses	**(5,564)**	**–**	**(5,564)**	(8,381)	–	(8,381)
	Net Loss before Finance Costs and Taxation	**19,012**	**(50,319)**	**(31,307)**	7,229	(64,862)	(57,633)
7	Finance costs	**(6,865)**	**(452)**	**(7,317)**	(7,921)	–	(7,921)
	Loss on Ordinary Activities before Taxation	**12,147**	**(50,771)**	**(38,624)**	(692)	(64,862)	(65,554)
8	**Taxation Credit/(Charge)**	**(100)**	**12,233**	**12,133**	(4,366)	567	(3,799)
	Loss on Ordinary Activities after Taxation	**12,047**	**(38,538)**	**(26,491)**	(5,058)	(64,295)	(69,353)
19	**Attributable to Equity Shareholders**	**12,047**	**(38,538)**	**(26,491)**	(5,058)	(64,295)	(69,353)
11	**Basic and Diluted Earnings per Ordinary Share**	**34.05p**	**(108.92)p**	**(74.87)p**	(13.98)p	(177.69)p	(191.67)p

The 'Total' columns of this statement represent the Group's Income Statement prepared in accordance with International Financial Reporting Standards adopted by the EU ("IFRS"). The supplementary Revenue and Capital columns are both prepared under guidance published by the Association of Investment Companies. This is further explained in the Basis of Accounting on page 44.

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

	2009	2008
Number of Ordinary Shares in issue at 30 September	**35,338,687**	35,595,687

Note		2009	2008
	Special Dividends Paid		
9	Total paid (£'000)	**–**	9,149
9	Per share	**–**	25p

Statement of Changes in Equity

Note	For the year ended 30 September for the Group	2009 £'000	2008 £'000
19	Total equity at 1 October	**640,949**	745,506
	Loss after taxation	**(26,491)**	(69,353)
19	Foreign currency translation differences	**(4,409)**	437
	Total Recognised Income and Expense	**610,049**	676,590
19	Special dividend to equity shareholders *	**–**	(9,149)
19	Purchase of own shares †	**(2,096)**	(26,492)
	Total Equity Shareholders' Funds at 30 September	**607,953**	640,949

Note	For the year ended 30 September for the Company	2009 £'000	2008 £'000
19	Total equity at 1 October	**653,781**	744,319
	Profit/(Loss) after taxation	**(43,732)**	(54,897)
	Total Recognised Income and Expense	**610,049**	689,422
19	Special dividend to equity shareholders *	**–**	(9,149)
19	Purchase of own shares †	**(2,096)**	(26,492)
	Total Equity Shareholders' Funds at 30 September	**607,953**	653,781

* No special dividend was paid during the period (2008: 25p).

† Share buy-backs and cancellations during the year to 30 September 2009 were 7,000 on 26 November 2008 and 250,000 on 2 December 2008 (2008: 50,000 ordinary shares on 23 November 2007, 160,000 ordinary shares on 27 November 2007, 200,000 ordinary shares on 5 December 2007, 92,000 ordinary shares on 6 December 2007, 55,000 ordinary shares on 14 December 2007, 100,000 ordinary shares on 22 January 2008 and 1,000,000 ordinary shares on 17 March 2008).

Consolidated Balance Sheet

Note		As at 30 Sept 2009 £'000	As at 30 Sept 2009 £'000	As at 30 Sept 2008 £'000	As at 30 Sept 2008 £'000
	Non-Current Assets				
12	Investments held at fair value:				
	Unlisted and listed		**576,291**		514,249
	Other investments		**229,322**		276,467
			805,613		790,716
	Current Assets				
13	Trade and other receivables	**5,113**		3,043	
	Cash and cash equivalents	**36,500**		43,791	
		41,613		46,834	
	Current Liabilities				
14	Trade and other payables	**6,757**		8,424	
	Net Current Assets		**34,856**		38,410
	Total Assets less Current Liabilities		**840,469**		829,126
16	Zero Dividend Preference shares	**41,896**		–	
15	Bank loans	**169,732**		158,870	
23	Deferred tax	**148**		12,317	
24	Provision for liabilities and charges	**20,740**		16,990	
	Non-Current Liabilities		**232,516**		188,177
	Net Assets		**607,953**		640,949
	Capital and Reserves				
18	Called-up share capital		**8,835**		8,899
19	Share premium	**24,147**		24,147	
19	Capital redemption reserve	**34,440**		34,376	
19	Translation reserve	**(3,375)**		1,034	
19	Realised capital profits	**780,882**		834,672	
19	Unrealised capital losses	**(260,916)**		(274,072)	
19	Revenue reserves	**23,940**		11,893	
			599,118		632,050
	Total Equity Shareholders' Funds		**607,953**		640,949
	Net Asset Value per Ordinary Share		**1,720.36p**		1,800.64p
	Ordinary Shares in issue 30 September		**35,338,687**		35,595,687

The notes on pages 44 to 69 are an integral part of the financial statements.

Balance Sheet

Note			As at 30 Sept 2009		As at 30 Sept 2008
		£'000	£'000	£'000	£'000
	Non-Current Assets				
12	Investments held at fair value:				
	Subsidiary undertakings		**334,660**		290,548
	Unlisted and listed		**140,857**		130,154
	Other investments		**229,322**		276,467
			704,839		697,169
	Current Assets				
13	Trade and other receivables	**8,076**		6,217	
	Cash and cash equivalents	**34,006**		42,920	
		42,082		49,137	
	Current Liabilities				
14	Trade and other payables	**66,779**		63,784	
	Net Current Liabilities		**(24,697)**		(14,647)
			680,142		682,522
23	Deferred tax	**–**		11,751	
24	Provision for Liabilities and Charges	**72,189**		16,990	
	Non Current Liabilities		**72,189**		28,741
			607,953		653,781
	Capital and Reserves				
18	Called-up share capital		**8,835**		8,899
19	Share premium	**24,147**		24,147	
19	Capital redemption reserve	**34,440**		34,376	
19	Realised capital profits	**779,619**		844,266	
19	Unrealised capital losses	**(239,549)**		(260,585)	
19	Revenue reserve	**461**		2,678	
			599,118		644,882
	Total Equity Shareholders' Funds		**607,953**		653,781

The notes on pages 44 to 69 are an integral part of the financial statements.

The Accounts on pages 38 to 69 were approved by the Directors on 7 December 2009 and were signed on their behalf by:

Sir Brian Williamson, *Chairman*
Electra Private Equity Plc
Company Number: 303062

Consolidated Cash Flow Statement

For the year ended 30 September	£'000	2009 £'000	£'000	2008 £'000
Operating Activities				
Purchases of unlisted and listed investments	**(87,233)**		(100,132)	
Purchase of other investments	**(252,000)**		(245,138)	
Amounts paid under incentive schemes	**(2,287)**		(31,808)	
Sales of unlisted and listed investments	**24,138**		190,825	
Sales of other investments	**297,000**		269,000	
Dividends and distributions received	**1,669**		2,514	
Other investment income received	**12,842**		22,376	
Interest income received	**844**		2,559	
Other income received	**297**		297	
Expenses paid	**(11,669)**		(16,580)	
Taxation paid	**(2,229)**		(3,295)	
Net Cash (Outflow)/Inflow from Operating Activities		**(18,628)**		90,618
Financing Activities				
Bank loans drawn	**376,726**		55,466	
Bank loans repaid	**(396,006)**		(75,599)	
Issue of Zero Dividend Preference shares	**41,444**		–	
Purchase of own shares	**(2,096)**		(26,492)	
Finance costs	**(5,015)**		(7,583)	
Other finance costs	**(4,443)**		(338)	
Dividend paid	**–**		(9,149)	
Net Cash Inflow/(Outflow) from Financing Activities		**10,610**		(63,695)
Changes in cash and cash equivalents		**(8,018)**		26,923
Cash and cash equivalents at 1 October		**43,791**		16,948
Translation difference		**727**		(80)
Cash and Cash Equivalents at 30 September		**36,500**		43,791

Cash Flow Statement

For the year ended 30 September	£'000	2009 £'000	£'000	2008 £'000
Operating Activities				
Purchases of unlisted and listed investments	**(70,601)**		(357,253)	
Purchase of other investments	**(252,000)**		–	
Amounts paid under incentive scheme	**(2,287)**		(31,808)	
Sales of unlisted and listed investments	**53,407**		426,156	
Sales of other investments	**297,000**		–	
Dividends and distributions received	**1,495**		2,514	
Other investment income received	**14,697**		21,885	
Interest received	**717**		2,540	
Other income received	**297**		297	
Expenses paid	**(15,878)**		(15,723)	
Taxation paid	**(2,747)**		(3,641)	
Net Cash Inflow from Operating Activities		**24,100**		44,967
Financing Activities				
Purchase of own shares	**(2,096)**		(26,492)	
Intercompany loans	**(29,344)**		17,614	
Zero Dividend Preference shares	**(452)**		–	
Other finance costs	**(1,849)**		(338)	
Dividend paid	**–**		(9,149)	
Net Cash Outflow from Financing Activities		**(33,741)**		(18,365)
Changes in cash and cash equivalents		**(9,641)**		26,602
Cash and cash equivalents at 1 October		**42,920**		16,398
Translation difference		**727**		(80)
Cash and Cash Equivalents at 30 September		**34,006**		42,920

Basis of Accounting

The Accounts for the year ended 30 September 2009 have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRS"). IFRS comprises standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") as adopted in the European Union as at 30 September 2009.

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 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 other than those in relation to the Zero Dividend Preference shares, as revenue items for the year ended 30 September 2009.

In accordance with the Company's status as a UK investment company under Section 833 of the Companies Act 2006, 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.

Application of new standards

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

New Standards and Interpretations not Applied

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

International Accounting Standards		Application Date
IAS 1	(Revised) – presentation of Financial Statements: Items of Income and Expenses	1 January 2009
IAS 23	(Revised) – Borrowing Costs	1 January 2009
IFRS3	(Revised) – Business Combinations	1 July 2009
IAS27	(Revised) – Consolidated and Separate Financial Statements	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IFRS 7	(Revised) Financial Instruments Disclosures	1 January 2009

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

A revised Statement of Recommended Practice for investment trusts was issued by the Association of Investment Companies in January 2009. The recommendations are applicable for all accounting records beginning on or after 1 January 2009.

Basis of Consolidation

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

Investments

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

Purchases and sales of listed investments and floating rate notes are recognised on the trade date where a contract exists whose terms require delivery within a time frame determined by the relevant market. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional. Investments are designated at fair value through profit 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

(i) General

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

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

(ii) Unlisted Investments

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

- Earnings multiple
- Price of recent investment
- Net assets

In applying the Earnings Multiple methodology, the Manager applies 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, after considering the background of the underlying investment, this price will generally be used as the estimate of Fair Value, subject to consideration of changes in market conditions and company specific factors. Other methodologies, as detailed above, may be used at any time if this is deemed to provide a more accurate assessment of the Fair Value of the investment.

The Fair Value of an investment in a company which has not been valued by reference to a recent transaction will be arrived at through the following process:

- The Enterprise Value of the underlying business will be calculated using the earnings multiple or net assets basis;
- 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 the Manager to control or influence the timing and nature of any realisation. Where the Manager 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.

(iii) Listed Investments

Listed investments are stated at the last traded bid price on the balance sheet date without discount.

(iv) Limited Partnership Funds

Limited partnership funds are those set up by a third party where the Company does not hold a majority share and are at fair value. Typically using the third party manager's valuation after adjustment for purchase and sales between the date of the valuation and 30 September 2009.

(v) Floating Rate Notes and Liquidity Funds

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

Accrued Income

Accrued income is included within investment valuations.

Derivative Financial Instruments

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

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

Cash and Cash Equivalents

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

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

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 when it is probable that economic benefit will flow to the Group. Where income accruals previously recognised, but not received, are no longer considered to be reasonably expected to be received, either through investee company restructuring or doubt over receipt, then these amounts are reversed through expenses.

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

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

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

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

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

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

Zero Dividend Preference Shares

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

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

Provisions

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

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

Revenue and Capital Reserves

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 by Electra Partners in accordance with IAS 39. Judgement is required in order to determine the appropriate valuation methodology under this standard and subsequently in determining the inputs into the valuation model used. These judgements include making assessments of the future earnings potential of portfolio companies, appropriate earnings multiples to apply, and marketability discounts.

Notes to the Accounts

1 Segmental Analysis

For the year ended 30 September

	2009 UK & Continental Europe £'000	2009 Americas £'000	2009 Far East £'000	2009 Total £'000	2008 UK & Continental Europe £'000	2008 Americas £'000	2008 Far East £'000	2008 Total £'000
Net (Loss)/Gain on Investments								
Realised and unrealised capital (loss)/gain on investments	**(45,809)**	**12,118**	**8,415**	**(25,276)**	(5,549)	(11,976)	(29,013)	(46,538)
Portfolio investment income (see Note 2)	**34,270**	**124**	**931**	**35,325**	26,030	158	–	26,188
	(11,539)	**12,242**	**9,346**	**10,049**	20,481	(11,818)	(29,013)	(20,350)
Realised and unrealised capital (loss)/gain on foreign currency	**(17,719)**	**(2,968)**	**1,681**	**(19,006)**	(5,448)	(12,936)	–	(18,384)
	(29,258)	**9,274**	**11,027**	**(8,957)**	15,033	(24,754)	(29,013)	(38,734)
Other income				**1,142**				12,413
Incentive schemes				**(6,037)**				(9,496)
Priority profit share				**(11,891)**				(13,435)
Other expenses				**(5,564)**				(8,381)
Net Loss before Finance Costs and Taxation				**(31,307)**				(57,633)
Finance costs				**(7,317)**				(7,921)
Loss on Ordinary Activities before Taxation				**(38,624)**				(65,554)
Portfolio Additions and Sales								
Purchases at cost	**338,085**	**2,373**	**–**	**340,458**	353,985	4,743	–	358,728
Disposal proceeds	**316,202**	**194**	**6,618**	**323,014**	414,549	44,634	–	459,183
Balance Sheet								
Investments held at fair value	**722,494**	**50,135**	**32,984**	**805,613**	725,618	37,012	28,086	790,716

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

	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Income of the Investment Trust				
UK Dividend Income from Non-current Assets				
Unlisted – UK	**–**		1,723	
Listed – UK	**181**		1,153	
Partnership interests – UK *	**902**		–	
		1,083		2,876

* 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	2009 £'000	£'000	2008 £'000
Income of the Investment Trust continued				
Other Investment Income from Non-current Assets				
Unlisted – UK	**8,949**		22,819	
Unlisted – overseas	**1,716**		493	
Partnership interests – UK *	**5,166**		–	
		15,831		23,312
Net Income of Subsidiary Undertakings				
Other Investment Income from Non-current Assets				
Unlisted – UK	**18,411**		–	
		18,411		–
		35,325		26,188

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

3 Other Income

For the year ended 30 September	£'000	2009 £'000	£'000	2008 £'000
Interest and Other Income				
Bank interest income	**787**		2,503	
Other income	**297**		297	
		1,084		2,800
Interest Receivable and Other Income				
Other interest	**58**		57	
		58		57
		1,142		2,857

4 Expenses

	Year to 30 Sept 2009 £'000	Year to 30 Sept 2008 £'000
Priority profit share paid to general partners	**11,891**	13,435

4 **Expenses** continued

For the year ended 30 September	Revenue £'000	Capital £'000	2009 Total £'000	Revenue £'000	Capital £'000	2008 Total £'000
Other Expenses						
Administrative expenses	**1,881**	**–**	**1,881**	1,579	–	1,579
Income reversals	**2,490**	**–**	**2,490**	6,074	–	6,074
Directors' remuneration (see Note 5)	**369**	**–**	**369**	330	–	330
Auditors' remuneration	**377**	**–**	**377**	398	–	398
Derivative expenses	**447**	**–**	**447**	–	–	–
	5,564	**–**	**5,564**	8,381	–	8,381

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 £20,000 (2008: £68,000) was earned by PricewaterhouseCoopers LLP, USA in relation to taxation advisory and compliance services.

	Year to 30 Sept 2009 £'000	Year to 30 Sept 2008 £'000
Audit fees		
Statutory audit of the company	**215**	209
Statutory audit of subsidiary companies	**55**	40
Tax and compliance	**45**	83
	315	332
Other services pursuant to legislation	**42**	57
Other services	**20**	9
Auditors' Remuneration	**377**	398

5 Directors' Remuneration

	Year to 30 Sept 2009 £'000	Year to 30 Sept 2008 £'000
Chairman's remuneration for year	**150**	150
Directors' fees	**219**	180
	369	330
Emoluments		
Chairman and highest paid Director:	**150**	150

5 Directors' Remuneration continued

The Board of Directors are considered to be the Key Management Personnel. For further details see Directors' Remuneration Report on page 29.

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

During the year no Director (2008: none) waived remuneration.

6 Employees (Excluding Directors)

The Company has no employees (2008: none).

7 Finance Costs

For the year ended 30 September	Revenue £'000	Capital £'000	2009 Total £'000	Revenue £'000	Capital £'000	2008 Total £'000
Loans Repayable After More Than One Year						
Interest on Bank loan	**6,465**	**–**	**6,465**	7,583	–	7,583
Loan commitment fees	**400**	**–**	**400**	338	–	338
	6,865	**–**	**6,865**	7,921	–	7,921
Zero Dividend Preference costs	**–**	**452**	**452**	–	–	–
	6,865	**452**	**7,317**	7,921	–	7,921

The bank loan is a new £185,000,000 committed multi-currency revolving facility entered into on 17 July 2009 and is repayable on 17 January 2013. The Facility Agreement states that the Group is liable to pay interest at LIBOR rates plus a margin of 3.0%. The old £250,000,000 committed multi-currency revolving facility was repaid on 17 July 2009.

8 Taxation on Ordinary Activities

A tax credit of £12,133,000 arose in the year to 30 September 2009 (2008: tax charge of £3,799,000). Corporation tax at 28% (2008: 29%).

For the year ended 30 September	Revenue £'000	Capital £'000	2009 Total £'000	Revenue £'000	Capital £'000	2008 Total £'000
(a) UK Corporation Tax						
Current tax	**–**	**–**	**–**	3,681	–	3,681
Adjustment in respect of prior periods	**87**	**–**	**87**	681	–	681
Overseas tax adjustments in respect of prior periods	**13**	**–**	**13**	4	(241)	(237)
	100	**–**	**100**	4,366	(241)	4,125
Deferred tax overseas	**–**	**(12,233)**	**(12,233)**	–	(326)	(326)
Tax (Credit)/Charge	**100**	**(12,233)**	**(12,133)**	4,366	(567)	3,799

8 Taxation on Ordinary Activities continued

The actual tax charge reconciles to the tax charge on revenue before tax based on the standard rate of corporation tax of 28% (2008: 29%) as follows:

For the year ended 30 September	Revenue £'000	Capital £'000	2009 Total £'000	Revenue £'000	Capital £'000	2008 Total £'000
(b) Factors Affecting the Tax Charge for the Year						
Profit on ordinary activities before taxation	**12,147**	**(50,771)**	**(38,624)**	(692)	(64,862)	(65,554)
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 28% (2008: 29%)	**3,401**	**(14,216)**	**(10,815)**	(201)	(18,810)	(19,011)
Effects of:						
Prior year adjustments	**87**	**–**	**87**	681	–	681
Overseas prior year adjustments	**13**	**–**	**13**	4	(241)	(237)
Dividend income	**(173)**	**–**	**(173)**	(834)	–	(834)
Disallowable expenses	**40**	**–**	**40**	67	–	67
Priority profit share of partnership income appropriated by general partners	**1,630**	**(1,630)**	**–**	3,896	(3,896)	–
Current losses utilised	**–**	**–**	**–**	540	(540)	–
Capital allowances	**–**	**–**	**–**	(2)	–	(2)
Unutilised losses arising in the year	**6,522**	**–**	**6,522**	27	–	27
Deferred tax overseas	**–**	**(12,233)**	**(12,233)**	–	(326)	(326)
Subsidiary current tax	**–**	**–**	**–**	221	–	221
Transaction fees	**–**	**–**	**–**	(33)	33	–
Capital profits not chargeable due to Investment Trust status	**–**	**4,535**	**4,535**	–	23,213	23,213
Non-taxable income	**(109)**	**–**	**(109)**	–	–	–
Loss on subsidiary loan	**(11,311)**	**11,311**	**–**	–	–	–
Tax (Credit)/Charge	**100**	**(12,233)**	**(12,133)**	4,366	(567)	3,799

9 Dividends

For the year ended 30 September	2009 £'000	2008 £'000
Dividends paid in the period	**–**	9,149
Dividends paid per share	**–**	25p

No dividend was paid during the year ended 30 September 2009.

10 Revenue Return Attributable to Equity Shareholders

The Revenue Return attributable to shareholders includes a loss of £2,217,000 (2008: loss of £2,888,000) which has been dealt with in the Accounts of the Company.

11 Earnings Per Share

	2009 p	2008 p
Revenue return per ordinary share	**34.05**	(13.98)
Capital return per ordinary share	**(108.92)**	(177.69)
Earnings per ordinary share (basic and diluted)	**(74.87)**	(191.67)

The calculation of revenue return per share is based on the revenue profits attributable to shareholders of £12,047,000 (2008: loss £5,058,000) on a weighted average number of 35,382,926 (2008: 36,184,369) ordinary shares of 25p in issue. The calculation of capital return per share is based on the capital loss attributable to ordinary shareholders of £38,538,000 (2008: loss £64,295,000) on a weighted average number of 35,382,926 (2008: 36,184,369) ordinary shares of 25p in issue. There were no potentially dilutive shares in either year.

12 Non-Current Assets

Investments Held at Fair Value

For the year ended 30 September for the Group

	2009			2008		
	Valuation £'000	**Accrued Income £'000**	**Total £'000**	Valuation £'000	Accrued Income £'000	Total £'000
Unlisted at Fair Value						
UK and Continental Europe	**283,896**	**27,520**	**311,416**	277,995	7,564	285,559
UK floating rate notes	**54,200**	**48**	**54,248**	274,252	2,215	276,467
UK and Continental Europe liquidity funds	**175,000**	**74**	**175,074**	–	–	–
USA and Other	**13,157**	**1,930**	**15,087**	4,171	–	4,171
Partnership interests – UK and Continental Europe	**107,582**	**–**	**107,582**	102,266	–	102,266
Partnership interests – USA and other	**24,990**	**–**	**24,990**	24,412	–	24,412
	658,825	**29,572**	**688,397**	683,096	9,779	692,875
Listed at Fair Value						
UK, Continental Europe and other	**117,216**	**–**	**117,216**	96,371	1,470	97,841
	776,041	**29,572**	**805,613**	779,467	11,249	790,716

	Group		Company	
	30 Sept 2009 £'000	30 Sept 2008 £'000	**30 Sept 2009 £'000**	30 Sept 2008 £'000
Subsidiary Undertakings at Fair Value				
Unlisted – UK and Continental Europe	**–**	–	**50**	1,319
Unlisted – USA and other	**–**	–	**14,670**	6,085
Investment partnerships – UK and Continental Europe	**–**	–	**276,455**	249,255
Investment partnerships – USA and other	**–**	–	**43,485**	33,889
	–	–	**334,660**	290,548

12 Non-Current Assets continued

For the year ended 30 September for the Company

	Valuation £'000	Accrued Income £'000	2009 Total £'000	Valuation £'000	Accrued Income £'000	2008 Total £'000
Unlisted at Fair Value						
UK and Continental Europe	**44,468**	**457**	**44,925**	32,306	–	32,306
UK floating rate notes	**54,200**	**48**	**54,248**	274,252	2,215	276,467
UK and Continental Europe liquidity funds	**175,000**	**74**	**175,074**	–	–	–
USA and other	**5,469**	**–**	**5,469**	–	–	–
Partnership interests – UK and Continental Europe	**59,483**	**–**	**59,483**	63,098	–	63,098
Partnership interests – USA and other	**15,095**	**–**	**15,095**	17,519	–	17,519
	353,715	**579**	**354,294**	387,175	2,215	389,390
Listed at Fair Value						
UK, Continental Europe and other	**15,885**	**–**	**15,885**	17,143	88	17,231
	369,600	**579**	**370,179**	404,318	2,303	406,621

Investments Held at Fair Value

For the year ended 30 September 2009

	Valuation £'000	Accrued Income £'000	Group Total £'000	Valuation £'000	Accrued Income £'000	Company Total £'000
Valuation at 1 October 2008						
Investments	**779,467**	**–**	**779,467**	**694,546**	**–**	**694,546**
Accrued income at 1 October 2008	**–**	**11,249**	**11,249**	**–**	**2,623**	**2,623**
	779,467	**11,249**	**790,716**	**694,546**	**2,623**	**697,169**
Purchases	**340,458**	**–**	**340,458**	**322,601**	**–**	**322,601**
	1,119,925	**11,249**	**1,131,174**	**1,017,147**	**2,623**	**1,019,770**
Accrued income realised	**–**	**5,936**	**5,936**	**–**	**2,402**	**2,402**
Disposals	**350,940**	**–**	**350,940**	**327,368**	**–**	**327,368**
	350,940	**5,936**	**356,876**	**327,368**	**2,402**	**329,770**
Increase in accrued income provision	**–**	**24,259**	**24,259**	**–**	**358**	**358**
Increase in valuation	**7,056**	**–**	**7,056**	**14,481**	**–**	**14,481**
Valuation at 30 September 2009	**776,041**	**29,572**	**805,613**	**704,260**	**579**	**704,839**
Cost at 30 September 2009	**963,746**	**–**	**963,746**	**840,749**	**–**	**840,799**

13 Trade and Other Receivables – Current

	Group 30 Sept 2009 £'000	Group 30 Sept 2008 £'000	Company 30 Sept 2009 £'000	Company 30 Sept 2008 £'000
Sales for future settlement	**1,876**	–	**132**	–
Taxation recoverable	**123**	872	**–**	–
Prepayments	**2,596**	–	**2,596**	–
Amounts owed by subsidiary undertakings	**–**	–	**5,121**	4,667
Other debtors	**518**	2,171	**227**	1,550
	5,113	3,043	**8,076**	6,217

14 Trade and Other Payables – Current

	Group 30 Sept 2009 £'000	Group 30 Sept 2008 £'000	Company 30 Sept 2009 £'000	Company 30 Sept 2008 £'000
Amounts Falling Due within One Year				
Amounts owed to subsidiary undertakings	**–**	–	**63,524**	58,288
Corporation tax	**477**	1,744	**477**	1,522
Overseas taxation	**–**	1,603	**–**	1,603
Purchases for future settlement	**1,225**	–	**–**	–
Other creditors	**5,055**	5,077	**2,778**	2,371
	6,757	8,424	**66,779**	63,784

15 Creditors

	Group 30 Sept 2009 £'000	Group 30 Sept 2008 £'000	Company 30 Sept 2009 £'000	Company 30 Sept 2008 £'000
Bank loan				
Due between one to four years (2008: one to two years)	**169,732**	158,870	**–**	–

A variable rate of interest is charged on the bank loan. The bank loan relates to a new £185,000,000 committed multi-currency revolving credit facility, entered into on 17 July 2009 and repayable on 17 January 2013. Under the Facility Agreement the Group is liable to pay interest at LIBOR rates plus a margin of 3%. The weighted average effective interest rate for the year was 3.6%.

16 Zero Dividend Preference Shares

	Group 30 Sept 2009 £'000	Group 30 Sept 2008 £'000	Company 30 Sept 2009 £'000	Company 30 Sept 2008 £'000
Zero Dividend Preference Shares	**41,896**	–	**–**	–

On 5 August 2009, the Group issued 43,000,000 Zero Dividend Preference Shares at 100p each. Each share has a par value of 0.01p and is redeemable on 5 August 2016 for 155.41p. The fair value of the Zero Dividend Preference Shares at 30 September 2009 was £45,903,000 based on the quoted offer price of 106.75p per Zero Dividend Preference Share.

17 Financial Instruments

(i) Management of Risk

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

The Group's financial instruments comprise:

1. Securities in unquoted and quoted companies, partnership interests and floating rate notes.
2. A loan facility and issuance of Zero Dividend Preference shares, the purpose of which is to finance tender offers, other share buy-backs and on-market purchases of shares, the financing of new investment and refinancing existing debt.
3. Interest rate Swap and Cap in order to manage the risk of interest rate fluctuation in interest payable on the new multi-currency loan facility.

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

Market Price Risk

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

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

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

Credit Risk

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

A well diversified portfolio of floating rate notes and liquidity funds is maintained with no more than 10% of gross assets held with any one institution. The total invested in floating rate notes was £54,200,000 with associated accrued interest of £48,000 (2008: £274,252,000 with associated interest of £2,215,000). The cost of this investment was £55,051,000 (2008: £275,528,000), the variance to valuation is in respect of deal related costs and market pricing. The total invested in liquidity funds was £175,000,000 with associated accrued income of £74,000 (2008: nil). The cost of this investment was £175,000,000. Cash held on deposit was principally with two UK banks and one Irish bank and totalled £36,500,000 (2008: £43,791,000).

Interest Rate Risk

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

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

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

Liquidity Risk

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

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

17 Financial Instruments continued

Capital Risk Management

The Group's objective in the management of capital risk is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure. In doing so the Group may adjust the amount of dividends paid to shareholders (whilst remaining within the restrictions imposed by its investment trust status), return capital to shareholders, change level of borrowing in the £185,000,000 committed multi-currency revolving credit facility or issue new shares. During the year the Group paid no special dividend (2008: £9,149,000). In order to be able to pay a dividend out of profits available for distribution the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

The Group continued to pursue an active share buy-back policy and to return value to shareholders, manage the levels of cash deposits held whilst maintaining sufficient liquidity for investments. This amounted to £2,096,000 (2008: £26,492,000) during the period.

The new £185,000,000 committed multi-currency revolving credit facility was drawn down such that a balance of £169,732,000 was outstanding at the year end (2008: £250,000,000 credit facility drawn down to £158,870,000). The loan is repayable on 17 January 2013. On 5 August 2009 the Group issued 43,000,000 Zero Dividend Preference shares at 100p each (Note 16). The level of outstanding borrowings is reviewed on an ongoing basis taking into account the need to buy back shares, future levels of investment and any foreign currency hedging concerns.

The Group's capital at 30 September 2009 comprises:

	30 Sept 2009 £'000	30 Sept 2008 £'000
Debt		
Borrowing under the credit facility	**169,732**	158,870
Zero Dividend Preference shares	**41,896**	–
	211,628	158,870
Equity		
Equity share capital	**8,835**	8,899
Retained earnings and other reserves	**599,118**	632,050
	607,953	640,949
Total capital	**819,581**	799,819
Debt as a percentage of total capital	**25.8%**	19.9%

Foreign Currency Risk

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

Revenue received in currencies other than sterling is converted into sterling at the date of the transaction. Foreign currency assets and liabilities are translated at the year-end rate. The treatment of foreign currency transactions has been described in greater detail in the Basis of Accounting note commencing on page 44.

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

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

17 Financial Instruments continued

(ii) Market Price Exposure

	2009 Increase in variable £'000	2009 Decrease in variable £'000	2008 Increase in variable £'000	2008 Decrease in variable £'000
10% movement in price of fund, listed investments, floating rate notes, liquidity funds * and price/earings ratio for unlisted investments †				
Impact on profit after tax	**72,224**	**(71,182)**	75,249	(73,269)
Impact as a percentage of profit after tax	**272.6%**	**(268.7)%**	108.5%	(105.6)%
Impact on shareholders' equity	**72,224**	**(71,182)**	75,249	(73,269)
Impact as a percentage of shareholders' equity	**11.9%**	**(11.7)%**	11.7%	(11.4)%

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

† For individual unlisted investments a marketability discount is applied (see page 45). Changes in such discounts to reasonably possible alternatives would not significantly change fair values.

(iii) Foreign Currency Exposures

A portion of the financial assets and liabilities of the Group are denominated in currencies other than sterling, which has an impact on the net assets and return of the Group as at 30 September 2009.

Currency	Foreign currency monetary assets		Foreign currency monetary liabilities		Net foreign currency monetary assets	
As at 30 September	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
US Dollar	**146,970**	129,791	**(33,690)**	(52,803)	**113,280**	76,988
Euro	**198,743**	165,123	**(131,043)**	(106,067)	**67,700**	59,056
Total	**345,713**	294,914	**(164,733)**	(158,870)	**180,980**	136,044

Currency	2009 Sterling appreciation £'000	2009 Sterling depreciation £'000	2008 Sterling appreciation £'000	2008 Sterling depreciation £'000
10% Movement in Euro				
Impact on profit after tax	**(2,062)**	**2,755**	(2,840)	3,498
Impact as a percentage of profit after tax	**(7.8)%**	**10.4%**	(4.1)%	5.0%
Impact on shareholders' equity	**(2,062)**	**2,755**	(2,840)	3,498
Impact as a percentage of share holders' equity	**(0.3)%**	**(0.5)%**	(0.4)%	0.5%
10% Movement in US Dollar				
Impact on profit after tax	**(9,008)**	**10,804**	(5,613)	8,167
Impact as a percentage of profit after tax	**(34.0)%**	**40.8%**	(8.1)%	11.8%
Impact on shareholders' equity	**(9,008)**	**10,804**	(5,613)	8,167
Impact as a percentage of shareholders' equity	**(1.5)%**	**1.8%**	(0.9)%	1.3%

17 Financial Instruments continued

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

Financial Assets

The financial instruments held by the Group include equity and non-equity shares as well as fixed interest securities. The type of income generated from these financial instruments is shown as at 30 September 2009.

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

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

Currency As at 30 September 2008	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Sterling	539,593	326,911	119,030	93,652
US Dollar	129,791	4,583	14,446	110,762
Euro	165,123	716	–	164,407
Total	834,507	332,210	133,476	368,821

Currency As at 30 September	Fixed rate financial assets weighted average interest rate 2009 %	 2008 %	Fixed rate financial assets on which no interest is paid weighted average period until maturity 2009 years	 2008 years
Sterling	**14.2**	14.0	**–**	–
US Dollar	**13.0**	15.0	**–**	–
Euro	**–**	11.9	**–**	–

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	Total 2009 £'000	 2008 £'000	Fixed rate financial liabilities 2009 £'000	 2008 £'000	Floating rate financial liabilities 2009 £'000	 2008 £'000
Sterling	**46,896**	–	**41,896**	–	**5,000**	–
US Dollar	**33,690**	52,803	**–**	–	**33,690**	52,803
Euro	**131,042**	106,067	**–**	–	**131,042**	106,067
Total	**211,628**	158,870	**41,896**	–	**169,732**	158,870

The floating rate financial liabilities comprise a new £185,000,000 committed multi-currency revolving credit facility, based on a rate per annum, the aggregate of margin, LIBOR and mandatory cost, entered into on 17 July 2009. The margin is 3.0%. The floating rate liability prior to 17 July 2009 was a £250,000,000 committed multi-currency credit facility. The margin rate was determined by the ratio of portfolio value plus cash to borrowed funds, the range of the variable margin rate being between 0.5% and 0.75%. During the period from 1 October 2008 to 17 July 2009 the margin rate was between 0.5% and 0.675% (2008: 0.5%). The weighted average effective interest rate for the year was 3.6% (2008: 4.53%). The fixed rate financial liabilities comprise 43,000,000 Zero Dividend Preference shares at 100p each issued on 5 August 2009. Each share has a par value of 0.01p and is redeemable on 5 August 2016 for 155.41p.

17 Financial Instruments continued

	2009 Increase in variable £'000	2009 Decrease in variable £'000	2008 Increase in variable £'000	2008 Decrease in variable £'000
1% movement in interest rates				
Impact on interest income from cash	**492**	**(369)**	449	(449)
Impact on interest income on floating rate notes and liquidity funds	**2,032**	**(2,221)**	3,068	(3,068)
Impact on interest payable on credit facility	**(1,913)**	**1,907**	(1,781)	1,781
Total impact on profit/(loss) after tax and shareholders' equity	**611**	**(683)**	1,736	(1,736)
Total impact as a percentage of profit/(loss) after tax	**2.3%**	**(2.6)%**	2.5%	(2.5)%
Total impact as a percentage of shareholders' equity	**0.1%**	**(0.1)%**	0.3%	(0.3)%

(v) Maturity of Financial Liabilities

The maturity profile of the Group's financial liabilities as at 30 September 2009 was:

As at 30 September	2009 £'000	2008 £'000
Between one and four years (2008: one and two years)	**169,732**	158,870
Over five years	**41,896**	–

The financial liability between one and four years (2008: one and two years) relates to a £185,000,000 committed multi-currency revolving credit facility. The facility was entered into on 17 July 2009 and is repayable on 17 January 2013. The financial liability over five years relates to the 43,000,000 Zero Dividend Preference shares issued on 5 August 2009. These are redeemable on 5 August 2016.

(vi) Fair Values of Financial Assets and Liabilities

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

As at 30 September	Fair Value 2009 £'000	Fair Value 2008 £'000
Primary Financial Assets Held		
Equity shares	**419,995**	369,388
Non-equity shares	**6,250**	17,324
Fixed interest securities	**116,320**	115,493
Floating rate securities	**263,048**	288,522
Cash at bank and in hand	**36,500**	43,780
Primary Financial Liabilities held to Finance the Group's Operations		
Bank loans	**169,732**	158,870
Zero Dividend Preference shares	**41,896**	–

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

18 Share Capital

	30 Sept 2009 £'000	30 Sept 2008 £'000
Allotted, called-up and fully paid 35,338,687 (2008: 35,595,687) ordinary shares of 25p each	**8,835**	8,899
Unissued 164,661,313 (2008: 164,404,313) ordinary shares of 25p each	**41,165**	41,101
Authorised 200,000,000 ordinary shares of 25p each	**50,000**	50,000

During the year ended 30 September 2009, the Company purchased from shareholders 257,000 ordinary shares of 25p at prices between £8.08 and £8.51 per share. The cost of acquiring 257,000 ordinary shares of 25p including expenses of £16,000 amounted to £2,096,000.

19 Capital and Reserves

For the year ended 30 September 2009 for the Group

	Called-up share capital £'000	Share premium £'000	[1] Capital redemption reserve £'000	[2] Translation reserve £'000	[3] Realised capital profits/ (losses) £'000	[4] Unrealised capital (losses)/ profits £'000	[5] Revenue reserve £'000	Total Shareholders' funds £'000
Opening balance at 1 October 2008	**8,899**	**24,147**	**34,376**	**1,034**	**834,672**	**(274,072)**	**11,893**	**640,949**
Net revenue transferred to reserves	–	–	–	–	–	–	**12,047**	**12,047**
Net losses on realisation of investments during the year	–	–	–	–	**(27,926)**	–	–	**(27,926)**
Increase in value of non-current investments	–	–	–	–	–	**3,359**	–	**3,359**
Increase in incentive provisions	–	–	–	–	–	**(6,037)**	–	**(6,037)**
Losses on foreign currencies	–	–	–	**(4,409)**	**(11,428)**	**(7,578)**	–	**(23,415)**
Net fees	–	–	–	–	**(1,161)**	–	–	**(1,161)**
Unrealised net appreciation at 1 October 2008 on investments sold during the year	–	–	–	–	**(23,412)**	**23,412**	–	–
Purchase of own shares	**(64)**	–	**64**	–	**(2,096)**	–	–	**(2,096)**
Tax liabilities on capital	–	–	–	–	**12,233**	–	–	**12,233**
At 30 September 2009	**8,835**	**24,147**	**34,440**	**(3,375)**	**780,882**	**(260,916)**	**23,940**	**607,953**

For the year ended 30 September 2008 for the Group

	Called-up share capital £'000	Share premium £'000	[1] Capital redemption reserve £'000	[2] Translation reserve £'000	[3] Realised capital profits/ (losses) £'000	[4] Unrealised capital (losses)/ profits £'000	[5] Revenue reserve £'000	Total Shareholders' funds £'000
Opening balance at 1 October 2007	9,313	24,147	33,962	597	792,960	(141,573)	26,100	745,506
Net revenue transferred to reserves	–	–	–	–	–	–	(5,058)	(5,058)
Dividend payment	–	–	–	–	–	–	(9,149)	(9,149)
Net profits on realisation of investments during the year	–	–	–	–	79,429	–	–	79,429
Increase in value of non-current investments	–	–	–	–	–	(125,632)	–	(125,632)
Increase in incentive provisions	–	–	–	–	–	(9,496)	–	(9,496)
Gains and losses on foreign currencies	–	–	–	437	(23,420)	14,591	–	(8,392)
Net fees	–	–	–	–	(334)	–	–	(334)
Unrealised net appreciation at 1 October 2007 on investments sold during the year	–	–	–	–	11,962	(11,962)	–	–
Purchase of own shares	(414)	–	414	–	(26,492)	–	–	(26,492)
Tax liabilities on capital	–	–	–	–	567	–	–	567
At 30 September 2008	8,899	24,147	34,376	1,034	834,672	(274,072)	11,893	640,949

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

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

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

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

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

19 Capital and Reserves continued

For the year ended 30 September 2009 for the Company

	Called-up share capital £'000	Share premium £'000	[1] Capital redemption reserve £'000	[2] Realised capital profits/ (losses) £'000	[3] Unrealised capital (losses)/ profits £'000	[4] Revenue reserve £'000	Total Shareholders' funds £'000
Opening balance at 1 October 2008	**8,899**	**24,147**	**34,376**	**844,266**	**(260,585)**	**2,678**	**653,781**
Net revenue transferred to reserves	–	–	–	–	–	**(2,217)**	**(2,217)**
Net profits on realisation of investments during the year	–	–	–	**23,171**	–	–	**23,171**
Increase in value of non-current investments	–	–	–	–	**23**	–	**23**
Increase in incentive provisions	–	–	–	–	**(5,641)**	–	**(5,641)**
Losses on foreign currencies	–	–	–	**(17,502)**	**(7,576)**	–	**(25,078)**
Net fees	–	–	–	**(1,161)**	–	–	**(1,161)**
Unrealised net appreciation at 1 October 2008 on investments sold during the year	–	–	–	**(34,230)**	**34,230**	–	–
Revaluation of subsidiaries	–	–	–	**(44,580)**	–	–	**(44,580)**
Purchase of own shares	**(64)**	–	**64**	**(2,096)**	–	–	**(2,096)**
Tax liabilities on capital	–	–	–	**11,751**	–	–	**11,751**
At 30 September 2009	**8,835**	**24,147**	**34,440**	**779,619**	**(239,549)**	**461**	**607,953**

For the year ended 30 September 2008 for the Company

	Called-up share capital £'000	Share premium £'000	[1] Capital redemption reserve £'000	[2] Realised capital profits/ (losses) £'000	[3] Unrealised capital (losses)/ profits £'000	[4] Revenue reserve £'000	Total Shareholders' funds £'000
Opening balance at 1 October 2007	9,313	24,147	33,962	805,203	(143,021)	14,715	744,319
Net revenue transferred to reserves	–	–	–	–	–	(2,888)	(2,888)
Dividend payment	–	–	–	–	–	(9,149)	(9,149)
Net profits on realisation of investments during the year	–	–	–	77,269	–	–	77,269
Increase in value of non-current investments	–	–	–	–	(110,697)	–	(110,697)
Increase in incentive provisions	–	–	–	–	(9,496)	–	(9,496)
Gains and losses on foreign currencies	–	–	–	(23,583)	14,591	–	(8,992)
Net fees	–	–	–	(334)	–	–	(334)
Unrealised net appreciation at 1 October 2007 on investments sold during the year	–	–	–	11,962	(11,962)	–	–
Purchase of own shares	(414)	–	414	(26,492)	–	–	(26,492)
Tax liabilities on capital	–	–	–	241	–	–	241
At 30 September 2008	8,899	24,147	34,376	844,266	(260,585)	2,678	653,781

[1] The capital redemption reserve is established by the Group on the redemption or repurchase of its own shares.
[2] The realised capital reserve recognises all realised profits that are capital in nature or have been allocated to capital.
[3] The unrealised capital reserve recognises all unrealised profits that are capital in nature or have been allocated to capital.
[4] The revenue reserve shows all profits that are revenue in nature or have been allocated to revenue.

20 Contingent Liabilities and Commitments

The Company has undertaken to invest up to a further US$40,271,000 (2008: US$19,195,000) 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 £84,883,517 (2008: £100,898,000).

At 30 September 2009 the Company had uncalled commitments of £1,670,808 to a limited partnership fund advised by Electra Partners (2008: £1,446,000).

As a limited partner in a number of limited partnership funds, the Company has entered into agreements with Electra Partners for the management of the Company's portfolio of investments. In consideration for this the limited partnership funds pay a priority profit share to the general partners. The management agreements are rolling contracts which now allow for termination by either party as set out in the section entitled 'Management Arrangements' on page 22.

21 Particulars of Holdings

Principal Subsidiary Undertakings

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

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

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

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

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

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

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

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

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

21 Particulars of Holdings continued

Principal Subsidiary Undertakings continued

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

Electra Far East LP

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

Electra Private Equity Partners (Scotland)

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

Electra Private Equity Partners 2001 - 2006 Scottish LP

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

Electra Private Equity Partners 2006 Scottish LP

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

Other Companies Held as Investments at Fair Value

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

Significant Interests in Investee Undertakings

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

	Carrying value at 30 Sept 2008 £'000	**Carrying value at 30 Sept 2009 £'000**	**Cost 30 Sept 2009 £'000**
Allflex Holdings III	45,629	**50,749**	**40,482**
Class 'A' common stock 1.9%			
Class 'G' common stock 100.0%			
A Warrants 98.8%			
Loan notes 100.0%			
Barclays Global Investments	–	**63,000**	**63,000**
Accrued income		**22**	
Liquidity fund 0.4%			
Baxi Holdings	11,174	**41,299**	**32,132**
Accrued income	853	**15,435**	
Ordinary shares 10.6%			
Unsecured deep discount bond 23.6%			
A2 shares 18.6%			
Series II unsecured deep discount bond 18.6%			
Series IV unsecured deep discount bond 100.0%			
Series VI unsecured deep discount bond 66.2%			
Bond 12.2%			

21 Particulars of Holdings continued

Other Companies Held as Investments at Fair Value continued

Significant Interests in Investee Undertakings

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

	Carrying value at 30 Sept 2008 £'000	**Carrying value at 30 Sept 2009 £'000**	**Cost 30 Sept 2009 £'000**
CH-Pharma	6,921	**12,676**	**5,300**
Ordinary shares 23.8%			
Series I convertible bond 28.8%			
Series II convertible bond 9.0%			
Credit Opportunities	–	**20,586**	**18,051**
Partnership interest 100.0%			
Dinamia	13,198	**12,747**	**11,274**
Ordinary shares 10.4%			
Insight	–	**51,000**	**51,000**
Accrued income		**31**	
Liquidity fund 0.4%			
Labco	23,536	**20,346**	**23,709**
C Ordinary shares 4.7%			
Lil-lets Group	21,412	**21,149**	**21,412**
Accrued income	3,279	**7,574**	
Ordinary shares 44.6%			
'B' Ordinary shares 100.0%			
Warrants 44.7%			
Unsecured loan notes 96.3%			
London & Stamford Property	19,800	**38,016**	**30,195**
Accrued income	317	**–**	
B Ordinary shares 7.0%			
Moser Baer	12,972	**12,606**	**1,900**
Ordinary shares 6.0%			
MPS	–	**21,475**	**17,529**
Ordinary shares 12.1%			
Nationwide Building Society	44,958	**24,500**	**25,023**
Accrued income	258	**38**	
Floating rate note 100.0%			
Nuaire	22,691	**19,155**	**23,140**
Ordinary shares 100.0%			
'A' Ordinary shares 56.4%			
'B' Ordinary shares 100.0%			
'C' Ordinary shares 22.2%			
Series 'A' loan notes 66.4%			
Series 'B' loan notes 38.3%			

21 Particulars of Holdings continued

Other Companies Held as Investments at Fair Value continued

Significant Interests in Investee Undertakings

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

	Carrying value at 30 Sept 2008 £'000	**Carrying value at 30 Sept 2009 £'000**	**Cost 30 Sept 2009 £'000**
PINE Unit Trust	9,900	**8,900**	**13,790**
Income units 98.4%			
Capital units 98.4%			
Promontoria	27,683	**30,385**	**16,479**
'B' Ordinary shares 10.0%			
Loan notes 10.4%			
Royal Bank of Scotland (Liquidity Fund)	–	**61,000**	**61,000**
Accrued income		**21**	
Liquidity funds 1.1%			
Royal Bank of Scotland	54,892	**29,700**	**30,028**
Accrued income	342	**10**	
Floating rate note 100.0%			
Thermocoax	7,166	**12,528**	**4,429**
Ordinary shares 23.0%			
Series I convertible bond 30.1%			
Volution (Vent-Axia)	15,840	**15,840**	**15,840**
Accrued income	903	**1,062**	
Mezzanine loan 45.7%			
Senior loan 47.1%			
Zensar Technologies	6,597	**15,550**	**4,211**
Ordinary shares 22.1%			

22 Related Party Transactions

Certain members of Electra Partners (the "participants") are entitled under various limited partnership agreements to benefit from carried interest and co-investment arrangements. Under these schemes the participants invest in every new investment made by the Company up to 31 March 2006. In return the participants receive a percentage of the total capital and revenue profits made on each investment. The participants do not receive any profits until the Company has received back its initial investment. During the year ended 30 September 2009 the participants received £1,717,000 (2008: £37,762,000) and are entitled to receive an additional amount of £nil (2008: £nil) under these schemes and had unrealised gains of £7,727,000 (2008: £8,144,000). The participants are entitled to a percentage of the incremental value of unlisted investments held at 31 March 1995, subject to the Company having received in total proceeds equal to the valuation of those investments as at 31 March 1995 and a preferred return. During the year ended 30 September 2008 the participants had unrealised gains of £1,001,000 (2008: £999,000).

Following approval at the Extraordinary General Meeting held on 12 October 2006 the participants entered two new schemes. The participants are entitled to receive a percentage of the incremental value of certain investments held at 31 March 2006 following the Company receiving total proceeds equal to the value at that date and a preferred return, after deduction of related priority profit share. During the year ended 30 September 2009 the participants received £570,000 (2008: £10,110,000) and had unrealised gains of £11,616,000 (2008: £7,847,000) under this scheme. The second scheme entered into under the new arrangements requires the participants to invest in every new investment made by the Company since 1 April 2006. On a pooled basis participants receive a percentage of the total capital and revenue profits once the Company has received back its initial investment, a preferred return and a related priority profit share.

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

No Directors of Electra participated in the above schemes.

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

Net sales of investments to Electra Investments Limited from Electra amounted to £27,644,000 for the year ended 30 September 2009 (2008: from Electra Investments Limited to Electra of £14,608,000). Net loans advanced by Electra to Electra Investments Limited were £10,851,000 (2008: loans advanced by Electra Investments Limited to Electra of £28,342,000). Interest of £1,399,000 (2008: £3,383,000) was paid on the outstanding balance.

Net loans for working capital and/or to clear intercompany balances were made from Albion (Electra) for £371,000 (2008: £418,000), to Booker Globe for £nil (2008: £3,000), to Cloverdown Investments for £nil (2008: £48,000), from Electra Holdings Inc for £212,000 (2008: to Electra Holdings Inc for £257,000), from Electra Property Inc for £242,000 (2008: to Electra Property Inc for £282,000), to Electra Private Equity Investments Plc for £41,959,000 (2008: £nil) and to EUK for £nil (2008: £10,000).

23 Deferred Tax

	Group		Company	
	30 Sept 2009 £'000	30 Sept 2008 £'000	**30 Sept 2009 £'000**	30 Sept 2008 £'000
Deferred tax overseas	**148**	12,317	**–**	11,751

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

24 Provision for Liabilities and Charges

		Group		Company
	£'000	**30 Sept 2009 £'000**	**£'000**	**30 Sept 2009 £'000**
Incentive scheme provision				
At 1 October 2008	**16,990**		**16,990**	
Amounts paid and payable under incentive schemes	**(2,287)**		**(2,287)**	
		14,703		**14,703**
Incentive scheme provision				
Increase in incentive scheme provision		**6,037**		**5,641**
		20,740		**20,344**
Liability in subsidiaries		**–**		**51,845**
At 30 September 2009		**20,740**		**72,189**

Current and former executives of Electra Partners 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, on a pooled basis, 10% on uplifts from 31 March 2006 valuations after a 15% preferred return and on deals invested at cost on 31 March 2006, 18% on a 3 year pooled basis on uplifts after an 8% preferred return.

Board of Directors

Sir Brian Williamson CBE
Chairman
Sir Brian is a non-executive Director of HSBC Holdings, NYSE Euronext and Climate Exchange. He is former Chairman of The London International Financial Futures and Options Exchange, Gerrard Group and Resolution Life Group and a former non-executive Director of the Financial Services Authority and the Court of the Bank of Ireland.

Sir Brian was appointed a Director in 1994.

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

He is a founder Director of E-Synergy, which specialises in venture funding for early-stage technology companies, Chairman of Offshield and a director of other private companies. Previously, he was CEO of Pera Group and a Director of J.P. Morgan Fleming Worldwide Income Investment Trust and several other quoted Fleming investment trusts between 1991 and 2005. Mr Armstrong is Chairman of the Audit Committee.

Ron Armstrong was appointed a Director in 1994.

Colette Bowe *
An economist by profession, Ms Bowe has worked in Whitehall, City regulation and the fund management industry. She is currently a Director of Morgan Stanley Bank International, London and Continental Railways, Chairman of the Ofcom board and a member of the supervisory board of Axa Investment Managers Deutschland. She is also Chairman of the Council of Queen Mary, University of London.

Colette Bowe was appointed a Director in 2007.

Roger Perkin
Mr Perkin is a former senior partner at Ernst & Young with significant global accounting experience and financial services expertise. He spent 40 years at Ernst & Young and its predecessor firms, including over 30 years as a Partner, working with a wide range of clients before specialising in financial services.

Roger Perkin was appointed a Director on 24 November 2009.

Michael Walton *
Mr Walton has over 35 years experience of the private equity industry, having joined the Electra House Group in 1972, with responsibility for unlisted investments. He was a Director of Electra from 1981 to 1986. Subsequently, Mr Walton was Managing Director of Gartmore Private Capital from 1987 to 1996 and was a Director of NatWest Ventures and Bridgepoint Capital. He has served on the Council of the British Venture Capital Association. He is Chairman of the Valuations Committee.

Michael Walton was appointed a Director in 2000.

Lucinda Webber *
Ms Webber has over 20 years experience in the private equity industry, having joined Barclays Development Capital Limited ("BDCL") from Barclays Merchant Bank in 1984. She became a Director of BDCL (now Barclays Private Equity) and Barclays Capital Dévéloppement ("BCD") in 1990. In 1997 she moved to working part-time as a Director for Barclays Private Equity and BCD and, since 1999, she has worked as a consultant in private equity, remaining on the Barclays Ventures Investment and Valuation Committees.

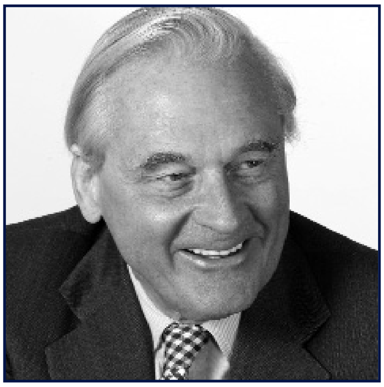
Lucinda Webber was appointed a Director in 2007.

Peter Williams
Mr Williams is a Director of Xenos Group, a software company listed on the Toronto Stock Exchange, and several private companies. He was formerly Chairman of RPC Group plc and Chief Executive of David S. Smith (Holdings). He is Chairman of the Remuneration and Nomination Committee and has been nominated the Senior Independent Director under the AIC Code of Corporate Governance.

Peter Williams was appointed a Director in 1994

* Member of the Valuations Committee.

All Directors are members of the Remuneration and Nomination Committee.
All Directors, other than the Chairman, are members of the Audit Committee.







Left to right

Sir Brian Williamson CBE
Ronald Armstrong
Colette Bowe
Roger Perkin
Michael Walton
Lucinda Webber
Peter Williams

Information for Shareholders

Financial Calendar

Annual General Meeting	February 2010
Interim Management Statement	February and July 2010
Half-year Results announced	May 2010
Annual Results announced	November 2010

Share Dealing Service

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

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

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

If you are not an existing shareholder:
We recommend you seek your own personal financial advice from an appropriately qualified independent adviser or alternatively contact your own broker. Electra Private Equity's shares are listed on the London Stock Exchange as ELTA.

Please note. The above information 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.

Analysis of Share Register as at 30 September 2009 taken from the Company's Share Register held by Equiniti Limited

	No of Shareholders	Holders within Type %	No of Shares	Issued Capital %
Nominee *	918	20.22	31,704,362	89.72
Individuals	3,519	77.53	2,790,978	7.90
Public Limited Company	4	0.09	309,224	0.88
Limited Company	52	1.15	167,302	0.47
Other Organisation	40	0.88	321,425	0.91
Bank	2	0.04	41,155	0.13
Pension Fund	4	0.09	4,241	0.12
	4,539	100.00	35,338,687	100.00

* Included within this category are Banks (3.78%), Investment Managers (61.94%), Retail Brokers (9.02% and Retail Clients (0.53%).

Change of Address

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

Share Price Information

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

Ten Year Record

Ten Year Record of Net Assets, Share Price and Earnings

As at 30 September	Net Assets £'000	Net Asset Value per Share p	Basic Earnings per Share p	Dividends Paid per Share p	[1] Share Price as at 5 April per Share p	[1] Share Price as at 30 September per Share p
2000	[2] 874,042	1,084.96	(19.12)	–	1,022.5	1,034.0
2001	[3] 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	[4] 426,723	912.86	5.70	–	747.5	793.5
2005	[5] 520,883	1,197.22	64.09	–	931.0	1,113.0
2006	[6] 598,292	1,545.07	20.58	[7] 20.00	1,326.0	1,371.0
2007	[8] 745,506	2,001.21	24.60	[9] 17.00	1,605.0	1,680.0
2008	[10] 640,949	1,800.64	(13.98)	[11] 25.00	1,570.0	1,235.0
2009	[12] 607,953	1,720.36	34.05	–	632.5	1,224.0

Notes

The net asset value per share for the years 1999 to 2004 above are as previously reported under UK GAAP. 2005 to 2008 have been prepared on an IFRS basis as explained in the Basis of Accounting.

1 Middle market price at close of business on 5 April or 30 September or, if appropriate, previous business day in each case.
2 During the year ended 30 September 2000 £250,000,000 was repaid to shareholders via a tender offer.
3 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).
4 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).
5 During the year ended 30 September 2005 3,238,000 shares were repurchased for cancellation (cost: £29,677,000).
6 During the year ended 30 September 2006 4,785,000 shares were repurchased for cancellation (cost: £64,257,000).
7 Includes special dividend of 20.00p per share paid in March 2006.
8 During the year ended 30 September 2007 1,470,000 shares were repurchased for cancellation (cost: £22,304,000).
9 Includes special dividend of 17.00p per share paid in March 2007.
10 During the year ended 30 September 2008 1,657,000 shares were repurchased for cancellation (cost: £26,492,000).
11 Includes special dividend of 25.00p per share paid in March 2008.
12 During the year ended 30 September 2009 257,000 shares were repurchased for cancellation (cost: £2,096,000).

LPEQ – Listed Private Equity

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

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

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

For further information visit www.lpeq.com.

Notice of Annual General Meeting

Notice is hereby given that the seventy-fifth Annual General Meeting of Electra Private Equity PLC will be held at 12.00 noon on Tuesday 2 February 2010 in The Great Hall at The Barber-Surgeons' Hall, Monkwell Square (off Wood Street), London EC2Y 5BL 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 2009.
2. To approve the Directors' Remuneration Report for the year ended 30 September 2009 which is set out in the Annual Report and Accounts of the Company for the year ended 30 September 2009.
3. To re-elect Mr RA Armstrong as a Director of the Company.
4. To elect Mr RK Perkin as a Director of the Company.
5. To re-elect Mr MED'A Walton as a Director of the Company.
6. To re-elect Mr JP Williams as a Director of the Company.
7. To re-elect Sir Brian Williamson as a Director of the Company.
8. To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
9. To authorise the Directors to fix the remuneration of the Auditors.

Special Business

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

10. Special resolution that:
    (i) the Articles of Association of the Company be amended by deleting all the provisions formerly in the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and
    (ii) the Articles of Association produced to the Meeting and initialled by the Chairman of the Meeting for the purpose of identification be adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

11. Special resolution to renew share buyback authority.
    That the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693(4) of the said Act) of ordinary shares of 25 pence each, provided that:
    (i) the maximum number of ordinary shares hereby authorised to be purchased is 5,297,269 or such lesser number of shares as is equal to 14.99 per cent of the total number of ordinary shares in issue as at the date of the passing of this resolution;
    (ii) the minimum price which may be paid for an ordinary share shall be 25 pence;
    (iii) the maximum price, exclusive of any expenses, which may be paid for an ordinary share shall be an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased;
    (iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors); and
    (v) unless renewed, the authority hereby conferred shall expire on the earlier of 6 May 2011 or the conclusion of the Company's Annual General Meeting in 2011 save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares which will or may be completed or executed wholly or partly after such expiry.

By order of the Board of Directors
Frostrow Capital, Secretary, 25 Southampton Buildings, London WC2A 1AL
7 December 2009

Notes

1 Members of the Company who are entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to exercise all or any of their rights to attend and to speak and vote at the Meeting. A member may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.

2 A member may vote at the Annual General Meeting subject to being on the Register of Members as at 6pm on 29 January 2010.

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

4 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those holders of ordinary shares entered on the Register of Members of the Company as at 6.00 pm on 29 January 2010 ("the Specified Time") shall be entitled to attend and vote at the Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the register of members after the Specified Time shall be disregarded in determining the rights of any person to attend and vote at the Meeting. If the Meeting is adjourned to a time not more than 48 hours after the Specified Time applicable to the original Meeting, that time will also apply for the purposes of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period, then to be so entitled, members must be entered on the Company's register of members at a time which is not more than 48 hours before the time fixed for the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.

5 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 2 February 2010 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. For a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with CREST specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (www.euroclear.com/CREST). The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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

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

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

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

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

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

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

(b) a copy of the Articles of Association as proposed to be adopted by Resolution 10; and

(c) the terms and conditions of appointment of all Directors.

No Director has a service contract with the Company.

12 Short biographical details regarding Mr RA Armstrong, Mr R Perkin, Mr MED'A Walton, Mr JP Williams and Sir Brian Williamson are contained on page 70.

13 The total number of issued ordinary shares/voting rights in the Company on 7 December 2009, which is the latest practicable date before the publication of this document, is 35,338,687.

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

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

New Articles of Association – Explanatory Notes

The Company proposes to adopt new Articles of Association ("the Articles") to reflect the changes in company law brought about by the Companies Act 2006 ("the 2006 Act") which came into effect on 1 October 2009 and changes made to the 2006 Act in August 2009 to implement the EU Shareholder Rights Directive in the UK, as well as some minor technical or clarifying changes. This would allow the Company to take advantage of the greater flexibility afforded by the 2006 Act, simplify the wording of the Articles, and ensure that the Company takes advantage of any modernisation of procedures. The principal changes of substance in the new Articles of Association proposed to be adopted at the 2010 Annual General Meeting relate to shareholder meetings and resolutions, the Company's constitution and share capital. The provisions of the 2006 Act regarding shareholder meetings and resolutions came into force in October 2007, replacing the corresponding provisions of the Companies Act 1985. The new Articles incorporate amendments in relation to meetings and resolutions to ensure consistency with the 2006 Act.

In August 2009, changes were made to the provisions in the 2006 Act on company meetings by The Companies (Shareholders' Rights) Regulations 2009 ("Shareholders' Rights Regulations") to implement the EU Shareholder Rights Directive in the UK. The new Articles incorporate amendments in relation to meetings to ensure consistency with the 2006 Act (as amended by the Shareholders' Rights Regulations).

Under the 2006 Act all provisions of the Company's Memorandum, but most significantly the objects clause, were deemed to form part of the Company's Articles from 1 October 2009. It is possible for the objects clause to be removed or amended by amending the Articles by special resolution. It is not necessary under the 2006 Act for a company to set out its objects. The 2006 Act provides that, unless the articles state otherwise, a company's objects will be unrestricted.

One of the other key provisions of the Memorandum which is deemed to form part of the Company's Articles from 1 October 2009 is the existing authorised share capital. The 2006 Act removes the requirement for a company to place limits on its authorised share capital.

By adopting the new Articles which do not contain the objects clause or the authorised share capital statement, the Company will remove these provisions, which would otherwise be deemed to form part of the Company's Articles under section 28 of the 2006 Act, from its Articles.

For a more detailed explanation of these and other amendments please refer to the Notes to this document on pages 78 to 83.

A copy of the current Articles of Association and the proposed new Articles of Association that reflect these amendments will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the registered office of the Company up until the close of the meeting. Copies will also be available at the location of the Annual General Meeting on the morning of the Meeting from 11.45am until its conclusion.

The Companies Act 2006 ("the 2006 Act"), which replaced the Companies Act 1985 ("the 1985 Act") was implemented in stages and was fully in force by 1 October 2009. In addition, the Shareholders' Rights Regulations which amend certain provisions of the 2006 Act relating to Meetings of the Company came into force in August 2009. Under Resolution 10, the Company is adopting new Articles of Association ("the Articles") which will reflect the changes in company law brought about by the Shareholders' Rights Regulations and by the provisions on the 2006 Act which came into effect on 1 October 2009. The Articles also include some other modernising and clarificatory amendments, including, where appropriate, tracking the wording of the new model form articles for public companies contained in Schedule 3 to the Companies (Model Articles) Regulations 2008 ("the Model Form Articles"), which replace the Table A Articles under the 1985 Act on which many of the Company's current Articles are based. Set out below is a summary of the principal changes.

1 The Company's Objects

The 2006 Act significantly reduces the constitutional significance of a company's memorandum. The provisions governing the operations of the Company are currently set out in both its Memorandum of Association and its Articles of Association. Under the 2006 Act, the Memorandum no longer contains an objects clause and simply records the names of the subscribers and the number of shares which each subscriber agreed to take in the Company. Under section 28 of the 2006 Act, the objects clause and all other provisions in the Memorandum are treated as part of the Articles with effect from 1 October 2009 but the Company can remove these provisions by special resolution. Unless the Articles provide otherwise, the Company's objects will be unrestricted. The Company is proposing to remove its objects clause together with all other provisions of its Memorandum which, by virtue of the 2006 Act, are treated as forming part of the Company's Articles of Association as of 1 October 2009. Resolution 10 confirms the removal of these provisions and adopts the new Articles.

2 Limited Liability (Article 5)

Under the 2006 Act, the Memorandum of Association also no longer contains a clause stating that the liability of the members of a company is limited. For existing companies, this statement is automatically treated as having moved into the articles on 1 October 2009. As noted above, Resolution 10 confirms the removal, from the Company's Articles of Association, of the provisions of the Company's Memorandum of Association which are treated as forming part of the Company's Articles of Association by virtue of section 28 of the 2006 Act, which includes the statement of limited liability. An explicit statement of the members' limited liability is therefore included in the new Articles.

3 Authorised Share Capital and Unissued Shares

The 2006 Act abolishes the concept of authorised share capital and under the 2006 Act, the Memorandum of Association no longer contains a statement of the Company's authorised share capital. For existing companies, this statement is deemed to be a provision of the company's articles of association setting out the maximum amount of shares that may be allotted by the company. The adoption of the new Articles by the Company will have the effect of removing this provision relating to the maximum amount. Directors will still need to obtain the usual shareholders' authorisation in order to allot shares, except in respect of employee share schemes. References to authorised share capital and to unissued shares have therefore been removed from the new Articles.

4 Redeemable Shares (Article 7)

Under the 2006 Act, the articles of association need not include the terms on which redeemable shares may be redeemed. The directors may determine the terms, conditions and manner of redemption of redeemable shares provided they are authorised to do so by the articles. The new Articles contain such authorisation. The Company currently has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

5 Share Certificates (Article 15)

The new Articles contain new provisions for the issue of consolidated share certificates, in line with the model form articles.

6 Transfer of Shares (Articles 33 and 34)

Under the 2006 Act, a company must either register a transfer or give the transferee notice of, and reasons for, its refusal to register the transfer. Any registration of a transfer or notice of refusal must be made or given as soon as practicable and in any event within two months from the date that the transfer is lodged with the company. The new Articles reflect these requirements. The Company cannot in any event refuse to transfer a fully paid share except in very limited circumstances (such as a transfer to more than four persons). The provision which gave the ability to suspend the registration of transfers of shares for periods not exceeding 30 days in any one year has been removed from the new Articles as there is no ability under the 2006 Act to close the register.

7 Disclosure of Interests (Article 41)

The provisions relating to the disclosure of interests in shares contained in the 1985 Act, including Section 212 on company investigation powers, were repealed in January 2007. Section 793 and related sections in Part 22 of the 2006 Act, which contain the corresponding company investigation powers previously contained in Section 212, were brought into force simultaneously. Article 41 reflects the replacement of Section 212 of the 1985 Act with Section 793 of the 2006 Act.

8 Authority to Purchase own Shares, Consolidate and Sub-divide Shares, and Reduce Share Capital (Article 43)

Under the 1985 Act, a company required specific authorisations in its articles of association to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital. Under the 2006 Act, public companies do not require specific authorisations in their articles of association to undertake these actions; but shareholder authority is still required. Amendments have been made to the new Articles to reflect these changes, although the explicit authority to purchase its own shares has been retained in Article 14.

9 Quorum (Article 50)

Article 50 has been amended to make it clear that three persons who are proxies for the same member or representatives of the same body corporate can constitute a quorum.

10 Attending and Speaking at Meetings (Article 56)

Article 56 of the new Articles now provides that the Chairman of the Meeting may permit non-members or persons who are not entitled to exercise the rights of members to attend and, at the Chairman's discretion, speak at a general meeting.

11 Participation in Meetings at Different Places and by Electronic Means (Article 57)

Amendments made to the 2006 Act by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The new Articles include amendments to provide greater scope for members to participate in meetings of the Company even if they are not present in person at the principal place where the meeting is being held. The amendments allow for members to participate not only by attendance at satellite meeting locations, but also by any other electronic means of participation.

12 Adjournments (Article 59)

The Shareholders' Rights Regulations add a provision to the 2006 Act which requires that, when a general meeting is adjourned due to lack of quorum, at least ten days' notice must be given to reconvene the meeting. The new Articles include amendments to the provisions dealing with notice of adjourned meetings to make them consistent with this new requirement.

13 Polls (Article 62)

Article 62 has been amended to clarify that a poll may be demanded before a vote on a show of hands, as well as immediately after the result of a show of hands, and to give the Directors the right to demand a poll as well as the Chairman of the Meeting.

14 Removal of Chairman's Casting Vote (Former Article 57)

Pursuant to changes brought about by the Shareholders' Rights Regulations, a traded company is no longer permitted to allow the Chairman to have a casting vote in the event of an equality of votes. Accordingly, this provision has been removed in the new Articles.

15 Voting Rights (Article 68)

The Shareholders' Rights Regulations clarify the various powers of proxies and representatives of corporate members in respect of resolutions taken on a show of hands. Where a proxy has been duly appointed by one member, he has one vote on a show of hands unless he has been appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been appointed by more than one member to vote for the resolution and by more than one member to vote against the resolution. Where a corporate member appoints representatives to attend meetings on its behalf, each representative duly appointed by a corporate member has one vote on a show of hands. The new Articles contain provisions which clarify these rights and also clarify how the provisions giving a proxy a second vote on a show of hands should apply to discretionary powers.

16 Voting Record Date (Article 69)

The new Articles include a new provision, which was not previously in the Company's Articles of Association, dealing with the method for determining which persons are allowed to attend or vote at a general meeting of the Company and how many votes each person may cast. Under this new provision, when convening a meeting the Company may specify a time, not more than 48 hours before the time of the Meeting (excluding any part of a day that is not a working day), by which a person must be entered on the register of members in order to have the right to attend or vote at the Meeting. This new provision is in line with a requirement for listed companies introduced by the Shareholders' Rights Regulations.

17 Validity of Votes (Article 73)

Following the implementation of the Shareholders' Rights Regulations, proxies are expressly required to vote in accordance with instructions given to them by members. The new Articles contain a provision stating that the Company is not required to enquire whether a proxy or corporate representative has voted in accordance with instructions given to him and that votes cast by a proxy or corporate representative will be valid even if he has not voted in accordance with his instructions.

18 Appointing Proxies and Corporate Representatives (Articles 74 and 81)

Under the 2006 Act, members may appoint a proxy to exercise all or any of their rights to attend, speak and vote at meetings. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares. The new Articles reflect these new proxy rights. The 2006 Act also provides for multiple corporate representatives to be appointed and the new Articles therefore refer to the right to appoint multiple corporate representatives. The new Articles also provide that the Company can require a corporate representative to produce a certified copy of the resolution appointing him before permitting him to exercise his powers.

19 Receipt of Appointments of Proxy and Termination of Proxy Authority (Articles 78 and 79)

Article 78 provides that proxies for a poll to be taken after the date of a meeting or adjourned meeting must be received not less than 24 hours, or such shorter time as the Directors may determine, before the time of the poll. The deadlines for receipt of termination of proxy authority have been brought into line with the deadlines for receipt of proxies. Article 78 also permits the Directors to specify, in a notice of meeting, that in determining the time for delivery of proxies, no account shall be taken of non-working days. Article 79 provides that the termination of a proxy's authority should be in writing as this is required by the Shareholders' Rights Regulations.

20 Retirement of Directors by Rotation (Article 88)

Article 88 requires any Non-Executive Director (other than the Chairman) who has held office for nine years or more to put himself up for re-election at each Annual General Meeting. This amendment is recommended good governance.

21 Alternate Directors (Articles 94, 96 and 98)

Article 94 now clarifies that an Alternate Director is entitled to be paid expenses (but not Directors' Fees). Article 96 is a new provision which effectively applies the provisions of Article 92, regarding removal of Directors, to Alternate Directors. Article 98(c) makes it clear that an alternate is subject to the same restrictions as the Director who appointed him.

22 Borrowing Powers (Article 107)

A number of presentational and descriptive amendments have been made to the borrowing powers provision.

Under the current Articles, borrowings of the Group are restricted to the sum of certain amounts as shown in the Company's latest audited balance sheet as adjusted by variations in the share capital and share premium accounts. This remains unchanged, however the last paragraph of Article 107 (1) (formerly Article 102) has been amended to also allow the Company to adjust for variations in its capital redemption reserve. The principle here is that the Company should be able to reflect capital transactions which have occurred since the balance sheet date – i.e. both issues of shares and redemptions or buy-backs of shares.

References to "sterling" have been replaced with a reference to the Group's presentational currency, in order to allow for presenting accounts in other currencies.

Additional wording has been included in Articles 107(1)(a) and 107(3)(e) to clarify how preference shares should be treated for the purposes of the borrowing powers. Under IFRS and UK GAAP preference shares are now treated as debt on a company's balance sheet, rather than equity. The additional wording included in Articles 107(1)(a) and 107(3)(e) reflects this accounting treatment. The effect of this wording is to exclude the amount of the preference share capital from the calculation of the company's share capital and reserves and to include such amount in the calculation of the Company's borrowings.

23 Provisions for Employees on Cessation or Transfer of Business (Article 108)

The 2006 Act provides that the powers of the directors to make provision for a person employed or formerly employed by a company or any of its subsidiaries in connection with the cessation or transfer of the whole or part of the undertaking of the company or that subsidiary may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. Article 108 provides that the Directors may exercise this power.

24 Directors' Appointments, Interests and Conflicts of Interest (Articles 116 and 117)

The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Some of these changes were already reflected in the current Articles, and the proposed changes simply bring the conflicts provisions and provisions on Directors' interests fully in line with the 2006 Act as described below. Under the 2006 Act, from 1 October 2008 a director has a statutory duty to avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. Article 116, which is the provision for dealing with conflicts in the Company's current Articles, allowing Directors to be interested in transactions and to be an officer of or employed by or interested in a body corporate in which the Company is interested provided that he has disclosed his interest in accordance with the Articles and the provisions of the Acts, confirms that such interests, offices or employment will not infringe the conflicts duty as codified in the 2006 Act. Article 117 also contains provisions relating to confidential information, attendance at Board Meetings and availability of Board Papers to protect a Director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict falls within the situations covered by Article 116.

25 Procedures Regarding Board Meetings & Resolutions in Writing (Articles 118 & 122)

The provisions of Article 118 have been amended to make it clear that notice of a board meeting may be given personally, by telephone, in hard copy or in electronic form. The requirements for giving notice to Directors who are not in the United Kingdom have also been clarified. In order to clarify the procedure for written resolutions of Directors, Article 122 has been amended so that, rather than referring to a resolution in writing by all Directors, a resolution in writing will be valid and effectual as if it had been passed at a meeting if executed by all the Directors entitled to receive notice of the meeting and who would have been entitled to vote (and whose vote would have been counted) on a resolution at a meeting.

26 Quorum (Article 123)

The proposed amendment to Article 123, which deals with the quorum requirement for Board Meetings, clarifies that a Director cannot count in the quorum for a matter or resolution on which he is not entitled to vote (or when his vote cannot be counted) but he may count in the quorum for the other matters or resolutions to be considered or voted on at the Meeting.

27 Permitted Interests and Voting (Article 124)

Article 124 has been amended to allow a Director to vote on a resolution which relates to giving him an indemnity or funding for expenditure incurred in defending proceedings provided all the other Directors have been given or are to be given arrangements on substantially the same terms. This exception has become a common exception for listed companies to include.

28 Removal of Age Limit for Directors

The provision requiring a Director's age to be disclosed, in a notice of meeting at which that Director is to be appointed or reappointed, if that Director has attained the age of 70 years or more, has been removed from the new Articles to reflect the repeal of the previous provisions regarding directors over 70 from the 1985 Act.

29 Notices and other Communications (Articles 150-159)

Article 154 is the Article covering service of notice in the event of a postal strike; it has been amended to allow the Company in such circumstances to serve notices only on those members who receive notices via electronic means, provided that, as before, the Company also puts an advertisement in two national newspapers and sends a confirmatory hard copy notice if the postal service is available again within seven days of the meeting.

Article 158 deals with notices, documents or information sent by the Company to a member which have been returned undelivered on three consecutive occasions. The member will only be entitled to be sent further communications upon provision of a new postal or electronic address to the Company.

30 Making and Retention of Minutes (Article 160)

Article 160 contains a new provision to the effect that minutes must be retained for at least 10 years, reflecting the relevant provision of the 2006 Act. (No minimum retention time was previously specified.)

31 The Seal (Articles 168 and 169)

Article 168 provides an alternative option (in the absence of specific instructions from the Directors) for documents (other than share certificates) to which the seal is affixed to be signed by one authorised person in the presence of a witness, in addition to either two Directors or a Director and the Secretary.

32 Change of Name (Article 172)

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company is able to change its name by other means provided for by its articles. To take advantage of this provision, the new Articles enable the Directors to pass a resolution to change the Company's name.

33 Power to Indemnify Directors (Article 174)

The Directors' Indemnity provision has been amended to make it clear that the Company may, subject to the provisions of the 2006 Act, indemnify a director of an associated company that is the trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in the 2006 Act.

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