EPE Special Opportunities plc

Interim Report | **July 2015**

Interim Report & Unaudited Financial Statements
For the six months ended 31 July 2015

Contents

Biographies of the Directors

Geoffrey Vero FCA

Geoffrey Vero qualified as a chartered accountant with Ernst & Young and then worked for Savills, chartered surveyors, and The Diners Club Limited. He has been active in venture capital since 1985, initially with Lazard Development Capital Limited and then from 1987 to 2002 as a director of Causeway Capital Limited which became ABN Amro Capital Limited. In 2002, he set up The Vero Consultancy specialising in corporate advisory services and recovery situations. He has considerable experience in evaluating investment opportunities and dealing with corporate recovery. While at Causeway Capital, Mr Vero was a Founder Director of Causeway Invoice Discounting Company Limited, which was subsequently sold to NM Rothschild. He is also a non-executive director of Numis Corporation plc and Chairman of Albion Development VCT plc.

Robert Quayle

Robert Quayle qualified as an English solicitor at Linklaters & Paines in 1974 after reading law at Selwyn College, Cambridge. He subsequently practiced in London and the Isle of Man as a partner in Travers Smith Braithwaite. He served as Clerk of Tynwald (the Isle of Man's parliament) for periods totalling 12 years and holds a number of public and private appointments, and is active in the voluntary sector. Mr. Quayle is Chairman of the Isle of Man Steam Packet Company Limited, W.H. Ireland (IOM) Limited and a number of other companies in the financial services, manufacturing and distribution sectors.

Clive Spears

Clive Spears retired from the Royal Bank of Scotland International Limited in December 2003 as Deputy Director of Jersey after 32 years of service. His main activities prior to retirement included Product Development, Corporate Finance, Trust and Offshore Company Services and he was Head of Joint Venture Fund Administration with Rawlinson & Hunter. Mr Spears is an Associate of the Chartered Institute of Bankers and a Member of the Chartered Institute for Securities & Investment. He has accumulated a well spread portfolio of directorships centring on private equity, infrastructure and corporate debt. His appointments currently include being Chairman of Nordic Capital Limited and sitting on the board of Jersey Finance Limited.

Nicholas Wilson

Nicholas Wilson has over 35 years of experience in Hedge funds, derivatives and global asset management. He has run offshore branch operations for Mees Pierson Derivatives Limited, ADM Investor Services International Limited and several other London based financial services companies. He is Chairman of Qatar Investment Fund Plc, a premium listed company, and, until recently, was chairman of Alternative Investment Strategies Limited, the longest running quoted fund of hedge funds and a FTSE all share constituent. In addition, he sits on the boards of several other public companies. He is a resident of the Isle of Man.

Profile of Investment Advisor

EPIC Private Equity LLP ("EPE" or the "Investment Advisor") was founded in June 2001 and is independently owned by its Partners. EPE focuses on niche investment opportunities throughout the UK with a focus on special situations, distressed, growth and buyout transactions.

Giles Brand is a Partner and the founder of EPE. He is currently a non-executive director of a number of portfolio companies: Whittard, Nexus Industries and Pharmacy2U. Before joining EPE, Giles was a founding Director of EPIC Investment Partners, a fund management business which at sale to Syndicate Asset Management plc had US$5 billion under management and spent five years working in Mergers and Acquisitions at Baring Brothers in Paris and London. Giles read History at Bristol University.

James Henderson is an Investment Director of EPE. He previously worked in the Investment Banking division at Deutsche Bank before joining EPE. Whilst at Deutsche Bank he worked on a number of M&A transactions and IPOs in the energy, property, retail and gaming sectors, as well as providing corporate broking advice to mandated clients. He manages the Company's investment in Pharmacy2U. James read Modern History at Oxford University and Medicine at Nottingham University.

Alex Leslie is an Investment Director of EPE. He previously worked in Healthcare Investment Banking at Piper Jaffray before joining EPE. Whilst at Piper Jaffray he worked on a number of M&A transactions and equity fundraisings within the Biotechnology, Specialty Pharmaceutical and Medical Technology sectors. He manages the Company's investment in Process Components, where he is currently a non-executive director. Alex read Human Biological and Social Sciences at Oxford University and obtained an MPhil in Management from the Judge Business School at Cambridge University.

Robert Fulford is an Investment Director of EPE. He previously worked at Barclaycard Consumer Europe before joining EPE. Whilst at Barclaycard, Robert was the Senior Manager for Strategic Insight and was responsible for identifying, analysing and responding to competitive forces. Prior to Barclaycard, Robert spent four years as a strategy consultant at Oliver Wyman Financial Services, where he worked with a range of major retail banking and institutional clients in the UK, mainland Europe, Middle East and Africa, specialising in strategy and risk modelling. He manages the Company's investments in Nexus Industries and Whittard of Chelsea, where he is currently a non-executive director. Robert read Engineering at Cambridge University.

Daniel Roddick is Head of Investor Relations and Placement at EPE. He has over ten years' experience in corporate finance, private equity and strategy consulting; most recently as a consultant and trusted advisor to a number of London-based private equity firms. Prior to EPE, Daniel was a Vice President at Campbell Lutyens where he led the marketing of funds across the Nordic region and assisted in raising private equity funds and on the sale and restructuring of private equity assets. Before Campbell Lutyens, he was at McKinsey & Co., working across London, Munich and Amsterdam in the Corporate Finance and Strategy Practice. Daniel read Engineering, Economics and Management at Oxford University and is a CFA charter holder.

Hiren Patel is a Partner and EPE's Finance Director and Compliance Officer. He has worked in the investment management industry for the past ten years. Before joining EHM and EPE, Hiren was finance director of EPIC Investment Partners. Before EPIC Investment Partners Hiren was employed at Groupama Asset Management where he was the Group Financial Controller.

Chairman's Statement

The recovery in the UK economy continued in the first half of 2015. The UK's GDP has grown by 1.1% in the first half of 2015 and is forecasted to grow at 2.4% for full year, ahead of all other G7 countries and constituting the UK's best performance since the economic crisis. Further positive signs of a recovery are found in falling levels of unemployment and increasing consumer spending. However, continuing levels of low inflation in the UK and international instability, with ongoing long term uncertainty over Greece's debt burden and a slowdown in the Chinese economy, pose a risk to the UK recovery. Despite these headwinds, the Board is cautiously optimistic that economic conditions will continue to improve and yield a sustainable recovery. This is expected to provide favourable conditions for EPE Special Opportunities plc's ("ESO plc" or the "Company") investment portfolio in the remainder of the year.

The 31 July 2015 Net Asset Value ("NAV") of 148.10 pence per share represents an increase of 4.2% on the NAV per share of 142.13 pence as at 31 January 2015. The share price as at 31 July 2015 for the Company was 109.50 pence, representing a decrease of 3.9% on the share price of 114.00 pence as at 31 January 2015.

The start of the year has proved positive for the portfolio, most notably the Company's largest asset, Nexus Industries ("Nexus"). Nexus traded significantly ahead of budget during the first half of 2015, driven by increased international sales and continuing growth in sales of their LED lighting range. Whittard of Chelsea has begun 2015 in line with budget, supported by strong retail and wholesale revenues. Online sales are continuing to show year on year growth with a new website launched in May.

On 24 July 2015, the Company bought out the minority interest held by DES Holdings ("ESD") in ESO Investments 1 LP ("ESO 1 LP"). The consideration of €12.2 million, payable in euros, represented ESD's audited NAV in ESO 1 LP as at 31 January 2015 at a fixed sterling to euro exchange rate of 1:1.35.

Concurrent with the acquisition of ESD's interest in ESO 1 LP, the Company raised £4.5 million via a placing of a new loan note instrument ("new loan note instrument") and £0.25 million via the issue of new equity in the Company. The new loan note instrument is repayable on 23 July 2022, with the Company retaining the option to extend the instrument by one year after that date. The loan will pay an annual interest of 7.5%.

On 16 September 2015, the Company refinanced a total of £1.2 million in principal amount of the existing Convertible Loan Notes ("CLNs") by the issue of loan notes for the same principal amount under the new loan note instrument. In addition to the loan notes, CLN holders participating in the refinancing have received warrants over Ordinary shares on a 1 for 5 basis, exercisable upon payment in cash of 170 pence and at any time after 31 July 2018. The warrants will lapse if they are not exercised prior to 31 January 2022.

The Board and the Investment Advisor are currently investigating the possibility of raising additional funds for the Company by way of senior debt, mezzanine finance or bonds. Should the Company decide to raise funds by way of debt or debt-like instruments, it would anticipate that those instruments and any existing loans in aggregate would be covered more than 3.0x by the Gross Assets of the Company. Any new funds raised would be used, *inter alia*, to retire existing CLNs in light of the December 2015 end date (extendable to December 2016) and support new investments.

The Company did not complete any new acquisitions in the period. Improving economic conditions may however yield investment opportunities and the Company continues to actively source deals.

I would like to extend my thanks to the Investment Advisor, EPE, as well as my fellow Directors and professional advisors, for their concerted efforts over the last six months. I look forward to once again updating you at the year end.

Geoffrey Vero
Chairman
28 September 2015

Investment Advisor's Report

In the six month period since 31 January 2015, the Investment Advisor has focused on maintaining and creating value from within the existing portfolio held by the Company. The Investment Advisor continues to undertake cost saving and revenue growth measures in portfolio companies to increase the value of the current portfolio. At the same time, the Investment Advisor has endeavoured to find new opportunities by way of platform or bolt-on investment opportunities. All new investments will be made via ESO Investments 2 LP ("ESO 2 LP"), in which the Company is the sole investor.

During the first half of 2015, the UK economic recovery continued, with GDP growth amongst the highest in the G7, benefitting the Company's portfolio. The Investment Advisor will continue to monitor carefully the health of international markets as fears of deflation, contagion from the Eurozone, geopolitical turmoil and a slowdown in China remain key issues in 2015.

The underlying portfolio has performed strongly since January 2015. Nexus finished the first half of the year ahead of budget, driven by very strong performance in the UK trade and European retail channels, bolstered by strong demand for the Luceco LED lighting range. Work has also commenced on an expansion of the company's Chinese manufacturing facility.

Whittard of Chelsea has performed in line with forecast for the first half of 2015, driven by strong retail and wholesale revenue. The business continues to develop its international presence and online presence with the relaunch of its website during the period. Together, Nexus and Whittard represent 66.6% of the Company's Gross Asset Value ("GAV").

Process Components finished the year to 30 June 2015 in line with budget and ahead of 2014. Growth continues to be driven by investment in sales, marketing and product development.

Pharmacy2U finished the year to 31 March 2015 slightly behind budget but ahead of 2014, with dispensing costs expected to fall in the coming months, in part, as a result of the new facility opening in October 2015.

On 24 July 2015, ESO plc acquired the minority interest held by ESD in ESO 1 LP. The consideration of €12.2 million, payable in euros, represented ESD's audited NAV in ESO 1 LP as at 31 January 2015 at a fixed sterling to euro exchange rate of 1:1.35. A cash consideration of €8.1 million was payable upon completion, with the remainder payable on 30 September 2015. The acquisition continued the stated objective of buying out minority interests and participants in all assets where the Investment Advisor believes it represents value.

The Company also raised £4.5 million via the placing of a new loan note instrument and £0.25 million via the issue of new equity in the Company. The final repayment date of the new loan note instrument is 23 July 2022 and this may be extended by another year at the discretion of the Company. The loan will pay 7.5% interest per annum and the Company has the option to raise further funds under the same loan note instrument.

On 16 September 2015, the Company refinanced a total of £1.2 million in principal amount of the existing CLNs by the issue of loan notes for the same principal amount under the new loan note instrument. Following the transaction, the total number of CLNs admitted to trading remains 10 million, with CLNs in the principal amount of £4.9 million held by third parties and CLNs in the principal amount of £5.1 million held by the Company. In addition to the loan notes, CLN holders participating in the refinancing have received warrants over Ordinary shares on a 1 for 5 basis, so that such CLN holders have received 0.2 million warrants entitling them to subscribe for 0.2 million Ordinary shares (in the aggregate) upon payment in cash of 170 pence per Ordinary share. The warrants are exercisable at any time after 31 July 2018, but will lapse if they are not exercised prior to 31 January 2022.

Company highlights

The NAV per share as at 31 July 2015 for the Company was 148.10 pence, calculated on the basis of 27.2 million ordinary shares (versus 30.0 million at issue), representing an increase of 4.2% on the NAV per share of 142.13 pence as at 31 January 2015. The share price for the Company as at 31 July 2015 was 109.50 pence, representing a decrease of 3.9% on the share price of 114.00 pence as at 31 January 2015.

Based on the latest NAV, as set out above, Gross Asset Cover for the total outstanding loans of £10.4 million is now 4.9x. Cash balances now stand at £10.5 million with interest coverage of 13.4x per annum. Overall liquidity in the Company is £12.3 million.

Third party net debt in the Company's portfolio stands at 1.5x EBITDA, whilst arithmetic average Net Debt to EBITDA across the portfolio is 1.8x. The portfolio remains conservatively valued with a weighted average Enterprise Value equating to an EBITDA multiple of 5.3x with 34.0% of the portfolio's GAV comprised of yielding loans. By comparison, listed European Private Equity competitors' weighted average Enterprise Value to EBITDA multiple is 10.0x[1].

Investment highlights from the inception of the Company (16 September 2003) to date include:

- Deployed £66 million of capital;
- Returned over £67 million to the Company in capital and income;
- Generated gross income of £12 million and paid dividends of £5 million;
- The underlying private equity portfolio is valued at a gross 4.3x money multiple and 31.2% IRR.

ESO plc NAV per share and share price performance versus various alternative indices

Performance summary

As at 31 July 2015	One Year	Three Years	Five Years
ESO plc Share Price	(3%)	94%	265%
ESO plc NAV Per Share	9%	66%	99%
Listed European PE Index*	30%	107%	85%
FTSE All-Share Index	2%	25%	35%
AIM All-Share Index	(2%)	12%	10%

* Selected Listed European PE Index constituents: 3i, Better Capital, Dunedin Enterprise, Electra Private Equity, HgCapital Trust, Graphite and Oakley Capital Investments. The Index has been constructed by weighting the daily share price of each constituent by its market capitalisation on a daily basis.

[1] Sources: latest Report and Accounts for 3i, Dunedin Enterprise, Electra Private Equity, HgCapital Trust, and Graphite.

Investment Advisor's Report
(continued)

Recent developments

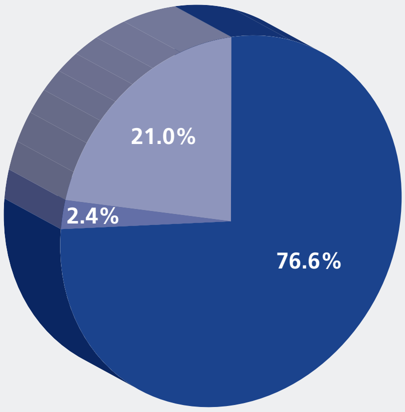
- June 2013: sale of Palatinate at 2.4x Money Multiple and 43% IRR.
- July 2013: passed Continuation Vote to extend life of Company to December 2020, five year votes thereafter.
- February 2014: sale of Bighead at 3.6x Money Multiple and 52% IRR.
- December 2014: disposal of Indicia at 2.2x Money Multiple and 25% IRR.
- January 2015: disposal of Driver Require at 1.3x Money Multiple and a 7% IRR.
- April 2015: disposal of Make it Rain at 3.2x Money Multiple and a 32% IRR.
- July 2015: acquisition of minority interest in ESO 1 LP for £8.6 million; £4.5 million loan note issue and £0.25 million issue of new equity in the Company.
- September 2015: refinance of £1.2 million in principal amount of the existing CLNs into the new loan note instrument with warrants over Ordinary shares offered on a 1 for 5 basis.

Portfolio diversification

The current portfolio is diversified by sector and instrument as follows:

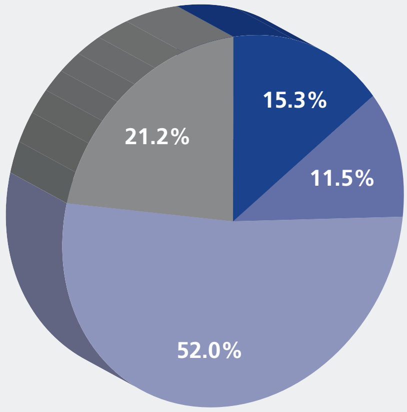
Sector Diversification

Engineering, Manufacturing and Distribution
76.6%
Healthcare
2.4%
Retail/FMCG
21.0%



Instrument Diversification

Mezzanine Loans
15.3%
Shareholder Loans
11.5%
Equity
52.0%
Cash
21.2%



Current portfolio: ESO 1 LP

Nexus Industries

Nexus Industries ("Nexus") is a manufacturer and distributor of electrical accessories in the UK, operating under the brand names Masterplug and British General, supplying both the retail and wholesale markets. The development of the Luceco LED lighting ranges is a major focus for the business. The gathering momentum behind the lighting technology switch to LED provides Nexus with an opportunity to enter and build market share in the category at a point of disruptive transition as traditional solutions are superseded. Nexus is differentiated by its positioning as a Chinese manufacturer, where the Company has built a 38,000 square metre wholly-owned production facility in Jiaxing, with British product quality, brand and service standards supplying into a global market. Nexus achieved £11.2 million of EBITDA in 2014 and growth continues to be strong. The Investment Advisor is exploring exit options, including a potential Initial Public Offering.

Whittard of Chelsea

Whittard of Chelsea ("Whittard") is a retailer of specialty tea, coffee and hot chocolate. Established in 1886, Whittard commands both strong brand recognition and customer loyalty in the UK and abroad. The main channel for Whittard is the portfolio of 51 stores across the UK. These stores are positioned in prime locations on the high street, in tourist centres and outlets, with sales generated from both gifting and regular self-purchases. Other channels include the online, wholesale and franchise channels. The Investment Advisor has focused on developing the

Whittard of Chelsea brand towards a more premium stance, which should broaden its appeal both in the UK home market and abroad.

Pharmacy2U

Pharmacy2U ("P2U") is an online pharmacy business, delivering National Health Service and private prescriptions direct to the home using an innovative technology developed in conjunction with the NHS, the Electronic Prescription Service ("EPSr2"). In June 2012, Andy Hornby became Chairman of P2U, bringing with him a strong background in healthcare and of operating FTSE 100 companies via his experience at Alliance Boots. He is mandated to drive the sales and marketing effort necessary to capitalise on the potential growth offered by EPSr2 roll-out.

Current portfolio: ESO Investments (PC) LLP ("ESO (PC) LLP")

Process Components

Process Components ("PCL") is an engineering parts and equipment supplier to the powder processing industries, primarily food, agriculture and pharmaceuticals. Customers are blue chip global manufacturers, and the business has been growing its international supply operations.

Current portfolio: ESO 2 LP

No new investments were made in the period. The Company continues to explore opportunities to acquire high quality assets at attractive prices to further diversify the current portfolio.

Outlook

The Investment Advisor is focused on consolidation with a view to preserving and creating value in its core investments, as well as on making new investments to increase portfolio diversification and generate attractive returns for shareholders. The Investment Advisor expects to achieve continued cost savings and revenue improvement measures in portfolio companies, especially those in manufacturing and consumer focused sectors. New investment opportunities are being pursued as positive economic signs continue. All new investments will be made via ESO 2 LP, in which the Company is the sole investor.

Strategic Report

Objectives and opportunities

The Company is an investment company and has been quoted on the Alternative Investment Market ("AIM"). Its objective is to provide long-term return on equity for its shareholders by way of investment in a portfolio of private equity assets. The portfolio is likely to be concentrated, numbering between two and 10 assets at any one time.

Investment policy

The Investment Advisor believes that the current economic environment continues to create a wide range of investment opportunities in UK small and medium sized enterprises ("SMEs"). As a result, the Investment Advisor continues to use proprietary deal sourcing approaches to source these opportunities, as well as engaging actively with the wider restructuring and advisory community to communicate the Company's investment strategy. The Company seeks to target growth and buyout opportunities, as well as special situations and distressed transactions, making investments where it believes pricing to be attractive and the potential for value creation strong. The Company will continue to target the following types of investments:

- Growth, Buyout and Pre-IPO opportunities: leveraging the Investment Advisor's investment experience, contacts and ability. The Company is particularly focused on making investments in sectors where the opportunity exists to create a unique asset via the consolidation of a number of smaller companies, taking advantage of the lack of liquidity in the SME market and the attraction to secondary buyers of larger operations.

- Special Situations: investment opportunities where the Investment Advisor believes that assets are undervalued due to specific, event-driven circumstances and where asset-backing may be available and the opportunity exists for recovery and significant upside. Target companies may or may not be distressed as a result of the situation. The Investment Advisor will aim to use its restructuring and refinancing expertise to resolve the situation and achieve a controlling position in the target company. The Company seeks to acquire distressed debt, undervalued equity or the assets of target businesses in solvent or insolvent situations.

- Private Investment in Public Equities (PIPEs): the Company may consider making investments in a number of smaller quoted companies, primarily ones whose shares are admitted to AIM. The Company will either seek to acquire and de-list the target company or make an investment in the ordinary equity of a quoted target company. The Company may offer ordinary shares in the Company as all or part of the consideration for such investments.

- Secondary portfolios/LP positions (Secondary or Primary)/EPE Funds: the Company is able, through EPE's Placement business, to invest as a limited partner in various Private Equity funds on substantially improved terms. On occasion, the Company will seek to take advantage of these commitments. The EPE skill-set and experience is well suited to the requirements of co-investing in funds.

The Company will consider most industry sectors, including consumer, retail, manufacturing, financial services, healthcare, support services and media industries. The Company partners with management and entrepreneurs to maximise value by combining financial and operational expertise in each investment.

The Company will seek to invest between £2 million and £10 million in a range of debt and equity instruments with a view to generating returns through both yield (c.5% to 15% per annum) and capital gain. Whilst in general the Company aims to take controlling equity positions, it may seek to develop companies as a minority investor. Occasionally the Board may authorise investments of less than £2 million. For investments larger than £10 million, the Company may seek co-investment from third parties or additional public market fundraisings.

The Company looks to invest in businesses with strong fundamentals, including defensible competitive advantage, opportunity for strong future cashflow and dynamic management teams.

The Company aims to maintain a concentrated portfolio of between two and 10 assets.

The Investment Advisor

The Investment Advisor to the Company is EPE, which was founded in June 2001 and is an independent investment manager wholly owned by its Partners. Since 2001, EPE has made 45 investments. EPE manages the Company's investments in accordance with guidelines determined by the Directors and as specified in the Limited Partnership Agreement. EPE was appointed as the Investment Advisor in September 2003.

Current and future development

A detailed review of the year and outlook is contained in the Chairman's Statement and the Investment Advisor's Report.

The Board regularly reviews the development and strategic direction of the Company. The Board's main focus continues to be on the Company's long term investment return. It is believed that the Company has foundations in place to build a successful and durable investment vehicle given its supportive shareholder base, with Giles Brand and his connected persons owning 22.2%[2] of the issued Ordinary Share Capital of the Company, and the provision of equity funding until at least December 2020, with five year extensions thereafter, via the passing of the Continuation Vote in July 2013.

The Board and the Investment Advisor are investigating the possibility of raising additional funds for the Company to be used, inter alia, to retire existing Convertible Loan Notes in light of the December 2015 end date (extendable to December 2016), invest behind key portfolio assets, and support new investments.

Performance

A detailed review of performance is contained in the Chairman's Statement and the Investment Advisor's Report. A number of key indicators are considered by the Board and the Investment Advisor in assessing the progress and performance of the Company. These are well established industry measures and are as follows:

- Return on equity over the long term
- Movement in NAV per ordinary share
- Movement in share price
- Realisation of assets above cost and above holding value at NAV
  Further details of these key performance indicators can be found on page 5 and 6.

Risk management

All risks associated with the Company are the responsibility of the Board, which reviews and manages these either directly or through EPE. The main risks which the Company faces are as follows:

Macroeconomic risks

The performance of the Company's underlying portfolio of assets as well as the Company's ability to exit these assets is materially influenced by the macroeconomic conditions, including the current business environment and market conditions, the availability of debt finance, the level of interest rates, as well as the number of active buyers. Considerable effort continues to be taken by the Investment Advisor to position the portfolio companies to cope with the changing macroeconomic climate.

Share price volatility and liquidity

The market price of the shares could be subject to significant fluctuations due to a change in investor sentiment regarding the Company or the industry in which the Company operates or in response to specific facts and events, including positive or negative variations in the Company's interim or full year operating results and business developments of the Company and/or competitors. The market price of the shares may not reflect the underlying value of the Group and it is possible that the market price of the shares will trade at a discount to NAV.

The Board monitors share price to NAV per share discount, and considers the most effective methodologies to keep this at a minimum. These methodologies include a share buyback policy, with Directors continuing 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. To date, this strategy has been used prudently and efficiently to improve shareholder returns, with the Company having retired limited partnership interests, par value CLNs and ordinary shares over the last five years equating to 15.3% of the capital base.

Long term strategic risks

The Company is subject to the risk that share price performance and long-term strategy fail to meet the expectations of its shareholders. The Board regularly reviews the Objective and Investment Policy in light of prevailing investor sentiment to ensure the Company remains attractive to its shareholders.

Investment risks

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

[2] Excluding awards made under the Joint Share Ownership Plan

Adequate sourcing and execution of deals is primarily dependent on the ability of EPE to attract and retain key investment executives with the requisite skills and experience.

Adequate performance of portfolio assets once acquired is primarily dependent on macroeconomic conditions, conditions within each asset's market and the ability of the respective management teams of each asset to execute their business strategy. 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.

The Company may at certain times hold a relatively concentrated investment portfolio of between two and 10 assets. The Company could be subject to significant losses if it, for example, holds a large position in a particular investment that declines in value. Such losses could have a material adverse effect on the performance of and returns achieved by the Company.

The Company and EPE monitor the risk that high asset concentration within the investment portfolio may pose. The Company mitigates the risk through maintaining appropriate levels of cash within the Company, careful monitoring of all the investment portfolio's assets, with particular attention to the portfolio's larger assets, and the Investment Advisor's work to find new investment opportunities.

A rigorous process is put in place by EPE for managing the relationship with each portfolio company. This includes regular asset reviews, an assessment of concentration of the investment portfolio at any given period and board representation by one or more EPE executives. The Board reviews both the performance of EPE and its incentive arrangements on a regular basis to ensure that both are appropriate to the objectives of the Company.

Gearing risks

Gearing can cause both gains and losses in the asset value of the Company to be magnified. Gearing can also have serious operational impacts on the Company if a breach of its banking covenants occurs. Secondary risks relate to whether the cost of gearing is too high and whether the length of the gearing is appropriate. The Board regularly monitors the headroom available under funding covenants and reviews the impact of the various forms of gearing and their cost to the Company. The Company uses gearing directly via its CLNs, the new loan note instrument and an overdraft facility at ESO 1 LP, and indirectly via gearing in individual portfolio assets.

Foreign exchange risk

The base currency of the Company is Sterling. Certain of the Company's assets may be invested in investee companies which may have operations in countries whose currency is not Sterling and securities and other investments which are denominated in other currencies. Accordingly, the Company will necessarily be subject to foreign exchange risks and the value of its assets may be affected unfavourably by fluctuations in currency rates.

On 24 July 2015, the Company acquired the Limited Partnership interest held by ESD in ESO 1 LP. The consideration was payable in Euros and included a €4.0 million deferred consideration. As at 31 July 2015 the Company converted €2.0 million of this deferred consideration into Euros, with the remaining €2.0 million continuing to be held in sterling denomination. This sterling holding is therefore subject to additional foreign exchange risk as a foreign exchange hedge for this conversion has not been set up.

Valuation risks and methodology

The Investment Advisor determines asset values using BVCA and IPEV guidelines and other valuation methods with reference to the valuation principles of IFRS 13: Fair Value Measurement. This determination is subject to many assumptions and requires considerable judgment. As all investments are unquoted, the valuation principles adopted are classified as Level 3 in the IFRS 7 fair value hierarchy. BVCA and IPEV guidelines recommend the use of comparable quoted company metrics and comparable transaction metrics to determine an appropriate enterprise value, to which a marketability discount is applied given the illiquid nature of private equity investments. The Investment Advisor also seeks to confirm value using discounted cash flow and other methods of valuation, and by applying a range approach. The Investment Advisor adopts a conservative approach to valuation with reference to the aforementioned methodology having regard for on-going volatile market conditions.

The Company announces an estimated net asset value per ordinary share on a monthly basis following a review of the valuation of the Company's investments.

Operational risks

The Company's investment management and administration are provided or arranged for the Company by EPE. The Company is therefore exposed to internal and external operational risks at EPE, including regulatory, legal, information technology, human resources and deficiencies in internal controls. The Company monitors the provision of services by EPE to ensure they meet the Company's business objectives.

The Board continues to monitor the operational procedures of the Company and those of the Investment Advisor. The Board has reviewed these procedures within the last year with the support of the Company Secretary and Nomad. This review included an assessment of the performance of the Investment Advisor, as well as assessing the services offered by other providers including the Company's Nomad, Secretary and Fund Administrators. Key risks considered include service provider failure, conflicts of interest and the risks of fraud, reputation damage and bribery. The Board will continue to monitor these procedures and risks, and update the Company's procedures accordingly.

Quarterly Board reports are submitted by each provider setting out any operational or compliance issues arising and are monitored by the Board. The Board considers the performance of each outsource provider in conjunction with the Audit and Risk Committee processes assumed directly by the Board in accordance with the offer document. An Audit and Risk Committee visit to the Investment Advisor was completed in June 2015. Performance is further considered as part of the annual audit process and any issues arising therein as a result of reports and or discussion with the appointed Auditors.

The Company has appointed FIM Capital Limited ("FIM") (formerly IOMA Fund and Investment Management) and EHM International Limited ("EHM") as sub-Administrator to provide administration and accounting services. The Board reviews the performance and procedures of both service providers (including disaster recovery procedures) on an annual basis and conducted an in-depth review of the procedures and services offered by EHM on 15 June 2015. As a result of this in-depth review, EHM has committed to engage in the ASAE programme.

The Company's Nomad and corporate finance advisor is Numis Securities ("Numis") who provide compliance and regulatory services to the Company. The Board also periodically reviews the performance of Numis as Nomad and Corporate Adviser to the Company. A review was carried out in June 2015 with performance deemed to be satisfactory and the ongoing engagement approved. The next review is planned for 2016.

Sources of funds

The Company considers a number of sources for funds. These include its own cash resources as well as third party funds. Own cash resources originate via income from ESO 1 LP and ESO (PC) LLP and capital from asset realisations and refinancings. The focus on utilising these cash resources allows the Company to minimise dilution from public market fundraisings and provides sufficient capital for small share buybacks and the execution of one to two new investment opportunities per annum.

The Company's own cash resources may be supplemented by additional third party funding. One route of third party funding includes the provision of co-investment capital alongside the Company in ESO 2 LP, either as private investment capital directly into ESO 2 LP or on a deal by deal basis. The Company may also seek opportunistic public market fundraisings, in particular when considering transformational investment opportunities such as the acquisition of the EPIC plc private equity portfolio in 2010. Alternatively, third party debt funding may be sourced, comprising zero dividend preference shares, preference shares, senior and mezzanine debt, such as the £10 million of CLNs raised in 2010 to part-fund the EPIC plc portfolio acquisition and the £4.5 million new loan note instrument raised in 2015.

Board Composition and Succession Plan

Objectives of Plan

- To ensure that the Board is composed of persons who collectively are fit and proper to direct the Company's business with prudence, integrity and professional skills.
- To define the Board Composition and Succession Plan (the "Plan"), which guides the size, shape and constitution of the Board and the identification of suitable candidates for appointment to the Board.

The Plan will be reviewed by the Board annually and at such other times as circumstances may require (e.g. a major corporate development or an unexpected resignation from the Board). The

Plan may be amended or varied in relation to individual circumstances at the Board's discretion.

In May 2015, the Board reviewed and approved a formal succession plan with regards to the Directors. The Board conducted a competency and succession review and have recommended that a new director may be recruited to facilitate any required succession planning.

Methodology

The Board is conscious of the need to ensure that proper processes are in place to deal with succession issues and the Board uses a skills matrix to assist in the selection process.

The matrix includes the following elements: finance, accounting and operations; familiarity with the broader concepts of private equity investment, diversity (gender, residency, cultural background); Shareholder perspectives; investment management; multijurisdictional compliance and risk management. In adopting the matrix, the Board acknowledges that it is an iterative document and will be reviewed and revised periodically to meet the Company's on-going needs.

Directors may be appointed by the Board, in which case they are required to seek election at the first AGM following their appointment. In making an appointment the Board shall have regard to the Board skills matrix.

The Board also uses the skill matrix to review the current composition of the Board to assess strengths and to identify and mitigate any weaknesses. The Board conduct these reviews on an ongoing basis and addresses issues as they are highlighted by the process.

A Director's formal letter of appointment sets out, amongst other things, the following requirements:

- Bringing independent judgment to bear on issues of strategy, performance, resources, key appointments and standards of conduct and the importance of remaining free from any business or other relationship that could materially interfere with independent judgement;

- Having an understanding of the Company's affairs and its position in the industry in which it operates;

- Keeping abreast of and complying with the legislative and broader responsibilities of a Director of a company whose shares are traded on the London Stock Exchange;

- Allocating sufficient time to meet the requirements of the role, including preparation for Board meetings; and

- Disclosing to the Board as soon as possible any potential conflicts of interest.

Geoffrey Vero
Chairman

28 September 2015

Risk and Audit Committee Report

The Risk and Audit Committee is chaired by Clive Spears and comprises all other Directors, all of whom are deemed independent.

The Risk and Audit Committee's main duties are:

- To review and monitor the integrity of the interim and annual financial statements, interim statements, announcements and matters relating to accounting policy, laws and regulations of the Company;
- To evaluate the risks to the quality and effectiveness of the financial reporting process;
- To review the effectiveness of the internal control systems and the risk management policies and procedures of the Company;
- To review the valuation of portfolio investments;
- To review corporate governance compliance;
- To review the nature and scope of the work to be performed by the Auditors, and their independence and objectivity; and
- To make recommendations to the Board as to the appointment and remuneration of the external auditors.

The Risk and Audit Committee has a calendar which sets out its work programme for the year to ensure it covers all areas within its remit appropriately. It met two times during the period under review to carry out its responsibilities and senior representatives of the Investment Advisor attended the meetings as required by the Risk and Audit Committee. In between meetings, the Risk and Audit Committee chairman maintains ongoing dialogue with the Investment Advisor and the lead audit partner.

During the year the Risk and Audit Committee carried out a review of its terms of reference and its own effectiveness. It concluded that the changes were working well and that the Risk and Audit Committee is satisfactorily fulfilling its terms of reference and is operating effectively.

Significant accounting matters

The significant issue considered by the Risk and Audit Committee during the year in relation to the financial statements of the Company is the valuation of unquoted investments.

The Company's accounting policy for valuing unquoted investments is set out in note 7. The Risk and Audit Committee examined and challenged the valuations prepared by the Investment Advisor, taking into account the latest available information on the Company's investments and the Investment Advisor's knowledge of the underlying portfolio companies through their ongoing monitoring. The Risk and Audit Committee satisfied itself that the valuation of investments had been carried out consistently with prior accounting periods, or that any change in valuation basis was appropriate, and was conducted in accordance with published industry guidelines.

The Auditors explained the results of their review of the procedures undertaken by the Manager for the valuation. On the basis of their review procedures, which are substantially less in scope than an audit conducted in terms of International Standards on Auditing, no material adjustments were identified by the auditor.

External audit

The Risk and Audit Committee reviewed the audit plan and fees presented by the Auditors, KPMG Audit LLC ("KPMG"), and considered their report on the financial statements. The fee for the audit of the annual report and financial statements of the Company for the period ended 31 January 2015 was £26,200 (2014: £25,200).

The Risk and Audit Committee reviews the scope and nature of all proposed non-audit services before engagement, with a view to ensuring that none of these services have the potential to impair or appear to impair the independence of their audit role. The committee receives an annual assurance from the Auditors that their independence is not compromised by the provision of such services, if applicable. During the period under review, the Auditors did not provide any non-audit services to the Company.

KPMG were appointed as Auditors to the Company for the year ending 31 January 2005 audit. The Risk and Audit Committee will regularly consider the need to put the audit out to tender, the Auditors' fees and independence, alongside matters raised during each audit. The appointment of KPMG has not been put out to tender as the committee, from ongoing direct observation and indirect enquiry of the Investment Advisor, remain satisfied that KPMG continue to provide a high quality audit and effective independent challenge in carrying out their responsibilities. The Company adheres to a five year roll over in relation to the Auditor partner.

Risk and Audit Committee Report
(continued)

Having considered these matters and the effectiveness of the external auditor, the Risk and Audit Committee has recommended to the Board that KPMG be appointed as Auditors for the current year.

Risk management and internal control

The Company does not have an internal audit function. The Risk and Audit Committee believes this is appropriate as all of the Company's management functions are delegated to the Investment Advisor which has its own internal control and risk monitoring arrangements. A report on these arrangements is prepared by the Investment Advisor and submitted to the Risk and Audit Committee which it reviews on behalf of the Board to support the Directors' responsibility for overall internal control. The Company does not have a whistleblowing policy and procedure in place. The Company delegates this function to the Investment Advisor who is regulated by the FCA and has such policies in place. The Risk and Audit Committee has been informed by the Investment Advisor that these policies meet the industry standards and no whistleblowing took place during the year.

Clive Spears
Chairman of the Risk and Audit Committee

28 September 2015

Review report by KPMG Audit LLC

to EPE Special Opportunities plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 July 2015, which comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

The annual financial statements of the Group are prepared in accordance with IFRSs, as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly report for the six months ended 31 July 2015 is not prepared, in all material respects, in accordance with IAS 34 and the AIM Rules.

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man IM99 1HN

28 September 2015

Consolidated Statement of Comprehensive Income

For the six months ended 31 July 2015

Note		1 Feb 2015 to 31 Jul 2015 Revenue (unaudited) £	1 Feb 2015 to 31 Jul 2015 Capital (unaudited) £	1 Feb 2015 to 31 Jul 2015 Total (unaudited) £	1 Feb 2014 to 31 Jul 2014 Total (unaudited) £	1 Feb 2014 to 31 Jan 2015 Total (audited) £
	Income					
	Interest income	8,387	–	8,387	7,723	16,516
	Total income	**8,387**	**–**	**8,387**	**7,723**	**16,516**
	Expenses					
5	Investment advisor's fees	(451,540)	–	(451,540)	(369,973)	(693,244)
	Administration fees	(46,970)	–	(46,970)	(38,890)	(75,168)
	Directors' fees	(62,000)	–	(62,000)	(62,000)	(124,000)
	Directors' and Officers' insurance	(2,099)	–	(2,099)	(2,069)	(4,163)
	Professional fees	(22,129)	–	(22,129)	(18,878)	(30,107)
	Board meeting and travel expenses	(4,067)	–	(4,067)	(5,129)	(6,959)
	Auditors' remuneration	(28,861)	–	(28,861)	(26,946)	(32,246)
	Bank charges	(488)	–	(488)	(442)	(807)
	Irrecoverable VAT	(137,866)	–	(137,866)	(103,992)	(186,349)
	Share based payment expense	(160,503)	–	(160,503)	(105,374)	(197,631)
	Sundry expenses	(15,803)	–	(15,803)	(14,426)	(27,859)
	Listing fees	(12,504)	–	(12,504)	(8,840)	(24,190)
	Nominated advisor and broker fees	(31,777)	–	(31,777)	(24,725)	(51,709)
	Total expenses	**(976,607)**	**–**	**(976,607)**	**(781,684)**	**(1,454,432)**
	Net income/(expense)	**(968,220)**	**–**	**(968,220)**	**(773,961)**	**(1,437,916)**
	Gains on investments					
6	Share of profit of equity accounted investees	–	2,004,423	2,004,423	920,685	3,570,967
13	Foreign exchange gain	–	493,715	493,715	–	–
	Gain for the period/year on investments	**–**	**2,498,138**	**2,498,138**	**920,685**	**3,570,967**
	Finance charges					
12	Interest on convertible loan note instruments	(243,560)	–	(243,560)	(242,081)	(484,163)
	Profit/(loss) for the period/year before taxation	**(1,211,780)**	**2,498,138**	**1,286,358**	**(95,357)**	**1,648,888**
	Taxation	–	–	–	–	–
	Profit/(loss) for the period/year	**(1,211,780)**	**2,498,138**	**1,286,358**	**(95,357)**	**1,648,888**
	Other comprehensive income	–	–	–	–	–
	Total comprehensive income/(loss) for the period/year	**(1,211,780)**	**2,498,138**	**1,286,358**	**(95,357)**	**1,648,888**
10	**Basic earnings/(loss) per ordinary share (pence)**	**(4.46)**	**9.20**	**4.74**	**(0.34)**	**5.99**
10	**Diluted earnings/(loss) per ordinary share (pence)**	**(4.46)**	**8.73**	**4.50**	**(0.34)**	**5.74**

The total column of this statement represents the Group's Consolidated Statement of Comprehensive Income, prepared in accordance with IFRS, as adopted by the EU. The supplementary revenue return and capital return columns are both prepared under Board approved guidelines in relation to the allocation between revenue and capital. All items in the above statement derive from continuing activities.

The notes form an integral part of these financial statements

Consolidated Statement of Financial Position

As at 31 July 2015

Note		31 July 2015 (unaudited) £	31 January 2015 (audited) £	31 July 2014 (unaudited) £
	Non-current assets			
6	Investment in equity accounted investees	41,409,909	30,346,726	32,477,270
6,8	Loans to equity accounted investees and related companies	1,012,055	1,012,055	1,012,055
		42,421,964	**31,358,781**	**33,489,325**
	Current assets			
	Cash and cash equivalents	11,375,829	13,998,962	9,629,208
	Trade and other receivables	154,568	146,303	504,281
		11,530,397	**14,145,265**	**10,133,489**
	Current liabilities			
	Trade and other payables	(3,011,578)	(81,487)	(52,817)
6,8	Loans from equity accounted investees and related companies	(284,935)	(286,855)	(289,556)
		(3,296,513)	**(368,342)**	**(342,373)**
	Net current assets	**8,233,884**	**13,776,923**	**9,791,116**
	Non-current liabilities			
12	Convertible loan note instruments	(6,051,687)	(6,035,470)	(6,020,732)
12	Loan note instrument	(4,375,800)	–	–
		(10,427,487)	**(6,035,470)**	**(6,020,732)**
	Net assets	**40,228,361**	**39,100,234**	**37,259,709**
	Equity			
9	Share capital	1,543,206	1,534,411	1,534,411
	Share premium	2,056,590	1,815,385	1,815,385
	Capital reserve	12,248,568	9,750,430	7,100,148
	Revenue reserve	24,379,997	26,000,008	26,809,765
	Total equity	**40,228,361**	**39,100,234**	**37,259,709**
11	**Net asset value per share (pence)**	**148.10**	**142.13**	**135.44**

The notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

For the six months ended 31 July 2015

	Six months ended 31 July 2015 (Unaudited)				
	Share capital	**Share premium**	**Capital reserve**	**Revenue reserve**	**Total**
	£	£	£	£	£
Balance at 1 February 2015	**1,534,411**	**1,815,385**	**9,750,430**	**26,000,008**	**39,100,234**
Total comprehensive income for the period	–	–	2,498,138	(1,211,780)	1,286,358
Contributions by and distributions to owners					
Share based payment charge	–	–	–	160,503	160,503
Cash received from JSOP participants	–	–	–	9,349	9,349
Purchase of treasury shares	–	–	–	(578,082)	(578,082)
Issue of new shares	8,795	241,205	–	–	250,000
Total transactions with owners	**8,795**	**241,205**	**–**	**(408,231)**	**(158,231)**
Balance at 31 July 2015	**1,543,206**	**2,056,590**	**12,248,568**	**24,379,997**	**40,228,361**

	Year ended 31 January 2015 (Audited)				
	Share capital	**Share premium**	**Capital reserve**	**Revenue reserve**	**Total**
	£	£	£	£	£
Balance at 1 February 2014	**1,534,411**	**1,815,385**	**6,179,463**	**27,711,259**	**37,240,518**
Total comprehensive income for the year	–	–	3,570,967	(1,922,079)	1,648,888
Contributions by and distributions to owners					
Share based payment charge	–	–	–	197,631	197,631
Cash received from JSOP participants	–	–	–	13,197	13,197
Total transactions with owners	**–**	**–**	**–**	**210,828**	**210,828**
Balance at 31 January 2015	**1,534,411**	**1,815,385**	**9,750,430**	**26,000,008**	**39,100,234**

	Six months ended 31 July 2014 (Unaudited)				
	Share capital	**Share premium**	**Capital reserve**	**Revenue reserve**	**Total**
	£	£	£	£	£
Balance at 1 February 2014	**1,534,411**	**1,815,385**	**6,179,463**	**27,711,259**	**37,240,518**
Total comprehensive income for the period	–	–	920,685	(1,016,042)	(95,357)
Contributions by and distributions to owners					
Share based payment charge	–	–	–	105,374	105,374
Cash received from JSOP participants	–	–	–	9,174	9,174
Total transactions with owners	**–**	**–**	**–**	**114,548**	**114,548**
Balance at 31 July 2014	**1,534,411**	**1,815,385**	**7,100,148**	**26,809,765**	**37,259,709**

The notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

For the six months ended 31 July 2015

	1 Feb 2015 to 31 July 2015 (unaudited) £	1 Feb 2014 to 31 Jan 2015 (audited) £	1 Feb 2014 to 31 July 2014 (unaudited) £
Operating activities			
Interest income received	8,387	16,516	7,723
Expenses paid	(872,405)	(1,291,534)	(1,094,993)
Net cash used in operating activities	**(864,018)**	**(1,275,018)**	**(1,087,270)**
Investing activities			
Loan repayments from investee companies	–	578,038	578,038
Net receipts from associate and related companies	–	7,275,180	2,494,357
Purchase of share of equity accounted investees	(5,713,039)	–	–
Net cash (used in)/generated from investing activities	**(5,713,039)**	**7,853,218**	**3,072,395**
Financing activities			
Convertible loan note interest paid	(227,343)	(454,687)	(227,343)
Purchase of treasury shares	(578,082)	–	–
Share ownership scheme participation	9,349	13,197	9,174
Proceeds from the issue of loan note instrument	4,500,000	–	–
Proceeds from the issue of new shares	250,000	–	–
Net cash generated from/(used in) financing activities	**3,953,924**	**(441,490)**	**(218,169)**
(Decrease)/Increase in cash and cash equivalents	**(2,623,133)**	**6,136,710**	**1,766,956**
Cash and cash equivalents at start of period/year	**13,998,962**	**7,862,252**	**7,862,252**
Cash and cash equivalents at end of period/year	**11,375,829**	**13,998,962**	**9,629,208**

The notes form an integral part of these financial statements

Notes to the Unaudited Interim Financial Statements

For the six months ended 31 July 2015

1 The Company

The Company was incorporated with limited liability in the Isle of Man on 25 July 2003. The Company then re-registered under the Isle of Man Companies Act 2006, with registration number 008597V. The Company's ordinary shares are listed on the Alternative Investment Market ("AIM") and the ICAP Securities and Derivatives Exchange ("ICAP").

The interim consolidated financial statements as at and for the six months ended 31 July 2015 comprise the Company and its subsidiaries (together "the Group"). The interim consolidated financial statements are unaudited.

The consolidated financial statements of the Group as at and for the year ended 31 January 2015 are available upon request from the Company's registered office at IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP, or at www.epicpe.com.

The Company has two wholly owned subsidiary companies. EPIC Reconstruction Property Company (IOM) Limited, a company incorporated on 29 October 2005 in the Isle of Man and Corvina Limited, a company incorporated on 16 November 2012 in the Isle of Man.

The Company also has interests in two partnerships that are accounted for as associates. The partnerships comprise one limited liability partnership, ESO Investments (PC) LLP, and one limited partnership, ESO Investments 1 LP. The Company also has an interest in a third partnership, ESO Investments 2 LP, through which new investments will be made. As at 31 July 2015, ESO Investments 2 LP had made no investments.

Following the approval of the Share Matching Plan at the Annual General Meeting on 20 July 2012, the Company established an employee benefit trust located in the Isle of Man to administer the scheme.

2 Statement of compliance

These interim consolidated and company financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 January 2015.

The interim consolidated financial statements were approved by the Board of Directors on 28 September 2015.

3 Significant accounting policies

The accounting policies applied by the Group in these interim consolidated financial statements are the same as those applied by the Group as at and for the year ended 31 January 2015.

Subsidiaries

The Company holds interests in ESO Investments 1 LP, ESO Investments 2 LP and ESO Investments (PC) LLP, which are managed and controlled by EPIC Private Equity LLP for the benefit of the Company and the other members. The Company has the power to appoint members to the investment committee of ESO Investments 1 LP, ESO Investments 2 LP and ESO Investments (PC) LLP but does not have the ability to direct the activities of ESO Investments 1 LP, ESO Investments 2 LP and ESO Investments (PC) LLP. The Directors consider that ESO Investments 1 LP, ESO Investments 2 LP and ESO Investments (PC) LLP do not meet the definition of subsidiaries. These entities are instead treated as associates.

4 Financial risk management

The Group financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 January 2015.

5 Investment advisory fees

The investment advisory fee payable to EPIC Private Equity LLP was, until 31 August 2010, calculated at 2% of the Group's Net Asset Value ("NAV"), with a minimum of £325,000 payable per annum. On 31 August 2010, the Investment Advisor agreed to waive the fee from the Company for a period of two years in return for a priority profit share paid from ESO Investments 1 LP. Consequently the payment of fees has resumed at a rate of 2% per annum of the Company's NAV (including its share of ESO Investments 1 LP) plus VAT. The charge for the current period was £451,540 (period ended 31 July 2014: £369,973, year ended 31 January 2015: £693,244).

6 Non-current assets

	31 July 2015 (unaudited) £	31 January 2015 (audited) £	31 July 2014 (unaudited) £
Investments in equity accounted investees	41,409,909	30,346,726	32,477,270
Loans to equity accounted investees and related companies	1,012,055	1,012,055	1,012,055
	42,421,964	**31,358,781**	**33,489,325**

The Investment Advisor has applied appropriate valuation methods with reference to BVCA and IPEV guidelines and other valuation methods with reference to the valuation principles of IFRS 13. As all investments are unquoted, the valuation principles adopted are classified as Level 3 in the IFRS 13 fair value hierarchy. The investment advisor has also applied these methods with regard to the underlying investments held by the equity accounted investees.

Investment in equity accounted investees

Investments in equity accounted investees comprise the investment in ESO Investments 1 LP, ESO Investments 2 LP and ESO Investments (PC) LLP which are stated at cost plus the share of profit and loss to date. The equity accounted investees have accounted for their equity investments at fair value.

During the period, the Company received £nil (year ended 31 January 2015: £7,275,180) from ESO Investments 1 LP.

Fair value hierarchy – Financial instruments measured at fair value

The table below analyses the underlying investments held by the equity accounted investees measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. Debt securities are also included, as although stated at amortised cost, the Investment Advisor assesses the fair value of the total investment, which includes debt and equity. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring. There are no other financial assets or liabilities carried at fair value.

6 Non-current assets (continued)

Summary of financial information of equity accounted investees as at 31 July 2015 is as follows:

Vehicle	Total	Minority interest	ESO plc share	Percentage share
ESO 1 LP	£	£	£	%
Portfolio GAV	42,490,979	(7,821,069)	34,669,910	81.6%
Other assets and liabilities ESO 1 LP	2,799,838	(515,350)	2,284,488	81.6%
Net assets	**45,290,817**	**(8,336,419)**	**36,954,398**	**81.6%**
Income	583,649	(147,156)	436,493	74.8%
Gains/(losses) on investments	2,861,035	(721,354)	2,139,681	74.8%
Expenses	(138,572)	34,938	(103,634)	74.8%
Profit	**3,306,112**	**(833,572)**	**2,472,540**	**74.8%**
ESO (PC) LLP				
Portfolio GAV	5,228,300	(1,003,060)	4,225,240	80.8%
Other assets and liabilities ESO (PC) LLP	284,935	(54,665)	230,270	80.8%
Net assets	**5,513,235**	**(1,057,725)**	**4,455,510**	**80.8%**
Income	–	–	–	–
Gains/(losses) on investments	(574,636)	108,077	(466,559)	81.2%
Expenses	(1,920)	361	(1,559)	81.2%
Profit	**(576,556)**	**108,438**	**(468,118)**	**81.2%**
ESO plc				
Loans to equity accounted investees and related companies	1,012,055	–	1,012,055	100.0%
Loans from equity accounted investees and related companies	(284,935)	–	(284,935)	100.0%
Other assets and liabilities ESO plc	8,518,819	–	8,518,819	100.0%
Total	**9,245,939**	**–**	**9,245,939**	**100.0%**
Total gross assets	**60,049,991**	**(9,394,144)**	**50,655,847**	**84.4%**

Summary of ESO plc fund structure	Total	Minority interest	ESO plc share	Percentage share
	£	£	£	£
ESO 1 LP	45,290,817	(8,336,419)	36,954,398	81.6%
ESO (PC) LLP	5,513,235	(1,057,725)	4,455,510	80.8%
ESO plc current assets, current liabilities and loans to related companies	9,245,939	–	9,245,939	100.0%
Total gross assets	**60,049,991**	**(9,394,144)**	**50,655,847**	**84.4%**

6 Non-current assets (continued)

Summary of financial information of equity accounted investees as at 31 January 2015 was as follows:

Vehicle	Total	Minority interest	ESO plc share	Percentage share
ESO 1 LP	£	£	£	%
Portfolio GAV	39,908,353	(15,833,937)	24,074,416	60.3%
Other assets and liabilities ESO 1 LP	2,235,719	(887,038)	1,348,681	60.3%
Net assets	**42,144,073**	**(16,720,976)**	**25,423,097**	**60.3%**
Income	1,495,168	(610,599)	884,569	59.2%
Gains on investments	3,016,558	(1,231,907)	1,784,651	59.2%
Expenses	(207,483)	84,732	(122,751)	59.2%
Profit	**4,304,243**	**(1,757,774)**	**2,546,469**	**59.2%**
ESO (PC) LLP				
Portfolio GAV	5,802,936	(1,111,232)	4,691,703	80.9%
Other assets and liabilities ESO (PC) LLP	286,855	(54,931)	231,924	80.9%
Net assets	**6,089,790**	**(1,166,163)**	**4,923,627**	**80.9%**
Income	55,974	(11,024)	44,950	80.3%
Gains on investments	1,225,000	(241,259)	983,741	80.3%
Expenses	(5,221)	1,028	(4,193)	80.3%
Profit	**1,275,753**	**(251,254)**	**1,024,498**	**80.3%**
ESO plc				
Loans to equity accounted investees and related companies	1,012,055	–	1,012,055	100.0%
Loans from equity accounted investees and related companies	(286,855)	–	(286,855)	100.0%
Other assets and liabilities ESO plc	14,063,778	–	14,063,778	100.0%
Total	**14,788,978**	**–**	**14,788,978**	**100.0%**
Total gross assets	**63,022,841**	**(17,887,139)**	**45,135,703**	**71.6%**

Summary of ESO plc fund structure	Total	Minority interest	ESO plc share	Percentage share
	£	£	£	£
ESO 1 LP	42,144,073	(16,720,976)	25,423,097	60.3%
ESO (PC) LLP	6,089,790	(1,166,163)	4,923,627	80.9%
ESO plc current assets, current liabilities and loans to related companies	14,788,978	–	14,788,978	100.0%
Total gross assets	**63,022,841**	**(17,887,139)**	**45,135,703**	**71.6%**

7 Financial assets and liabilities

Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in an active market are based on quoted market prices. For all other financial instruments, the Group determines fair values using other valuation techniques, based on the BVCA and IPEV rules.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data;
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments. All of the Group's underlying investments held by equity accounted investees are deemed as level 3 in the fair value hierarchy.

Various valuation techniques may be applied in determining the fair value of investments held as Level 3 in the fair value hierarchy. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used. As discussed below, the Investment Advisor has selected to use the EBITDA multiple valuation model in arriving at the fair value of investments held as Level 3 in the fair value hierarchy.

Valuation framework

The Group has developed a valuation framework with respect to the measurement of fair values. The valuation of investments is performed by the Investment Advisor, who determines fair values using the BVCA and IPEV guidelines. The following approach is used:

- 'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk;
- The EBITDA multiple valuation model is used, based on budgeted EBITDA for the next financial year;
- Loans made are stated at amortised cost but impairment tested based on the enterprise value derived from the valuation.

7 Financial assets and liabilities (continued)

Fair value hierarchy – Financial instruments measured at fair value

The table below analyses the underlying investments held by the equity accounted investees measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. Debt securities are also included, as although stated at amortised cost, the Investment Advisor assesses the fair value of the total investment, which includes debt and equity. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring. There are no other financial assets or liabilities carried at fair value.

31 July 2015	Level 3 £	Total £
Financial assets at fair value through profit or loss		
Unlisted private equity investments	31,480,318	31,480,318
Debt securities, unlisted	16,238,961	16,238,961
Total investments	**47,719,279**	**47,719,279**

Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 July 2015 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 31 July 2015 £	Valuation technique
Unlisted private equity investments	31,480,318	EBITDA multiple

Significant unobservable inputs are developed as follow:

- EBITDA multiple: Represents amounts that market participants would use when pricing the investments. EBITDA multiples are selected from comparable public companies based on geographic location, industry, size, target markets and other factors that management considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its EBITDA and further discounted for considerations such as the lack of marketability and other differences between the comparable peer group and specific company.
- The EBITDA multiple is applied to the budgeted EBITDA for the next financial year.

IFRS 13 requires disclosure, by class of financial instrument, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. On that basis, the Board believe that the impact of changing one or more of the inputs to reasonably possible alternative assumptions would not change the fair value significantly.

8 Loans to/(from) equity accounted investees and related companies

	31 July 2015 (unaudited) £	31 January 2015 (audited) £	31 July 2014 (unaudited) £
ESO Investments 1 LP	512,055	512,055	512,055
EPIC Structured Finance Limited	500,000	500,000	500,000
Loans to equity accounted investees and related companies	**1,012,055**	**1,012,055**	**1,012,055**
ESO Investments (PC) LLP	(284,935)	(286,855)	(289,556)
Loans from equity accounted investees and related companies	**(284,935)**	**(286,855)**	**(289,556)**

The loans to/(from) equity accounted investees and related companies are unsecured, interest free and not subject to any fixed repayment terms.

9 Share capital

	31 July 2015 (unaudited)		31 January 2015 (audited)		31 July 2014 (unaudited)	
	Number	£	Number	£	Number	£
Authorised share capital						
Ordinary shares of 5p each	33,000,000	1,650,000	33,000,000	1,650,000	33,000,000	1,650,000
Called up, allotted and fully paid						
Ordinary shares of 5p each	30,864,117	1,543,206	30,688,222	1,534,411	30,688,222	1,534,411
Ordinary shares of 5p each held in treasury	(3,700,944)	–	(3,178,030)	–	(3,178,030)	–
	27,163,173	**1,543,206**	**27,510,192**	**1,534,411**	**27,510,192**	**1,534,411**

During the period, 175,895 (31 January 2015: nil) shares were issued, at a premium of 137.13 pence per share. In addition 522,914 (31 January 2015: nil) shares were bought by Corvina Limited, a wholly owned subsidiary, at a price of 110 pence per share. The shares held by Corvina Limited are accounted for as treasury shares upon consolidation.

10 Basic and diluted earnings per ordinary share

The basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period of 27,167,422 (six month period ended 31 July 2014: 27,510,192 after share consolidation, year ended 31 January 2015: 27,510,192).

The diluted earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period, as adjusted for the effects of all dilutive potential ordinary shares of 28,613,693 (six month period ended 31 July 2014: 28,700,472 after share consolidation, year ended 31 January 2015: 28,701,472).

11 Net asset value per share (pence)

The net asset value per share is based on the net assets at the period end of £40,228,361 divided by 27,163,173 ordinary shares in issue at the end of the period (31 July 2014: £37,259,709 and 27,510,192 ordinary shares, 31 January 2015: £39,100,234 and 27,510,192 ordinary shares).

The diluted net asset value per share of 140.61 pence, is based on the net assets of the Group and the Company at the year-end of £40,228,361 divided by the shares in issue at the end of the year, as adjusted for the effects of dilutive potential ordinary shares, of 28,609,444, after excluding treasury shares (31 July 2014: £37,259,709 and 28,700,472 ordinary shares, 31 January 2015: £39,100,234 and 28,701,472 ordinary shares).

12 Non-current liabilities

	31 July 2015 (unaudited)	31 January 2015 (audited)	31 July 2014 (unaudited)
	£	£	£
Convertible loan note instruments	6,051,687	6,035,470	6,020,732
Loan note instrument	4,375,800	–	–
	10,427,487	**6,035,470**	**6,020,732**

Convertible loan note instruments were issued on 31 August 2010 to The Equity Partnership Investment Company plc. The notes carry interest at 7.5% per annum and are convertible at the option of the holder at a price of 170 pence per ordinary share. The convertible shares fall under the definition of compound financial instruments within IAS 32 *Financial Instruments: Presentation*. The Directors are required to assess the element of liability contained with the compound instrument. The Directors consider that the instrument has no equity element.

12 Non-current liabilities (continued)

Issue costs of £129,696 have been offset against the value of the convertible loan note instruments and are being amortised over the life of the instrument at an effective interest rate of 0.24% per annum.

The convertible loan notes are repayable on 31 December 2015 unless the shareholders of the Company pass a resolution on or before 30 September 2015 for the continuation of the Company beyond 31 December 2016, in which case the final repayment date shall be 31 December 2016, but each noteholder has the right to require the redemption of some or all of their notes on 31 December 2015 by providing the Company with written notice up to the close of business on 30 November 2015.

A new loan note instrument was issued on 24 July 2015 for £4.5m. Issue costs totalling £124,200 have been offset against the value of the loan note instrument and are being amortised over the life of the instrument.

13 Foreign exchange gain

A foreign exchange gain of £493,715 has been recognised in the Consolidated Statement of Comprehensive Income in the period. The gain is in respect of the buyout of the minority interest held by ESD in ESO 1 LP and results from the actual rate of exchange on settlement of 1:1.42 being more favourable than the initial rate of exchange agreed of 1:1.35, as per the deed of transfer.

14 Financial commitments and guarantees

Under the terms of the limited partnership agreement the Company is committed to provide a maximum of £2.0 million additional investment to ESO Investments 1 LP. To date no draw downs have been made.

15 Subsequent events

On 16 September 2015, the Company refinanced a total of £1,204,498 in principal amount of the existing CLNs by the issue of new loan notes in the principal amount of £1,204,498, the first issue of which was completed on 23 July 2015 and announced on 24 July 2015. Following the transaction, the total number of CLNs admitted to trading remains 10,000,000, with CLNs in the principal amount of £4,857,992 held by third parties and CLNs in the principal amount of £5,142,008 held by the Company.

In addition to the new loan notes, CLN holders participating in the refinancing have received warrants over Ordinary shares on a 1 for 5 basis, so that such CLN holders have received 240,898 warrants entitling them to subscribe for 240,898 Ordinary shares (in the aggregate) upon the payment in cash of 170 pence per Ordinary share. The warrants are exercisable at any time after 31 July 2018, but they will lapse if they are not exercised prior to 31 January 2022.

Company Information

Directors	G.O. Vero *(Chairman)* R.B.M. Quayle C.L. Spears N.V. Wilson
Secretary	P.P. Scales
Registrar and Registered Office	FIM Capital Limited IOMA House Hope Street Douglas Isle of Man IM1 1AP
Nominated Advisor and Broker	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Crest Providers	Computershare Investor Services (Jersey) Limited Queensway House Hilgrove Street St. Helier Jersey, JE1 1ES
Bankers	Barclays Bank plc 1 Churchill Place Canary Wharf London E14 5HP HSBC Bank plc 1st Floor 60 Queen Victoria Street London EC4N 4TR
Investment Advisor	EPIC Private Equity LLP Audrey House 16-20 Ely Place London EC1N 6SN
Auditors and Reporting Accountants	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN

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