EPE
Special
Opportunities

Report & Accounts

January 2023

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Annual Review

ESO Portfolio Asset:
The Rayware Group

Chairman's Statement

The performance of the Company's portfolio in the year ended 31 January 2023 has been affected by adverse macro-economic conditions and a recessionary environment. The Board and Investment Advisor expect these headwinds to continue through the immediate period but look forward to the normalisation of trading conditions over the medium term. Notwithstanding these headwinds, the Company was pleased to announce the completion of a new investment in Denzel's Limited ("Denzel's") in October 2022. Looking ahead, the Board and Investment Advisor will continue to adopt a careful approach, monitoring economic conditions, maintaining a prudent level of liquidity at the Company and positioning the portfolio to navigate the complicated operating environment. As a result of the uncertainty on market outlook, the Board expects a challenging environment to complete further acquisitions or disposals within the portfolio in the near term.

The Net Asset Value ("NAV") per share of the Company as at 31 January 2023 was 328 pence, representing a decrease of 28 per cent. on the NAV per share of 456 pence as at 31 January 2022. The share price of the Company as at 31 January 2023 was 170 pence, representing a decrease of 45 per cent. on the share price of 309 pence as at 31 January 2022.

In March 2023, Luceco plc ("Luceco") released its results for the year ended 31 December 2022. The group announced sales of £206 million, with trading impacted by continuing customer destocking. The business further announced gross margin of 36.0 per cent. and adjusted operating profit of £22 million. The business achieved record cash generation supporting further deleveraging, with net debt of 0.8x LTM EBITDA as at 31 December 2022.

The Rayware Group's ("Rayware") trading has been impacted by a confluence of challenges, including customer destocking, decreased consumer confidence and supply chain disruption. The business expects performance to strengthen over the coming period, benefitting from abating input cost, supply chain and customer destocking pressures. The business has continued to develop its presence in international markets, and has appointed Alec Taylor, former director of Bradshaw International, as a non-executive director and made a number of additions to the US sales team to support the strategic focus on the US market.

Whittard of Chelsea ("Whittard") has performed robustly, with the business' retail channel trading strongly, benefitting from strengthening footfall and returning tourist volumes. Whittard has made encouraging progress in its international channels, with the business' new South Korean franchise partner progressing its store rollout, and with new wholesale customers secured in the US and Europe. The business completed the relocation of its head office to Milton Park in Oxfordshire in April 2022.

David Phillips made good progress, despite the wider inflationary environment, generating pleasing cash generation in the period. The business is focussed on achieving further growth in its existing channels and accessing greater profitability through efficiencies and scale.

Pharmacy2U has continued to experience growth in its core NHS online prescription channel and has been focussed on building scale in its primary Bardon facility to increase operational efficiency.

EPIC Acquisition Corp has progressed to advanced discussions with a number of European consumer brands regarding a potential business combination. EAC continues to actively source and review a pipeline of attractive targets. EAC's initial business combination period ends on the 25 April 2023, with the option to extend this period by two intervals of three months.

In October 2022, the Company announced a £2 million investment in Denzel's, a premium dog snacks brand with an omni-channel distribution strategy. Denzel's is focused on delivering its growth strategy, progressing new product development and expanding its offline and e-commerce distribution channels.

The Company had cash balances of £24.5 million[1] as at 31 January 2023. In July 2022, the Company agreed the extension of the maturity of £4 million of unsecured loan notes to July 2023, with an option for the Company to further extend the maturity to July 2024. The Company has £20.7 million zero dividend preference shares ("ZDP") maturing in December 2026 and no other third-party debt outstanding.

The Board would like to note its appreciation of the Investment Advisor and the portfolio management teams for their efforts through a complicated period. The Board will monitor the progress of the portfolio over the coming months and looks forward to updating shareholders at the half year.

Clive Spears
Chairman

20 March 2023

[1] Company liquidity is stated inclusive of cash held by subsidiaries in which the Company is the sole investor.

Investment Advisor's Report

The Company's portfolio has faced challenging operating conditions in the period, with pressures on demand from decreasing consumer confidence and profitability impacted by the inflationary environment. The Investment Advisor, together with portfolio management teams, has taken mitigating actions to protect performance in light of these evolving challenges. The Company has improved its liquidity via the extension of the maturity of its £4 million unsecured loan notes to July 2023 with an option to extend for a further year, providing additional headroom to support the portfolio and make new investments. The Company completed a new growth capital investment in Denzel's in October 2022. The Investment Advisor will continue to maintain its prudent approach and will seek to generate improving performance as the macro-economic environment begins to stabilise.

The Net Asset Value ("NAV") per share of the Company as at 31 January 2023 was 328 pence, representing a decrease of 28 per cent. on the NAV per share of 456 pence as at 31 January 2022. The share price of the Company as at 31 January 2023 was 170 pence, representing a decrease of 45 per cent. on the share price of 309 pence as at 31 January 2022.

The Company maintains strong liquidity and prudent levels of third party leverage. The Company had cash balances of £24.5 million[1] as at 31 January 2022, which are available to support the portfolio, meet committed obligations and deploy into attractive investment opportunities. Net debt in the underlying portfolio stands at 1.3x EBITDA in aggregate.

The Company's unquoted portfolio is valued at a weighted average enterprise value to EBITDA multiple of 6.7x for mature assets (excluding assets investing for growth). The valuation has been derived by reference to quoted comparables, after the application of a liquidity discount to adjust for the portfolio's scale and unquoted nature. Given the use of quoted comparables and actual financial results, the valuation reflects the fair value of assets as at the balance sheet date. The Investment Advisor notes that the fair market value of the portfolio remains exposed to a volatile macro environment and equity market valuations.

In September and October 2022, the Company completed buybacks in the market totalling 1.9 million ordinary shares (or 5.4 per cent. of the Company's issued ordinary share capital) at a weighted average share price of 139 pence.

Luceco released its results for the year ended 31 December 2022 in March 2023. Sales performance was impacted by destocking by customers in the Retail and Hybrid segments, however this dynamic has receded during 2023. The business achieved gross margin of 36.0 per cent. Gross margin improved to circa 37.5 per cent. in H2 2022, following the successful implementation of price increases to mitigate inflationary pressures and benefitting from reducing input costs. The business announced adjusted operating profit of £22 million or 10.7 per cent.. The business generated an exceptionally strong free cashflow of £30 million as a result of working capital optimisation, supporting continued deleveraging to a net debt of 0.8x LTM EBITDA. The business announced 2023 trading in line with expectations, supported by continued improvement in trends in customer destocking, gross margin and input costs.

The Rayware Group has faced pressures from customer destocking and the inflationary environment, impacting trading. The business has made progress in international channels supported by the appointment of Alec Taylor to the business' board of directors, benefitting from his significant experience in growing US homewares brands during his directorship of Bradshaw International.

Whittard of Chelsea has performed resiliently, despite the wider market headwinds, with the business' retail channel trading ahead of budget and the prior year. The business' e-commerce channels have however seen demand normalising as consumers return to offline channels. Whittard's South Korean franchise partner opened two new stores in the period including a flagship Seoul store, the largest Whittard store globally. In April 2022, the business transitioned its head office to Milton Park in Oxfordshire, providing improved access to the greater London area.

David Phillips maintained close control of direct and indirect costs, with pleasing cash generation and improved profitability. Project based business lines have seen sales impacted by delayed project timelines and changes in team members. The business has a healthy pipeline of new project opportunities for the coming period, with a growing recurring customer base to support future ambitions.

Pharmacy2U has continued to build scale in its online pharmacy platform, as well as developing its more nascent services channels. Looking ahead, the business is seeking to generate a mature profitability profile, benefitting from operational leverage at scale.

EPIC Acquisition Corp has engaged with a number of potential business combination targets, with active discussions continuing. EAC continues to focus its deal sourcing efforts on European consumer brands with strong growth potential in Asian geographies. EAC's initial business combination period ends on the 25 April 2023, with the option to extend this period by two intervals of three months.

The Investment Advisor continues to monitor the Company's credit fund investments. European Capital Private Debt Fund has completed its investment period and is distributing capital to the Company. Investments in Atlantic Credit Opportunities Fund and Prelude Structured Alternatives Master Fund have been discontinued, with the vehicles distributing proceeds over the coming period.

In October 2022, the Company completed a £2 million investment in Denzel's as lead investor within a £3 million growth capital raise. Denzel's is a fast-growing, healthy and sustainable premium dog snacks brand. Denzel's operates an omni-channel distribution strategy, underpinned by listings in some of the UK's leading retailers and hospitality locations as well as e-commerce channels. The Investment Advisor intends to work closely with Denzel's to help deliver its growth strategy, which is focused on the launch of new products, notably high value and functional dog snacks, as well as growth of both offline and online distribution channels.

The Investment Advisor would like to thank the portfolio's management teams and employees for their hard work during a complex year. The Investment Advisor would like to express its gratitude for the continuing support of the Board and the Company's shareholders.

EPIC Investment Partners LLP
Investment Advisor to the Company

20 March 2023

As at 31 January 2023

NAV per share	328 pence
Share price	170 pence
Portfolio returns	3.1x MM / 23% IRR
Mature unquoted asset valuation[2]	6.7x EV/EBITDA
Portfolio leverage	1.3x Net Third Party Debt/EBITDA

[1] Company liquidity is stated inclusive of cash held by subsidiaries in which the Company is the sole investor.

[2] EV/EBITDA multiple for mature assets excludes Pharmacy2U and Denzel's, as the asset is at a pre-profitability growth stage.

Introduction to EPE Special Opportunities

ESO portfolio asset:
Whittard of Chelsea

EPE Special Opportunities

EPE Special Opportunities ("ESO" or the "Company") is a private equity investment company established in 2003.

The Company's shares trade on the AIM market of the London Stock Exchange and the Growth Market of the Aquis Stock Exchange.

The Company's primary objective is to provide long-term return on equity for its shareholders by investing in small and medium sized companies in the UK.

The Company targets growth and buy-out opportunities, special situations and distressed transactions, deploying capital where it believes the potential for shareholder value creation to be compelling.

The Investment Advisor to the Company is EPIC Investment Partners LLP ("EPIC").

Investment highlights:

3.1x	23%	68%	12%
Portfolio[1] current money multiple	Portfolio[1] current IRR	Premium to NAV on last three exits	10 year annualised share price return

Recent developments:

September 2020	ESO invests £1.9 million in Atlantic Credit Opportunities Fund, a credit opportunities hedge fund.
November 2020	ESO invests $2.5 million in a segregated account of Prelude Structured Alternatives Master Fund LP, a multi-manager hedge fund platform.
November 2020	ESO realises £10.0 million from the sale of shares in Luceco plc and retains a 24.9 per cent. holding.
June 2021	ESO realises £15.0 million from the sale of shares in Luceco plc and retains 22.1 per cent holding.
July 2021	ESO acquires Rayware Group, a family of iconic British-heritage kitchenware brands.
December 2021	ESO invests €10.0 million in EPIC Acquisition Corp, a special purpose acquisition company, and its sponsor.
December 2021	ESO raises £20.0 million via the issuance of zero dividend preference shares.
July 2022	ESO extends the maturity of £4.0 million of unsecured loan notes to July 2023, with an option to further extend the maturity to July 2024.
October 2022	ESO invests £2.0 million in Denzel's, a fast growing, healthy and sustainable premium dog snacks brand.

[1] Portfolio returns are prepared on the basis of the aggregate total returns for current ESO portfolio companies as at 31 January 2023.

EPIC Investment Partners

EPIC Investment Partners LLP ("EPIC" or the "Investment Advisor") was founded in June 2001 and is an independent investment manager wholly owned by its partners.

Since inception, EPIC has made 37 investments into small and medium sized companies in the UK and was appointed Investment Advisor to the Company in September 2003.

EPIC manages the Company's investments in accordance with guidelines determined by the Board and the Company's constitutional framework. The governance structure is subject to annual review by the Board.

In addition to Private Equity, EPIC has complementary business lines, including Advisory, Markets and Administration.

Market-leading track record	37 investments across a broad range of sectors and situations. EPIC has returned 2.3x money multiple and 16 per cent. IRR on its investments to 31 January 2023.
Highly aligned and stable team	Committed and stable partnership, with average tenure in excess of 10 years. The EPIC team is the largest investor in ESO.
Extensive industry network	Longstanding relationships in the UK market provide EPIC with access to c.300 deals per annum. EPIC leverages its network of operating partners to drive portfolio value creation.
Listed market experience	EPIC has a successful track record of advising listed vehicles spanning more than 20 years. In addition to ESO, EPIC has advised EPIC plc, EPIC Brand Investments plc, Luceco plc and EPIC Acquisition Corp.
Complementary business lines	The cross-disciplinary expertise of EPIC's Advisory, Markets and Administration divisions allows EPIC to access off-market investment opportunities and deploy specialist knowledge.

Why lower mid-market private equity?

Large market of companies

A greater universe of potential transactions allows EPIC to be more selective, applying a higher investment threshold and greater pricing discipline.

Low competition for transactions

Diminished investor engagement and buy-side competition in the lower mid-market is a structural driver for attractive valuations and leads to a higher likelihood of successful completions.

Funding gap

The difficulty experienced by lower mid-market companies in accessing bank or alternative financing solutions often drives stakeholders to seek equity funding in order to achieve the company's growth or liquidity objectives.

Shareholders seeking liquidity

The lower mid-market is characterised by owner managers. Many of these owners seek funding partners to achieve their personal growth and liquidity objectives.

Growth and operational improvements

Strong potential to create value either via top line growth, operational improvements or through acquisitions. Private equity investors bring critical development capital and leverage cross-sector expertise to produce transformational change.

These factors create an attractive investment universe, with favourable entry pricing and the potential for meaningful future value creation.

Why EPE Special Opportunities?

Market-leading returns	The Company has continued to deliver market leading returns with an annualised share price return of 12 per cent. over the last 10 years. Current portfolio returns are 3.1x MM and 23 per cent. IRR to 31 January 2023.
Access to high quality portfolio	The Company offers investors access to a conservatively valued, high growth portfolio. Mature unquoted assets (excluding assets investing for growth) are valued at 6.7x EBITDA. The combined sales of the portfolio have grown at a CAGR of 12 per cent. over the last 3 years.
Established deal pipeline	EPIC consistently targets proprietary deal opportunities. Deals are also sourced from a network of industry contacts including operating partners and corporate finance advisors. EPIC reviews c.300 deals per annum in the UK lower mid-market.
Long term capital vehicle	The Company's quoted structure allows investments to develop over the long term, benefiting from the ability to implement transformational initiatives and compound returns over periods in excess of standard private equity hold periods (typically 3-5 years).
Manager alignment	EPIC is a focussed and independent manager with substantial investment in the Company. The EPIC team is the largest investor in ESO, creating significant alignment with investors and a focus on long-term sustainable shareholder returns.

Biographies of the Directors

Clive Spears (Non-executive Chairman)

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 for Securities & Investments. He has accumulated a well spread portfolio of directorships centring on private equity, infrastructure and corporate debt. His current appointments include Chairman of Nordic Capital Limited and directorships of a series of ICG plc sponsored funds and funds managed by Kreos Fund Management. He is a resident of Jersey.

Heather Bestwick (Non-executive Director)

Heather Bestwick has been a financial services professional for over 25 years, onshore in the City of London and offshore in the Cayman Islands and Jersey. She qualified as an English solicitor, specialising in ship finance, with City firm Norton Rose, and worked in their London and Greek offices for 8 years. Ms. Bestwick subsequently practised and became a partner with global offshore firm Walkers in the Cayman Islands, and Managing Partner of the Jersey office. Ms Bestwick sits on the boards of the Deutsche Bank company which managed the dbX fund platform and Rathbones Investment Management International Limited. She is a resident of Jersey.

Michael Gray (Non-executive Director)

Michael Gray was at The Royal Bank of Scotland for over 30 years, latterly as Managing Director (Corporate) of RBS International, before retiring in 2015. During his 32 years at the firm Michael covered a broad spectrum of financial services including corporate and commercial banking, funds, trusts and real estate. Mr Gray currently holds a number of non-executive positions across private equity, infrastructure and fund management. Michael's appointments currently include non-executive directorships of Triton Investment Management (a Swedish private equity group), GCP Infrastructure Investments (a FTSE 250 listed company), J-Star Jersey Company Limited (a Japanese private equity group), Foresight 4 VCT plc (a listed venture capital fund), Jersey Finance Limited (a Jersey not-for-profit promotional company), JTC plc (a FTSE 250 listed trust and corporate services company) and TEAM plc (a listed wealth management company). He is a resident of Jersey.

David Pirouet (Non-executive Director)

David Pirouet retired from PricewaterhouseCoopers Channel Islands LLP in 2009 after being an Audit and Assurance Partner for over 20 years. During his 29 years at the firm Mr Pirouet specialised in the financial services sector, in particular in the alternative investment management area and also led the business's Hedge Fund and business recovery practices for over four years. Mr Pirouet currently holds a number of non-executive positions across private equity, infrastructure and corporate debt. Mr Pirouet was previously non-executive Director and Chair of the Audit and Risk committee for GCP Infrastructure Investments (FTSE 250 listed company) until he retired in February 2021. He is a resident of Jersey.

Nicholas Wilson (Non-executive Director)

Nicholas Wilson has over 40 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 a resident of the Isle of Man.

Biographies of the Investment Advisor

Giles Brand

Giles Brand is a Partner and the founder of EPIC. He is currently Non-executive Chairman of Whittard of Chelsea and Luceco plc. Before joining EPIC, Giles was a founding Director of EPIC Investment Partners, a fund management business which at sale had US$5bn under management. Prior to this, Giles worked in Mergers and Acquisitions at Baring Brothers in Paris and London. Giles read History at Bristol University.

Hiren Patel

Hiren Patel is a Partner of EPIC. He has worked in the investment management industry for the past twenty years. Before joining EPIC, Hiren was Finance Director of EPIC Investment Partners. Prior to this, Hiren was employed at Groupama Asset Management where he was the Group Financial Controller.

James Henderson

James Henderson is a Managing Director of EPIC. He previously worked in the Investment Banking division of Deutsche Bank before joining EPIC. 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. At EPIC, James manages the investment in Pharmacy2U, Denzel's and EPIC Acquisition Corp. James read Modern History at Oxford University and Medicine at Nottingham University.

Alex Leslie

Alex Leslie is a Managing Director of EPIC. He previously worked in Healthcare Investment Banking at Piper Jaffray before joining EPIC. 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. At EPIC, Alex manages the investments in Luceco plc, Rayware, Prelude, Atlantic Credit Opportunities Fund and European Capital Private Debt Fund. He previously managed the Company's investments in Process Components, BigHead Industries, David Phillips and Driver Require. Alex read Human Biological and Social Sciences at the University of Oxford and obtained an MPhil in Management from the Judge Business School at the University of Cambridge.

Ian Williams

Ian Williams is a Managing Director of EPIC. He was previously a Partner at Lyceum Capital Partners LLP, responsible for deal origination and engagement, with a primary focus on the business services and software sectors, as well as financial services, education and health sectors. Prior to Lyceum, Ian was a Director at Arbuthnot Securities, involved in IPOs, secondary fund raisings and M&A, focused on the support services, healthcare, transport & IT sectors. Ian started his career at Hambros Bank in the M&A team. Ian read Politics and Economics at the University of Bristol.

Investment Strategy and Portfolio Review

ESO portfolio asset:
Luceco

Investment Strategy

The Company aims to generate long-term returns on equity for its shareholders by investing in a portfolio of private equity assets.

Deal Sourcing

Given its attractive fundamentals, the Investment Advisor believes there is a strong case to invest in the UK lower mid-market.

Proprietary deal sourcing is complemented by active engagement within the wider corporate advisory community to communicate the Company's clearly defined investment strategy.

Active Management

The portfolio is likely to be concentrated, numbering between two and ten assets at any one time, which allows EPIC to allocate the resource to form genuinely engaged and supportive partnerships with management teams.

This active approach facilitates the delivery of truly transformational initiatives in underlying investments during the period of ownership.

Investment Criteria

The Company aims to invest in businesses exhibiting inter alia the following characteristics:

- Attractive entry pricing
- High quality management teams with established track records
- Defensible competitive position
- Opportunity for strong revenue growth, either by market expansion or increased market share
- Opportunity for strong cash generation

Investment Criteria

Size	The Company seeks to invest up to £30 million per transaction. For investments larger than £30 million, the Company may seek co-investment from third parties.
Sector	The Company will consider most sectors, but has particular expertise in consumer, retail, financial services, manufacturing and the wider services sector (including education, healthcare and social housing).
Control	The Company aims to take controlling equity positions, but may also consider minority stakes where the investment case is compelling and shareholder protections are robust.
Deal Type	The Company targets growth, buyout, special situations and private investment in public equities ("PIPE") investments. Given EPIC's listed market experience, the Company may also partner with outstanding management teams on the listing and management of special purpose acquisition vehicles. The Company may occasionally invest in third-party funds.
Geography	The Company primarily seeks to invest in UK focused assets as well as those with significant overseas operations; for example, Luceco plc within the current portfolio.

Portfolio

The current portfolio consists of two listed assets, five private equity assets and three credit fund investments.

Luceco plc
Supplier of wiring accessories and LED lighting

Rayware
Wholesaler of six heritage British homeware brands

Whittard of Chelsea
Speciality tea, coffee and hot chocolate brand

EPIC Acquisition Corp
SPAC targeting a European consumer company

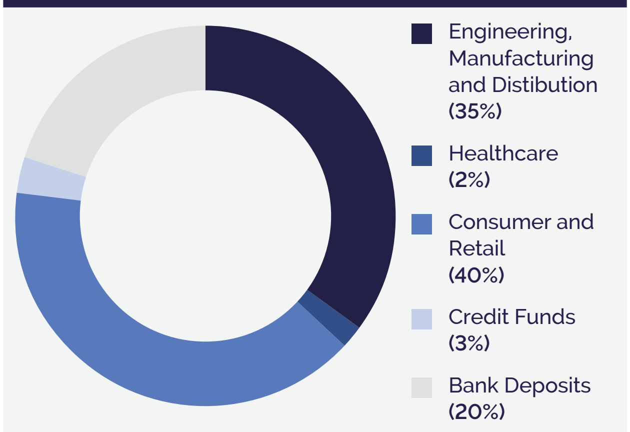
David Phillips
Furniture provider to the UK property sector

Pharmacy2U
Leading online pharmacy in the UK

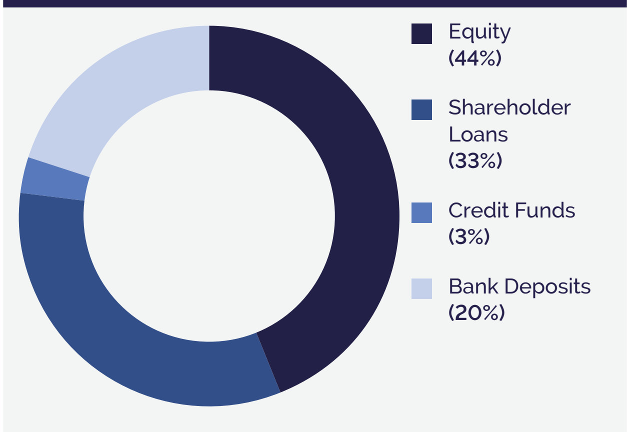
Denzel's
Premium dog snacks brand

Credit Fund Investments
European Capital Private Debt Fund,
Atlantic Credit Opportunities Fund and
Prelude Structured Alternatives Master Fund

Sector Diversification



Instrument Diversification



Leading supplier of LED lighting and electrical accessories

Key facts

Location:	UK / China
Sector:	Wiring Accessories & LED
Type of deal:	Buyout
Equity holding:	22%
Financial year:	December
Latest sales:	£206m (2022)

Description

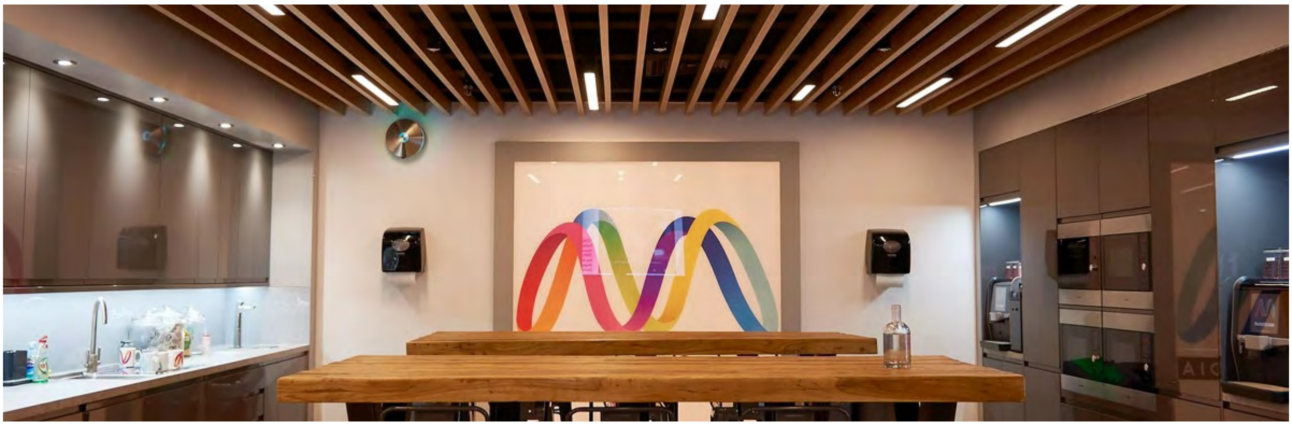
Luceco plc is a manufacturer and distributor of electrical accessories and LED lighting products to the UK and, increasingly, international markets. The business is headquartered in the UK and has a Chinese manufacturing facility and several international sales offices.

Background

Luceco plc is a manufacturer of wiring accessories, predominantly switches and sockets, under the British General and Masterplug brands. Luceco also supplies to the LED lighting market under the Luceco and Kingfisher brands. In 2007, the business established a Chinese manufacturing facility which has been subsequently expanded twice. The facility has provided Luceco plc with supply chain flexibility and margin efficiencies. In October 2016, Luceco plc was admitted to trading on the Main Market of the London Stock Exchange.

Recent developments

Luceco released its results for the year ended 31 December 2022 in March 2023. Sales performance was impacted by destocking by customers in the Retail and Hybrid segments, however this dynamic has receded during 2023. The business achieved gross margin of 36.0 per cent. Gross margin improved to circa 37.5 per cent. in H2 2022, following the successful implementation of price increases to mitigate inflationary pressures and benefitting from reducing input costs. The business announced adjusted operating profit of £22 million or 10.7 per cent.. The business generated an exceptionally strong free cashflow of £30 million as a result of working capital optimisation, supporting continued deleveraging to a net debt of 0.8x LTM EBITDA. The business announced 2023 trading in line with expectations, supported by continued improvement in trends in customer destocking, gross margin and input costs.



The Rayware Group
A Family Of Vibrant British Brands

Wholesaler of six heritage British homeware brands

Key facts

Location:	Liverpool
Sector:	Consumer
Type of deal:	Buyout
Equity holding:	73%
Financial year:	December
Latest sales:	£33m (2022)

Description

The Rayware Group ("Rayware") is a wholesaler of six heritage British homeware brands, including the iconic Kilner and Mason Cash marques, as well as Viners, Typhoon, Ravenhead and Price & Kensington. The business develops and distributes a wide product range including jars, mixing bowls, cutlery, glassware and tableware.

Background

The business was established in 1975 and has grown through acquisitions, building a portfolio of heritage British homeware brands. In July 2021, ESO acquired a majority interest in Rayware.

Recent developments

The Rayware Group has faced pressures from customer destocking and the inflationary environment, impacting trading. The business has made progress in international and digital channels supported by the appointment of Alec Taylor to the business' board of directors, benefitting from his significant experience in growing US homewares brands during his directorship of Bradshaw International.

Outlook

The Investment Advisor and the management team are focused on achieving future growth ambitions by supporting international expansion and the development of a digital channel strategy. Over the long term, there is the opportunity to build on the business' omni-channel platform and further consolidate the branded homeware market via acquisition.

Whittard

Speciality tea, coffee and hot chocolate brand

Key facts

Location:	Oxfordshire
Sector:	Consumer
Type of deal:	Turnaround
Equity holding:	85%
Financial year:	December
Latest sales:	£42m (2022)

Description

Whittard of Chelsea ("Whittard") is a British heritage brand supplying a range of premium tea, coffee and hot chocolate to a global consumer market. The business operates an established omni-channel platform spanning retail (UK store estate), e-commerce (UK site with global distribution), China (Tmall e-commerce platform and developing physical strategy), wholesale and franchise.

Background

Founded by Walter Whittard in 1886, Whittard has accumulated over 130 years of specialist expertise, establishing strong brand recognition and a loyal customer base. Since the acquisition in 2008, EPIC and management have led the successful turnaround of Whittard by restructuring its operations, developing a scalable omni-channel platform and investing in the brand to establish a premium positioning appropriate to the brand's heritage.

Recent developments

Whittard of Chelsea has performed resiliently, despite the wider market headwinds, with the business' retail channel trading ahead of budget and the prior year. The business' e-commerce channels have however seen demand normalising as consumers return to offline channels. Whittard's South Korean franchise partner opened two new stores in the period including a flagship Seoul store, the largest Whittard store globally. In April 2022, the business transitioned its head office to Milton Park in Oxfordshire, providing improved access to the greater London area.

Outlook

Whittard's strong brand and omni-channel platform is well positioned to take advantage of international growth opportunities, benefitting from the macro consumer trends for premiumisation and health and wellness and the appetite internationally for British heritage brands.

EPIC Acquisition Corp

SPAC targeting a European company with Asian growth potential

Key facts

Sector:	Consumer
Type of deal:	SPAC
Financial year:	September

Description

EPIC Acquisition Corp ("EAC") is a special purpose acquisition company which is seeking to identify, acquire and develop an innovative company operating in the consumer sector in the European Economic Area or the United Kingdom which has the potential for significant growth in Asian markets.

Background

EAC was admitted to listing and trading on Euronext Amsterdam on 6 December 2021, raising €150 million.

The Company is sponsored by EAC Sponsor Limited (the "Sponsor"), which is jointly led by EPIC and TTB Partners, a Hong Kong-based investment and advisory business which has extensive local relationships across Asia and a strong track record of helping global brands access and develop in Asian markets.

The leadership team of the Sponsor is comprised of Giles Brand and James Henderson of EPIC, Teresa Teague, the co-founder of TTB, and Peter Norris, the chairman of the Virgin Group.

EAC also benefits from the appointment of three independent non-executive directors with outstanding operating and financial track records. Stephan Borchert and Jan Zijderveld are both experienced public markets chief executive officers, responsible for generating a collective c.$4 billion in shareholder value in the last three years through the sale of GrandVision (of which Stephan was CEO) to EssilorLuxottica and the exit of Avon Products (of which Jan was CEO) to Natura & Co. They are complemented by Nisha Kumar, an experienced CFO who will be the chair of the Company's Audit Committee. Nisha has deep expertise in financial leadership, operations and corporate finance across public and private companies and private equity.

Outlook

EAC has engaged with a number of potential business combination targets, with active discussions continuing. EAC continues to focus its deal sourcing efforts on European consumer brands with strong growth potential in Asian geographies.

EAC's initial business combination period ends on the 25 April 2023, with the option to extend this period by two intervals of three months.

Subsequent to the Business Combination, the Sponsor will continue to actively support the growth of the Company, both through the implementation of organic initiatives and strategic acquisitions, most notably in local Asian markets where such acquisitions offer the potential to accelerate growth. The longer-term objective of both the Company and the Sponsor is to build a business at the forefront of consumer innovation, recognised in both its home markets and in Asia.

David Phillips

Leading furniture provider to the UK property sector

Key facts

Location:	Nationwide
Sector:	Property Services
Type of deal:	Turnaround/Growth
Equity holding:	37%
Financial year:	March
Latest sales:	£43m (2023)

Description

David Phillips provides furniture and furnishing services to the UK property sector, supplying owners, managers, agents and developers in the residential, build-to-rent, student accommodation and social housing sectors.

Background

The business was established in 1999 as a London-focused furniture supplier and has since expanded through acquisitions, increasing its geographic reach and product offering to become a market leader.

Recent developments

David Phillips maintained close control of direct and indirect costs, with pleasing cash generation and improved profitability. Project based business lines have seen sales impacted by delayed project timelines and changes in team members. The business has a healthy pipeline of new project opportunities for the coming period, with a growing recurring customer base to support future ambitions.

Outlook

The Investment Advisor and the management team are focused on ensuring successful execution against a complex background of high input costs, tightness in operational capacity and structural working capital cycle shifts. The Investment Advisor is encouraged that the business realised considerable structural improvements through the successful turnaround phase and through the COVID-19 pandemic which means that the Company is well positioned to deliver a higher trading level. Over the long term, significant growth opportunities have been identified.

Pharmacy2U

Leading online pharmacy in the UK

Key facts

Location:	West Yorkshire
Sector:	Healthcare
Type of deal:	Growth
Equity holding:	2%
Financial year:	March
Latest sales:	£169m (2022)

Description

Pharmacy2U is focused on delivering repeat NHS prescriptions to patients in the community. Repeat prescriptions comprise c.80 per cent. of the c.£10 billion NHS community prescription market. Pharmacy2U benefits from highly attractive customer dynamics, with low churn rates following patient acquisition and significant lifetime value. Pharmacy2U operates from facilities in Leeds and Leicestershire which employ automated dispensing systems and have substantial capacity to support growth.

Background

Pharmacy2U created the concept of online pharmacy and, in conjunction with the NHS, developed the Electronic Prescription Service technology. The technology allows for prescriptions to be electronically signed by doctors and medicines to be delivered direct to the home.

Recent developments

Pharmacy2U has continued to experience growth in its core NHS online prescription channel and has been focussed on building scale in its primary Bardon facility to increase operational efficiency.

Outlook

Pharmacy2U remains focussed on consolidating its position as the UK's leading online pharmacy by acquiring patients with NHS repeat prescription requirements.

Fast-growing, healthy and sustainable premium dog snacks brand

Key facts

Location:	London
Sector:	Consumer
Type of deal:	Growth
Equity holding:	18%
Financial year:	January
Latest sales:	£2m (2023)

Description

Founded in 2018, Denzel's is a fast-growing, healthy and sustainable premium dog snacks brand. Denzel's products are made in the UK and Ireland using entirely natural ingredients and 100% plastic-free eco-friendly packaging.

Denzel's operates an omni-channel distribution strategy, underpinned by listings in some of the UK's leading retailers. Denzel's e-commerce channel includes its own website as well as listings on marketplaces and a subscription offering. In addition, Denzel's products are available in a range of hospitality locations, notably dog-friendly pubs and hotels across the UK. Denzel's products are currently stocked in over two thousand locations in the UK.

Background

In October 2022, ESO completed a £2.0 million investment in Denzel's as lead investor within a £3.0 million growth capital raise.

Outlook

The Investment Advisor intends to work closely with Denzel's to help deliver its growth strategy, which is focused on the launch of new products, notably high value and functional dog snacks, as well as growth of both offline and online distribution channels.

Governance Report

ESO Portfolio Asset:
David Philips

Risk and Audit Committee Report

The Risk and Audit Committee is chaired by David Pirouet and comprises all other Directors. Mr Pirouet was appointed as Chairman of the Committee on 28 June 2019.

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 and robustness 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, including the Company's compliance with the QCA Corporate Governance Code;
- 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 four 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 via regular calls and physical meetings.

During the past year the Risk and Audit Committee carried out an ongoing review of its own effectiveness. These concluded that the Risk and Audit Committee is satisfactorily fulfilling its terms of reference and is operating effectively. In addition, the Committee undertook a review of the Company's corporate governance and compliance with the QCA Corporate Governance Code.

Significant accounting matters

The primary risk considered by the Risk and Audit Committee during the period under review in relation to the financial statements of the Company is the valuation of unquoted investments.

The Company's accounting policy for valuing investments is set out in notes 3i and 12. 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 Investment Advisor in preparation of valuation recommendations for the Risk and Audit Committee. On the basis of their audit work, 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, PricewaterhouseCoopers CI LLP ("PwC"), and considered their report on the financial statements. The fee for the audit of the annual report and financial statements of the Company (and subsidiaries) for the year ended 31 January 2023 is £61,350 (2022: £68,095).

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 Risk and Audit 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 provided non-audit services to the Company in relation to the Interim Review representing total fees of £17,000 (2022: £75,825 including the Interim Review, taxation and reporting accountant work.)

On 22 April 2022, PwC were appointed as auditors to the Company for the audit of the year ended 31 January 2023. The Risk and Audit Committee regularly considers the need to put the audit out to tender, the auditors' fees and independence, alongside matters raised during each audit.

External audit (continued)

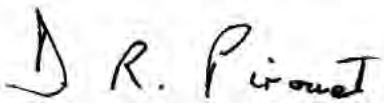
The audit was put out to tender by the Committee in September 2021, and at the conclusion of the process it was resolved that PricewaterhouseCoopers CI LLP be appointed as the Company's Auditor for the current financial year.

Other Service Providers

The Board will review the performance and services offered by Langham Hall, as fund administrator and EPIC Administration as fund sub-administrator on an ongoing basis. EPIC Administration completed its last triennial agreed upon procedures review during the year ended 31 January 2021.

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 operational functions are delegated to third party service providers who have their own internal control and risk monitoring arrangements. A report on these arrangements is prepared by each third party service provider 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.



David Pirouet
Chairman of the Risk and Audit Committee

20 March 2023

Corporate Governance

The Board of EPE Special Opportunities is pleased to update shareholders of the Company's compliance with the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code").

The Company is committed to the highest standards of corporate governance, ethical practices and regulatory compliance. The Board believe that these standards are vital to generate long-term, sustainable value for the Company's shareholders. In particular the Board is concerned that the Company is governed in a manner to allow efficient and effective decision making, with robust risk management procedures.

As an investment vehicle, the Company is reliant upon its service providers for many of its operations. The Board maintains ongoing and rigorous review of these providers. Specifically the Board reviews the governance and compliance of these entities to ensure they meet the high standards of the Company.

The Board is dedicated to upholding these high standards and will look to strengthen the Company's governance on an ongoing basis.

The Company's compliance with the QCA Code is included in this report and on the Company's website (www.epespecialopportunities.com). The Company will provide annual updates on changes to compliance with the QCA Code.

Clive Spears
Chairman

20 March 2023

The 2018 QCA Code

QCA Code Application	Explanation of the Company's Compliance
1. Establish a strategy and business model which promote long-term value for shareholders	
The board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.	*The annual and interim reports detail the Company's investment strategy, historic performance, current portfolio and future outlook.* *These reports discuss challenges faced by the Company and the portfolio and how these are mitigated.* *Further the Company provides updates to shareholders on significant changes in the Company's or the portfolio's position or prospects through ad hoc announcements, as required.*
2. Seek to understand and meet shareholder needs and expectations	
Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base. The Board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.	*The Board seeks to develop a strong and ongoing understanding with the Company's shareholders.* *The Board is available to respond to or address any queries or concerns raised by shareholders. Such concerns should be raised via the Company's investment advisor or the Company's administrator, as appropriate.* *Throughout the year the Company's Investment Advisor and Nomad meet with key shareholders to keep them informed of the Company's progress. Both these advisors report to the Board on these interactions regularly.* *The Company holds general meetings of its shareholders on an annual basis, where the annual report is presented to shareholders for their approval. The Board attends these meetings and is available to respond to or address any queries or concerns raised by attendees.*

QCA Code Application	Explanation of the Company's Compliance
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	
Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the company's stakeholders and understand their needs, interests and expectations. Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model. Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.	*The Company seeks to invest capital in a responsible manner, generating benefit to shareholders, its portfolio companies and the wider economy.* *The Company, primarily through its investment advisor, engages in ongoing communication with all its stakeholders, in particular its shareholders. The Board seeks to ensure that the portfolio companies, in which the Company has an interest, act in a responsible manner with consideration to their various stakeholders.* *The Company's investment advisor, in its capacity as manager of these portfolio assets, provides feedback to the Board on their performance and interaction with the wider community. The Board gives consideration to steps which might be taken to enhance the impact the Company's investments might have on the wider economy, within the Company's strategic objectives. The Board makes specific enquiry of the investment advisor where relevant to the activities of these portfolio assets.*
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	
The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer. Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).	*The Board maintains a robust risk management framework, which is reviewed and challenged on an ongoing basis.* *The Board has established a Risk and Audit Committee to advise the Board on the Company's risk management approach and overall risk profile. The Committee meets at least twice a year and undertakes periodic business risk assessments. The key risks categories for the Company are portfolio performance and operational performance.* *In relation to the risks associated with the portfolio's performance, the Company's investment advisor manages the portfolio. The performance and capabilities of the investment advisor are reviewed on an ongoing basis and in particular, via an annual site visit by the Board to the investment advisor most recently completed on 27 February 2023. Further, the Board receives updates on the portfolio on a quarterly basis (and on an ad hoc basis, as required) and challenges the investment advisor, as appropriate. The portfolio is relatively concentrated with a target size of 2-10 assets.* *In relation to risks associated with the Company's operational performance, the Company has no direct employees or operations, and has instead delegated its operations to certain service providers, in particular the Company's Investment Advisor, Nomad, Administrator and Financial Administrator. The Company reviews the performance of these key suppliers on an annual basis with site visits and in-person meetings with all key advisors. In the case of the Financial Administrator, the Company receives independent agreed upon procedures compliance reports on a three year cycle (and when procedures are significantly amended). The Committee ensures that all service providers remain compliant with relevant regulation and remain suitable to provide their contracted services.*

Corporate Governance

QCA Code Application	Explanation of the Company's Compliance
5 Maintain the board as a well-functioning, balanced team led by the chair	
The board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board. The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight. The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a board judgement. The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Directors must commit the time necessary to fulfil their roles.	*All members of the Board are considered to be of independent thought and are non-executive directors. In particular, the Board feel that they are sufficiently independent of the investment advisor and that they sufficiently challenge the advice received from the investment advisor.* *Some Board members have long periods of service. The Board believe that the experience and familiarity with the Company is to the benefit of the Company, its portfolio, its shareholders and objectives. The investment period of portfolio assets matches the long period of service held by certain Board members, providing deep knowledge of the Company's investment portfolio. Board members voluntarily retire by rotation for re-election by shareholders, on 4-year cycles.* *The Board has established the following committees to advise on the Board's responsibilities:* • *Audit and Risk Committee* • *Investment Committee* *All directors are members of these committees.* *The Board does not feel that that the establishment of either a Remuneration Committee or a Nomination Committee would be appropriate for an investment company of the Company's current size.* *The Board meets at least four times a year to review the Company's performance and operations. All directors attended the majority of the routine meetings convened in the last twelve months.* *The Board may convene additional meetings, as required to address investment opportunities and other matters arising. Where directors are not able to attend (often given the short notice), directors typically communicate their input on the subject matter under discussion to the rest of the Board ahead of time such that it may be incorporated in the Board meeting's deliberations.* *The Risk and Audit Committee meets at least twice a year. The Chairman of the Audit and Risk Committee meets with the Company's auditors at least three times a year. The Investment Committee meets as required.* *The time commitment required of directors varies dependent upon the activity level of the Company. It is anticipated that 8-12 days per annum are required of directors for the attendance of routine meetings of the Board. In addition it is anticipated that 4-10 days per annum are required for the participation in other matters arising,*

QCA Code Application	Explanation of the Company's Compliance
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	
The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition. The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.	*The experience and skills of the directors are detailed in their biographies included on the website and in the annual and interim reports.* *The Board reviews the experience and skills of the Board, as a collective, on an annual basis, along with the efficacy of the Board's operations. Any deficiencies identified by these exercises are mitigated, where possible, by development of individual directors or recruitment of directors, when necessary.* *Each director is responsible for the maintenance of their skills. All directors hold other complementary directorships and are active participants in the investment management community. By way of example, certain Jersey-based directors are required, given their directorships and under local regulations, to complete a certain amount of Continuing Professional Development ("CPD") each year.* *The Board receives investment advice from its Investment Advisor on an ongoing basis. The Board receives compliance advice from the Nomad on an ongoing basis. The Board seeks legal advice where appropriate and for all significant corporate actions and legal agreements.* *The Company's secretary and Administrator provide compliance advice, as relevant.* *The Company's advisors are detailed on the Company's website and in the annual and interim reports.* *Nick Wilson is the senior independent director of the Company.*
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	
The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors. The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team. It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.	*The Board reviews the experience and skills of the Board, as a collective, on an annual basis, along with the efficacy of the Board's operations. Any deficiencies identified by these exercises are mitigated, where possible, by development of individual directors or recruitment of directors, when necessary.* *This review is conducted by an anonymised questionnaire completed by directors, with results collated by the Company's Administrator. The matrix of skills and experience against which the Board reviews itself is broad and reflects the Company's strategy and long-term objectives.* *The directors collectively review the succession plan for the Board on an annual basis, with recruitment of directors, when necessary, aligned to the skill reviews performed by the Board.*

Corporate Governance

QCA Code Application	Explanation of the Company's Compliance
8. Promote a corporate culture that is based on ethical values and behaviours	
The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage. The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company. The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company. The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.	*The Company seeks to invest capital in a responsible and ethical manner, generating benefit to shareholders, its portfolio companies and the wider economy.* *The Company, as a vehicle for holding investments, has no employees and limited capacity to effect changes in culture in companies it is affiliated with. That said, the Board is keen that the portfolio companies, in which the Company has an interest, act in an ethical manner with consideration to the wider community.* *The Board ensures that all portfolio companies have policies in place to comply with applicable governance laws and regulations, such as anti-bribery and modern day slavery. The Board has a zero tolerance approach to breaches of these laws and regulations.* *The Board promotes ethical behaviour throughout the portfolio, through directions to the Company's investment advisors in relation to the ethical management of the portfolio.*
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	
The company should maintain governance structures and processes in line with its corporate culture and appropriate to its: • size and complexity; and • capacity, appetite and tolerance for risk. The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.	*The roles and responsibilities of the directors are detailed in the Governance Report in the annual and interim reports.* *A summary of the role and responsibilities of the chairman of the Board is included on the Company's website.* *All significant matters related to the operation of the Company are reserved to the Board, in particular given the Company does not have an executive function.* *The committees of the Board have been established to advise the Board on certain matters.* *A summary of the terms of reference of the Board and each of the committees of the Board is included on the Company's website.* *The Company has engaged certain suppliers to provide services to the Company. These suppliers are engaged by and report to the Board.*

QCA Code Application	Explanation of the Company's Compliance
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	
A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company. In particular, appropriate communication and reporting structures should exist between the board and all constituent parts of its shareholder base. This will assist: • the communication of shareholders' views to the board; and • the shareholders' understanding of the unique circumstances and constraints faced by the company. It should be clear where these communication practices are described (annual report or website).	*The annual report includes the following details:* • *The work of the Board during the period of review – please see the Chairman's Statement* • *The work of the Audit and Risk Committee – please see the Governance Report* *The annual and interim reports do not include a report from the Investment Committee, as their considerations and work is detailed in the Chairman's Statement.* *The annual and interim reports do not include a remuneration report as the Board does not consider such a report appropriate, given the Company does not have executive directors and the remuneration of the non-executive directors is detailed elsewhere in the reports.* *The directors of the Company participate in a share-based remuneration scheme. Participation in this scheme requires the purchase by directors of shares in the Company. The Board feel that this scheme is appropriate as equity participation in the Company is important for fostering alignment with shareholders. The scheme has caps on director participation and has been approved by a general meeting of shareholders.* *The outcomes of all votes of shareholders are disclosed shortly afterwards via announcement to the market. These announcements are retained on the Company's website.* *Historic interim and annual reports are contained on the Company's website (last five years).*

Financial Statements

ESO Portfolio Asset:
Denzel's

Contents

Report of the Directors

Principal activity

EPE Special Opportunities Limited (the "Company") was incorporated in the Isle of Man as a company limited by shares under the Laws with registered number 108834C on 25 July 2003. On 23 July 2012, the Company re-registered under the Isle of Man Companies Act 2006, with registration number 008597V. On 11 September 2018, the Company re-registered under the Bermuda Companies Act 1981, with registration number 53954. The Company's ordinary shares are quoted on AIM, a market operated by the London Stock Exchange, and the Growth Market of the Aquis Stock Exchange (formerly the NEX Exchange).

The principal activity of the Company and its Subsidiaries is to arrange income yielding financing for growth, buyout and special situations and holding the investments with a view to exiting in due course at a profit.

Incorporation

The Company was incorporated on 25 July 2003 and on 11 September 2018, registered under the Bermuda Companies Act 1981. The Company's registered office is:

Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

Place of business

During the year, the Company solely operated out of and was controlled from:

Liberation House, Castle Street, St Helier, Jersey JE1 2LH

Results of the financial year

Results for the year are set out in the Statements of Comprehensive Income on page 53 and in the Statement of Changes in Equity on page 55.

Dividends

The Board does not recommend a dividend in relation to the current year (2022: nil) (see note 10 for further details).

Corporate governance principles

The Directors, place a high degree of importance on ensuring that the Company maintains high standards of Corporate Governance and have therefore adopted the Quoted Companies Alliance 2018 Corporate Governance Code (the "QCA Code").

The Board holds at least four meetings annually and has established Audit and Risk and Investment committees. The Board does not intend to establish remuneration and nomination committees given the current composition of the Board and the nature of the Company's operations. The Board reviews annually the remuneration of the Directors and agrees on the level of Directors' fees.

Composition of the Board

The Board currently comprises five non-executive directors, all of whom are independent. Clive Spears is Chairman of the Board, David Pirouet is Chairman of the Audit and Risk Committee and Heather Bestwick is Chair of the Investment Committee.

Audit and Risk Committee

The Audit and Risk Committee comprises David Pirouet (Chairman of the Committee) and all other Directors. The Audit and Risk Committee provides a forum through which the Company's external auditors report to the Board.

The Audit and Risk Committee meets twice a year, at a minimum, and is responsible for considering the appointment and fee of the external auditors and for agreeing the scope of the audit and reviewing its findings. It is responsible for monitoring compliance with accounting and legal requirements, ensuring that an effective system of internal controls is maintained and for reviewing the annual and interim financial statements of the Company before their submission for approval by the Board. The Audit and Risk Committee has adopted and complied with the extended terms of reference implemented on the Company's readmission to AIM in August 2010, as reviewed by the Board from time to time.

The Board is satisfied that the Audit and Risk Committee contains members with sufficient recent and relevant financial experience.

Investment Committee

The Board established an Investment Committee, which comprises Heather Bestwick (Chair of the Committee) and all the other Directors. The purpose of this committee is to review the portfolio of the Company, new investment opportunities and evaluate the performance of the Investment Advisor.

The Board is satisfied that the Investment Committee contains members with sufficient recent and relevant experience.

Significant holdings

Significant shareholdings are analysed on page 83. The Directors are not aware of any other holdings greater than 3 per cent. of issued shares.

Directors

The Directors of the Company holding office during the financial year and to date are:

Mr. C.L. Spears (Chairman)
Mr. N.V. Wilson
Ms. H. Bestwick
Mr. D.R. Pirouet
Mr. M.M Gray

Staff and Secretary

At 31 January 2023 the Company employed no staff (2022: none).

Independent Auditors

The current year is the first year in which PricewaterhouseCoopers CI LLP are undertaking the audit for the Company. PricewaterhouseCoopers CI LLP have indicated willingness to continue in office.

On behalf of the Board

Heather Bestwick
Director

20 March 2023

Statement of Directors' Responsibilities

in respect of the Annual Report and the Financial Statements

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

The Directors are required to prepare financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the financial statement in accordance with International Financial Reporting Standards ("IFRS") and applicable legal and regulatory requirements of Bermuda Companies Act 1981.

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing the Company's financial statements, the Directors are required to:

- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRS;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Bermuda Companies Act 1981. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

to the Members of EPE Special Opportunities Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of EPE Special Opportunities Limited (the "Company") as at 31 January 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of Companies Act 1981 (Bermuda).

What we have audited

The Company's financial statements comprise:

- the statement of assets and liabilities as at 31 January 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Audit scope

- The Company is registered in Bermuda but operates from Jersey. We conducted our audit work in Jersey.
- We tailored the scope of our audit taking into account the type of investments held by the Company, the accounting processes and controls, and the industry in which the Company operates.
- We have audited the financial statements of the Company prepared by its financial administrator in London.

Key audit matters

- Valuation of the underlying Level 2 and Level 3 investments recognised as part of the Investments at fair value through profit or loss.

Materiality

- Overall materiality: £1,948,000 based on 2% of net assets.
- Performance materiality: £974,000.

Independent Auditor's Report

to the Members of EPE Special Opportunities Limited (continued)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Valuation of the underlying Level 2 and Level 3 investments recognised as part of the Investments at fair value through profit or loss The Company's Investments at fair value through profit or loss include underlying Level 2 and Level 3 investments amounting to £5,495,557 and £50,568,639 respectively, as at 31 January 2023. These underlying investments are held through the Company's subsidiaries. Details of these investments including the valuation techniques used in determining the fair value are disclosed in Note 12 to the financial statements. The Company's underlying investment in a listed special purpose acquisition company ("SPAC") is classified as Level 2 whilst those unquoted investments in private equity ("direct PE investments") including the Sponsor of the SPAC and other fund investments are classified as Level 3. The valuation of these investments, where material, has been assessed as a key audit matter due to the significant judgement required and assumptions applied in determining the fair value as at 31 January 2023.	We evaluated the investment valuation accounting policy for compliance with IFRS and IPEV Guidelines. We also tested that the investment valuations were accounted for in accordance with their stated policy. We obtained an understanding and performed an evaluation of the Investment Advisor's processes, key controls and methodology applied in determining the fair value of the investment portfolio, along with the subsequent consideration and approval by the Directors. We tested the classification, approach and valuation basis of the underlying Level 2 and Level 3 investments held through the Company's subsidiaries. **Level 2** **Investment in the SPAC** – Shares in the SPAC have limited trading activity and are therefore classified as Level 2. The fair value for this asset is calculated with reference to the latest observable market price on the Euronext exchange which is then adjusted based upon advice from the Investment Advisor to reflect the limited trading volumes. We agreed the market price to a third party source and challenged the extent of the adjustment factor applied to reflect the limited trading volumes.

Key audit matter	How our audit addressed the Key audit matter
	Level 3 **Investment in Direct PE investments** – We evaluated the appropriateness of the valuation methodology for each investment. This included: • testing the financial metrics applied using independently obtained latest financial information from portfolio companies; • assessing the suitability of selected peers; checking the valuation multiples used to third party sources; and • challenging the reasonableness of the significant unobservable inputs into the valuation models. **Investment in fund investments** – We obtained the latest audited financial statements and capital accounts for all investments and performed an assessment of the appropriateness of the confirming parties supplying us with the requested valuation support. We considered the quality of information obtained through our confirmation process, as well as the date of the latest available information used to support these valuations at year end. This included a review of the latest audited financial statements of the underlying investment companies or funds and an assessment of the appropriateness of the confirming parties supplying us with the requested valuation support. We have not identified any matters to report to those charged with corporate governance.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Independent Auditor's Report

to the Members of EPE Special Opportunities Limited (continued)

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£1,948,000
How we determined it	2% of net assets
Rationale for the materiality benchmark	We believe that net assets is the most appropriate benchmark because this is the key metric of interest to investors. It is also a generally accepted measure used for companies in this industry.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 50% of overall materiality, amounting to £974,000 for the financial statements.

In determining the performance materiality, we considered a number of factors – risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the lower end of our normal range was appropriate.

We agreed with the Risk and Audit committee and those charged with governance that we would report to them misstatements identified during our audit above £97,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all the information included in the Report & Accounts (the "Annual Report") but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the requirements of Bermuda law and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

Independent Auditor's Report

to the Members of EPE Special Opportunities Limited (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report

This independent auditor's report, including the opinions, has been prepared for and only for the members as a body in accordance with Section 90 of the Companies Act 1981 (Bermuda) 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.

Michael Byrne
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands

20 March 2023

Statement of Comprehensive Income

For the year ended 31 January 2023

Note		31 January 2023 Total £	31 January 2022 Total £
	Income		
4	Interest income	79,899	514
11	Net fair value movement on investments*	(39,438,551)	10,280,363
	Total (loss)/income	**(39,358,652)**	**10,280,877**
	Expenses		
5	Investment advisor's fees	(1,755,442)	(2,054,555)
6	Directors' fees	(172,000)	(149,000)
7	Share based payment expense	(555,225)	(822,166)
8	Other expenses	(557,416)	(1,052,268)
	Total expense	**(3,040,083)**	**(4,077,989)**
	(Loss)/profit before finance costs and tax	**(42,398,735)**	**6,202,888**
	Finance charges		
15	Interest on unsecured loan note instruments	(309,382)	(319,685)
15	Zero dividend preference shares finance charge	(1,128,093)	(156,983)
	(Loss)/profit for the year before taxation	**(43,836,210)**	**5,726,220**
9	**Taxation**	–	–
	(Loss)/profit for the year	**(43,836,210)**	**5,726,220**
	Other comprehensive income	–	–
	Total comprehensive (loss)/income	**(43,836,210)**	**5,726,220**
17	**Basic (loss)/earnings per ordinary share (pence)**	**(141.77)**	**17.86**
17	**Diluted (loss)/earnings per ordinary share (pence)**	**(141.77)**	**17.86**

* The net fair value movements on investments is allocated to the capital reserve and all other income and expenses are allocated to the revenue reserve in the statement of changes in equity. All items derive from continuing activities.

The accompanying notes form an integral part of these financial statements.

Statement of Assets and Liabilities

At 31 January 2023

Note		31 January 2023 £	31 January 2022 £
	Non-current assets		
11	Investments at fair value through profit or loss	100,412,977	140,525,060
		100,412,977	**140,525,060**
	Current assets		
13	Cash and cash equivalents	22,226,008	27,545,042
	Trade and other receivables and prepayments	87,899	95,147
		22,313,907	**27,640,189**
	Current liabilities		
14	Trade and other payables	(596,790)	(982,655)
15	Unsecured loan note instruments	(3,987,729)	(3,977,427)
		(4,584,519)	**(4,960,082)**
	Net current assets	**17,729,388**	**22,680,107**
	Non-current liabilities		
15	Zero dividend preference shares	(20,721,001)	(19,580,190)
		(20,721,001)	**(19,580,190)**
	Net assets	**97,421,364**	**143,624,977**
	Equity		
16	Share capital	1,730,828	1,730,828
	Share premium	13,619,627	13,619,627
	Capital reserve	97,139,389	136,577,940
	Revenue reserve and other equity	(15,068,480)	(8,303,418)
	Total equity	**97,421,364**	**143,624,977**
18	**Net asset value per share (pence)**	**328.41**	**455.66**

The financial statements were approved by the Board of Directors on 20 March 2023 and signed on its behalf by:

Clive Spears
Director

David Pirouet
Director

Statement of Changes in Equity

For the year ended 31 January 2023

Note	Year ended 31 January 2023	Share capital £	Share premium £	Capital reserve £	Revenue reserve and other equity £	Total £
	Balance at 1 February 2022	1,730,828	13,619,627	136,577,940	(8,303,418)	143,624,977
	Total comprehensive loss for the year	–	–	(39,438,551)	(4,397,659)	(43,836,210)
	Contributions by and distributions to owners					
7	Share-based payment charge	–	–	–	555,225	555,225
	Share ownership scheme participation	–	–	–	149,568	149,568
16	Purchase of shares	–	–	–	(2,587,375)	(2,587,375)
16	Share acquisition for JOSP scheme	–	–	–	(484,821)	(484,821)
	Total transactions with owners	**–**	**–**	**–**	**(2,367,403)**	**(2,367,403)**
	Balance at 31 January 2023	**1,730,828**	**13,619,627**	**97,139,389**	**(15,068,480)**	**97,421,364**

Note	Year ended 31 January 2022	Share capital £	Share premium £	Capital reserve £	Revenue reserve and other equity £	Total £
	Balance at 1 February 2021	1,730,828	13,619,627	126,297,577	(955,424)	140,692,608
	Total comprehensive income/(loss) for the year	–	–	10,280,363	(4,554,143)	5,726,220
	Contributions by and distributions to owners					
7	Share-based payment charge	–	–	–	822,166	822,166
	Share ownership scheme participation	–	–	–	625	625
16	Purchase of shares	–	–	–	(2,117,866)	(2,117,866)
16	Share acquisition for JOSP scheme	–	–	–	(1,498,776)	(1,498,776)
	Total transactions with owners	**–**	**–**	**–**	**(2,793,851)**	**(2,793,851)**
	Balance at 31 January 2022	**1,730,828**	**13,619,627**	**136,577,940**	**(8,303,418)**	**143,624,977**

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 January 2023

Note		31 January 2023 £	31 January 2022 £
	Operating activities		
	Interest income received	79,899	514
	Expenses paid	(2,853,467)	(3,231,866)
11	Purchase of investments	(3,174,948)	(31,253,480)
11	Proceeds from investments	3,848,880	18,364,193
19	**Net cash used in operating activities**	**(2,099,636)**	**(16,120,639)**
	Financing activities		
	Unsecured loan note interest paid	(299,080)	(299,080)
	Purchase of shares	(3,072,196)	(3,616,642)
	Issue of zero dividend preference shares	–	20,000,000
	Issue costs for zero dividend preference shares	–	(273,923)
	Share ownership scheme participation	149,568	625
	Net cash (used in)/generated from financing activities	**(3,221,708)**	**15,810,980**
	Decrease in cash and cash equivalents	(5,321,344)	(309,659)
	Effect of exchange rate fluctuations on cash and cash equivalents	2,310	–
	Cash and cash equivalents at start of year	27,545,042	27,854,701
13	**Cash and cash equivalents at end of year**	**22,226,008**	**27,545,042**

Comparative cash flows have been restated to reclassify Purchase of investments and Proceeds from investments previously presented under Investing activities section to Operating activities section.

Reconciliation of net debt

Cash and cash equivalents	On 31 January 2022 £	Cash flows £	Other non-cash charge £	On 31 January 2023 £
Cash at bank	27,545,042	(5,321,344)	2,310	22,226,008
Unsecured loan note instruments	(3,977,427)	299,080	(309,382)	(3,987,729)
Zero dividend preference shares	(19,580,190)	–	(1,140,811)	(20,721,001)
Net debt	**3,987,425**	**(5,022,264)**	**(1,447,883)**	**(2,482,722)**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 January 2023

1 General Information

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. On 11 September 2018, the Company re-registered under the Bermuda Companies Act 1981, with registration number 53954. The Company moved its operations to Jersey with immediate effect on 17 May 2017 and has subsequently operated from Jersey only.

The Company's ordinary shares are quoted on AIM, a market operated by the London Stock Exchange, and the Growth Market of the Aquis Stock Exchange (formerly the NEX Exchange).

The Company's portfolio investments are held in three subsidiaries, ESO Investments 1 Limited, ESO Investments 2 Limited and ESO Alternative Investments LP (together the "Subsidiaries").

Direct interests in the individual portfolio investments are held by the following Subsidiaries;

- ESO Investment 1 Limited: Rayware, Whittard, David Phillips and Denzel's
- ESO Investments 2 Limited: Luceco and Pharmacy2U
- ESO Alternative Investments LP: European Capital Private Debt Fund LP, EPE Junior Aggregator LP, Atlantic Credit Opportunities Fund Limited, EPIC Acquisition Corp and EAC Sponsor Limited

The principal activity of the Company is to arrange income yielding financing for growth, buyout and special situations investments with a view to exiting in due course at a profit.

The Company has no employees.

2 Basis of preparation

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and applicable legal and regulatory requirements of Bermuda Companies Act 1981. They were previously prepared in accordance with IFRS as adopted by the EU until 31 January 2021. This change has had no impact on the financial statements. The following accounting policies have been adopted and applied consistently. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

b. Basis of measurement

The financial statements have been prepared on the historical cost convention except for financial instruments at fair value through profit or loss which are measured at fair value (note 12). The following are amendments that the Company has decided not to adopt early:

- **Standards and amendments to existing standards effective 1 January 2022**

  There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2022 that have a material effect on the financial statements of the Company.

- **New standards, amendments and interpretations effective after 1 January 2022 and have not been early adopted**

  A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

Notes to the Financial Statements

For the year ended 31 January 2023 (continued)

2 Basis of preparation (continued)

c. Functional and presentation currency

These financial statements are presented in Sterling, which is the Company's functional and presentation currency. All financial information presented in Sterling has been rounded to the nearest pound.

'Functional currency' is the currency of the primary economic environment in which the Company operates. The expenses (including investment advisory and administration fees) and investments are denominated and paid in Sterling. Accordingly, management has determined that the functional currency of the Company is Sterling.

A foreign currency transaction is recorded initially at the rate of exchange at the date of the transaction. Assets and liabilities are translated from foreign currency to the functional currency at the closing rate at the end of the reporting period. The resulting gains or losses are included in the statement of comprehensive income.

d. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the Directors and the Investment Advisor to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The Directors have, to the best of their ability, provided as true and fair a view as is possible. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

e. Critical accounting estimates and assumption

Critical accounting estimates and assumptions made by Directors and the Investment Advisor in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the year relate to the determination of fair value of financial instruments with significant unobservable inputs (see note 12).

f. Critical judgements

The critical judgements made by the Directors and the Investment Advisor in preparing these financial statements are:

- Classification of the zero dividend preference share as a non-current liability in the Statement of Assets and Liabilities. The zero dividend preference shares meet the definition of a non-current liability as detailed in note 3(l). Please refer to note 15 for further details.

- Categorisation of ESO Alternative Investments LP, ESO Investments 1 Limited and ESO Investments 2 Limited as Subsidiaries. The Company is deemed to have control over these subsidiaries. Please refer to note 3(a) for details.

2 Basis of preparation (continued)

g. Unconsolidated structured entities

The Company invests in portfolio investments through its Subsidiaries. See note 3(a) for an explanation of why these entities are considered controlled subsidiary investments. The purpose of the Subsidiaries is to hold investments. These Subsidiaries meet the definition of unconsolidated structured entities under IFRS 12. There are letters of support in place between the Company and ESO Investments 1 Limited and ESO Investments 2 Limited for the payment of expenses.

The total fair value of the Subsidiaries, and the amount recognised in the Company's financial statements (as investments at fair value) is £102,135,274.

In respect of ESO Alternative Investments LP, the Company has 100% beneficial ownership of the entity.

In respect of ESO Investments 1 Limited, the Company has 80% beneficial ownership of the entity.

In respect of ESO Investments 2 Limited, the Company has 80% beneficial ownership of the entity.

There are no restrictions on the ability of the above Subsidiaries to transfer funds to the Company in the form of cash dividends or loan repayments.

The Company's maximum exposure to loss from its interest in its Subsidiaries is equal to the total fair value of its investment in its Subsidiaries.

The Company's Subsidiaries invest in quoted and unquoted securities, in line with the Company's investment policy. The value of these investments may be impacted by market price risk arising from uncertainty about the future market value of these holdings as well as the risk of underperformance of the underlying portfolio companies.

The exposure to investments in Subsidiaries measured at fair value is disclosed in the following table :

	31 January 2023 £	31 January 2022 £
ESO Investments 1 Limited	43,217,307	35,526,865
ESO Investments 2 Limited	44,330,483	90,461,860
ESO Alternative Investments LP	12,865,187	14,536,335
	100,412,977	**140,525,060**

During the year ended 31 January 2023 total net loss incurred on the fair value movement on investments in Subsidiaries was £39,438,551 (2022: profit of £10,280,363) (as set out in note 11).

h. Going concern

The Company's management has assessed the Company's ability to continue as a going concern and is satisfied that the Company has the adequate resources to continue in business for at least twelve months from the date of approval of financial statements. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Notes to the Financial Statements

For the year ended 31 January 2023 (continued)

3 Significant accounting policies

a. Subsidiaries and consolidation

Subsidiaries

The Company has subsidiaries which have been determined to be controlled subsidiary investments. Controlled subsidiary investments are measured at fair value through profit or loss and are not consolidated in accordance with IFRS 10. The fair value of controlled subsidiary investments is determined on a consistent basis to all other investments measured at fair value through profit or loss, and as described in note 3.i.

A controlled subsidiary investment involves holding companies over which the Company has the power to govern the financial and operating policies. These holding companies are subsidiaries that have been incorporated for the purpose of holding underlying investments on behalf of the Company. Such holding companies have no operations other than providing a vehicle for the acquisition, holding and onward sale of certain portfolio investment companies. The holding companies are also reflected at its fair value, with the key fair value driver thereof being the investment in the underlying portfolio company investments that the holding company holds on behalf of the Company. The holding companies require no consolidation, because the holding companies are not deemed to be providing investment related services, as defined by IFRS 10.

Where the Company is deemed to have control over an underlying portfolio company, either directly or indirectly, and whether the control is via voting rights or through the ability to direct the relevant activities in return for access to a significant portion of the variable gains and losses derived from those relevant activities, the Company does not consolidate the underlying portfolio company; instead, the Company reflects its investment at fair value through profit or loss.

b. Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business and geographic area, being arranging financing for growth, buyout and special situations investments in the United Kingdom. Information presented to the Board of Directors for the purpose of decision making is based on this single segment.

c. Income

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is accounted for when the right to receive such income is established.

d. Expenses

All expenses are accounted for on an accrual basis.

e. Cash and cash equivalents

Cash and cash equivalents comprise of current cash deposits with banks only. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

f. Finance charges

Other finance charges are recognised as an expense.

g. Trade and other payables

Trade and other payables are stated at amortised cost in accordance with IFRS 9.

3 Significant accounting policies (continued)

h. Unsecured loan note instruments

Unsecured loan note instruments are stated at amortised cost in accordance with IFRS 9.

i. Financial assets and financial liabilities

A. Classification

Financial assets

When the Company first recognises a financial asset, it classifies it based on the business model for managing the asset and the asset's contractual cash flow characteristics, as follows:

- Amortised cost: a financial asset is measured at amortised cost if both of the following conditions are met:
  - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Fair value through other comprehensive income: financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Fair value through profit or loss: any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

Financial liabilities

All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities include derivatives (other than derivatives that are financial guarantee contracts or are designated and effective hedging instruments), other liabilities held for trading, and liabilities that an entity designates to be measured at fair value through profit or loss.

B. Recognition

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Notes to the Financial Statements

For the year ended 31 January 2023 (continued)

3 Significant accounting policies (continued)

i. Financial assets and financial liabilities (continued)

C. Measurement

Equity and debt investments, including those held by Subsidiaries, are stated at fair value. Loans and Receivables are stated at amortised cost less any impairment losses.

The Investment Advisor determines asset values using the valuation principles of IFRS 13.

'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 advantages market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company measures instruments quoted in an active market at mid-price.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Financial assets that are not carried at fair value though profit and loss are subject to an impairment test. For loans to portfolio companies the impairment test is undertaken as part of the assessment of the fair value of the enterprise value of the related business, as described above. If expected life cannot be determined reliably, then the contractual life is used.

D. Impairment

12-month expected credit losses

12-month expected credit losses are calculated by multiplying the probability of a default occurring in the next 12 months with the total (lifetime) expected credit losses that would result from that default, regardless of when those losses occur. Therefore, 12-month expected credit losses represent a financial asset's lifetime expected credit losses that are expected to arise from default events that are possible within the 12 month period following origination of an asset, or from each reporting date for those assets in initial recognition stage.

Lifetime expected credit losses

Lifetime expected credit losses are the present value of expected credit losses that arise if a borrower defaults on its obligation at any point throughout the term of a lender's financial asset (that is, all possible default events during the term of the financial asset are included in the analysis). Lifetime expected credit losses are calculated based on a weighted average of expected credit losses, with the weightings being based on the respective probabilities of default.

3 Significant accounting policies (continued)

i. Financial assets and financial liabilities (continued)

E. Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9.

The Company uses the weighted average method to determine realised gains and losses on derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

j. Share capital

Ordinary share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from revenue reserves.

Capital Reserve and Revenue Reserve

The capital reserve comprises net gains and losses on investments. The revenue reserve comprises other income and expenses plus other items recorded directly in equity (excluding items recorded as share capital/share premium).

k. Jointly owned share plan ("JOSP") and share-based payments

Directors of the Company and certain employees of the Investment Advisor (together "Participants") receive remuneration in the form of equity-settled share-based payment transactions, through a JOSP Scheme.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is determined based on the share price of the equity instrument at the grant date. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of shares that will eventually vest. The instruments are subject to a three-year service vesting condition from the grant date, and their fair value is recognised as a share-based expense with a corresponding increase in revenue reserves within equity over the vesting period. Contributions received from employees as part of the JOSP arrangement are recognised directly in equity in the line share ownership scheme participation.

The assets (other than investments in the Company's shares), liabilities, income and expenses of the trust established to operate the JOSP scheme (the "Trust") are recognised by the Company. The Trust's investment in the Company's shares is deducted from shareholders' funds in the Statement of Asset and Liabilities as if they were treasury shares (see note 7).

Notes to the Financial Statements

For the year ended 31 January 2023 (continued)

3 Significant accounting policies (continued)

l. Zero dividend preference shares ("ZDP")

Under IAS 32 – Financial Instruments: Presentation, the ZDP Shares are classified as financial liabilities and are held at amortised cost. An accrual for the final capital entitlement of the ZDP Shares is included in the Statement of Comprehensive Income as a finance cost and is calculated using the effective interest rate method ("EIR"). The costs of issue of the ZDP Shares are amortised over the period to the ZDP Share redemption date.

m. Future changes in accounting policies

Several new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not adopted early the new or amended standards in preparing these financial statements.

The Directors do not expect the adoption of the standards and interpretations to have a material impact on the Company's financial statements in the period of initial application.

n. Change in categorisation of holding companies

During the current year, the Directors reassessed its categorisation of ESO Alternative Investments LP, ESO Investments 1 Limited and ESO Investments 2 Limited from associates to subsidiaries. These entities were set up by the Company as holding vehicles for investments acquired for the benefit of the Company. The holding companies are structured entities and as such voting rights or similar rights are not the dominant factor in decision-making power over them. As a result, the Directors deem the classification of these entities as subsidiaries to be more appropriate.

This change has no impact on the current year's financial statements as the investments in these holding companies continue to be measured at fair value.

4 Interest income

	2023 Company £	2022 Company £
Cash balances	79,899	514
Total	**79,899**	**514**

5 Investment advisory, administration and performance fees

Investment advisory fees

The investment advisory fee payable to EPIC Investment Partners LLP ("EPIC") is assessed and payable at the end of each fiscal quarter and is calculated as 2 per cent. of the Company's NAV where the Company's NAV is less than £100 million; otherwise the investment advisory fee is calculated as the greater of £2.0 million or the sum of 2 per cent. of the Company's NAV comprising Level 2 and Level 3 portfolio assets, 1 per cent. of the Company's NAV comprising Level 1 assets, no fees on assets which are managed or advised by a third-party manager, 0.5 per cent. of the Company's net cash (if greater than nil), and 2 per cent. of the Company's net cash (if less than nil) (i.e. reducing fees for net debt positions).

The charge for the current year was £1,755,442 (2022: £2,054,555). The amount outstanding as at 31 January 2023 was £487,107 (2022: £500,000) (see note 14).

5 Investment advisory, administration and performance fees (continued)

Administration fees

EPIC Administration Limited provides accounting and financial administration services to the Company. The fee payable to EPIC Administration Limited is assessed and payable at the end of each fiscal quarter and is calculated as 0.15 per cent. of the Company's NAV where the Company's NAV is less than £100 million (subject to a minimum fee of £35,000); otherwise the advisory fee shall be calculated as 0.15 per cent. of £100 million plus a fee of 0.1 per cent. of the excess of the Company's NAV above £100 million.

The charge for the current year was £147,043 (year ended 31 January 2022: £212,431).

Other administration fees during the year were £76,302 (2022: £72,196).

Performance fees paid by Subsidiaries

The Subsidiaries are stated at fair value. Performance fees are paid to the Investment Advisor based on the performance of the Subsidiaries and deducted in calculating the fair value of Subsidiaries.

Performance fee in ESO Investments 1 Limited

The distribution policy of ESO Investments 1 Limited includes an allocation of profits to the Investment Advisor such that, for each investment where a returns hurdle of 8 per cent. per annum has been achieved, the Investment Advisor is entitled to receive 20 per cent. of the increase above the base value of investment. As at 31 January 2023, £nil has been accrued in the profit share account of the Investment Advisor in the records of ESO Investments 1 Limited (2022: £nil accrued).

Performance fee in ESO Investments 2 Limited

The distribution policy of ESO Investments 2 Limited includes an allocation of profit to the Investment Advisor such that, for each investment where a returns hurdle of 8 per cent. per annum has been achieved, the Investment Advisor is entitled to receive 20 per cent. of the increase above the base value of investment. As at 31 January 2023, £9,112,002 has been accrued in the profit share account of the Investment Advisor in the records of ESO Investments 2 Limited (2022: £20,027,085 accrued).

Joint Owned Share Plan ("JOSP") and share-based payments

Directors of the Company and certain employees of the Investment Advisor (together "Participants") receive remuneration in the form of equity-settled share-based payment transactions, through a JOSP Scheme (see note 7).

Notes to the Financial Statements

For the year ended 31 January 2023 (continued)

6 Directors' fees

	2023 Company £	2023 Share-based payment £	2022 Company £	2022 Share-based payment £
C.L. Spears (Chairman)	42,000	9,388	32,000	13,445
R.B.M. Quayle	–	–	15,000	4,754
N.V. Wilson	32,000	9,216	30,000	13,132
H. Bestwick	32,000	9,388	30,000	13,445
D.R. Pirouet	34,000	6,132	32,000	6,648
M.M. Gray	32,000	2,093	10,000	1,197
Total	**172,000**	**36,217**	**149,000**	**52,621**

In addition to the fees noted above, C.L. Spears, H. Bestwick and M.M Gray received during the year;

- £3,750 each as Directors' fees for their directorship of ESO Investments 1 Limited; and
- £3,750 each as Directors' fees for their directorship of ESO Investments 2 Limited.

Aggregate Directors' fees for ESO Investments 1 Limited and ESO Investments 2 Limited for the year ended 31 January 2023 amounted to £22,500.

R.B.M Quayle resigned in June 2021 and thereby did not receive director fees or accrue for share based payment during the year ended 31 January 2023. The share-based payment expense is calculated as set out in note 7.

7 Share-based payment expense

The cost of equity-settled transactions to Participants in the JOSP Scheme are measured at fair value at the grant date. The fair value is determined based on the share price of the equity instrument at the grant date.

The Trust was created to award shares to Participants as part of the JOSP. Participants are awarded a certain number of shares ("Matching Shares") which are subject to a three-year service vesting condition from the grant date. In order to receive their Matching Share allocation Participants are required to purchase shares in the Company on the open market ("Bought Shares"). The Participant will then be entitled to acquire a joint ownership interest in the Matching Shares for the payment of a nominal amount, on the basis of one joint ownership interest in one Matching Share for every Bought Share they acquire in the relevant award period.

The Trust holds the Matching Shares jointly with the Participant until the award vests. These shares carry the same rights as the rest of the ordinary shares.

The Trust held 1,290,202 (2022: 1,871,753) matching shares at the year-end which have historically not voted (see note 16).

862,290 shares vested to Participants in the year ended 31 January 2023 (2022: 3,775). 156,173 shares were awarded to Participants in the year ended 31 January 2023 (2022: 185,779).

The share-based payment expense in the Statement of Comprehensive Income has been calculated on the basis of the fair value of the equity instruments at the grant date and the estimated number of equity instruments to be issued after the vesting period, less the amount paid for the joint ownership interest in the Matching Shares.

The total share-based payment expense in the year ended 31 January 2023 was £555,225 (2022: £822,166). Of the total share-based payment expense in the year ended 31 January 2023, £36,217 related to the Directors (2022: £52,621) and the balance related to members, employees and consultants of the Investment Advisor.

8 Other expenses

The breakdown of other expenses presented in the statement of comprehensive income is as follows:

	31 January 2023 Total £	31 January 2022 Total £
Administration fees	(223,345)	(284,627)
Directors' and officers' insurance	(27,464)	(24,453)
Professional fees	(94,442)	(480,554)
Board meeting and travel expenses	(1,085)	(588)
Auditors' remuneration	(61,350)	(68,095)
Interim review remuneration	(17,000)	(8,325)
Bank charges	(1,705)	(3,261)
Irrecoverable VAT	–	(360)
Foreign exchange movement	2,687	(52,948)
Nominated advisor and broker fees	(62,322)	(61,962)
Listing fees	(52,769)	(48,446)
Sundry expenses	(18,621)	(18,649)
Other expenses	**(557,416)**	**(1,052,268)**

9 Taxation

The Company is a tax resident of Jersey and is subject to 0 per cent. corporation tax (2022: 0 per cent.).

ESO Alternative Investments LP is transparent for tax purposes.

ESO Investments 1 Limited and ESO Investments 2 Limited are tax resident in Jersey and are subject to 0 per cent. (2022: 0 per cent.) corporation tax.

10 Dividends paid and proposed

No dividends were paid or proposed for the year ended 31 January 2023 (2022: £nil).

Notes to the Financial Statements

For the year ended 31 January 2023 (continued)

11 Investments at fair value through profit or loss

	31 January 2023 £	31 January 2022 £
Investments at fair value through profit and loss*	100,412,977	140,525,060
	100,412,977	**140,525,060**

Investments

	31 January 2023 £	31 January 2022 £
Investments at fair value at 1 February	140,525,060	117,256,810
Purchase of investments	3,174,948	31,253,480
Proceeds from investments	(3,848,880)	(18,364,193)
Net fair value movements	(39,438,551)	10,280,363
Reclassification of debtor balance to investee	400	98,600
Investments at fair value	**100,412,977**	**140,525,060**

* Comprises Subsidiaries stated at fair value in accordance with accounting policy set out in note 3(a) (ESO Investments 1 Limited, ESO Investments 2 Limited and ESO Alternative Investments LP).

12 Fair value of financial instruments

The Company determines the fair value of financial instruments with reference to IPEV guidelines and the valuation principles of IFRS 13 (Fair Value Measurement). The Company measures fair value using the IFRS 13 fair value hierarchy, which reflects the significance and certainty of the inputs used in deriving the fair value of an asset:

- 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.

The Investment Advisor undertakes the valuation of financial instruments required for financial reporting purposes. Recommended valuations are reviewed and approved by the Investment's Advisor's Valuation Committee for circulation to the Company's Board. The Risk and Audit committee of the Company's Board meets at least once every six months, in line with the Company's semi-annual reporting periods, to review the recommended valuations and approve final valuations for adoption in the Company's financial statements.

12 Fair value of financial instruments (continued)

Valuation framework

The Company employs the valuation framework detailed below with respect to the measurement of fair values. A valuation of the Company's investments held via its Subsidiaries are prepared by the Investment Advisor with reference to IPEV guidelines and the valuation principles of IFRS 13 (Fair Value Measurement). The Investment Advisor recommends these valuations to the Board of Directors. The Risk and Audit committee of the Company's Board considers the valuations recommended by the Investment Advisor, determines any amendments required and thereafter adopts the fair values presented in the Company's financial statements. Changes in the fair value of financial instruments are recorded in the Statement of Comprehensive Income in the line item "Net fair value movement on investments".

Quoted investments

Quoted investments traded in an active market are classified as Level 1 in the IFRS 13 fair value hierarchy. The investment in Luceco is a Level 1 asset. For Level 1 assets, the holding value is calculated from the latest market price (without adjustment).

Quoted investments traded in markets that are considered less than active are classified as Level 2 in the IFRS 13 fair value hierarchy. The investment in EPIC Acquisition Corp is a Level 2 asset. For Level 2 assets, the holding value is calculated with reference to the latest available adjusted market price, where the adjustment factor is close to nil.

Unquoted private equity investments and unquoted fund investments

Private equity investments and fund investments are classified as Level 3 in the IFRS 13 fair value hierarchy. The investments in Whittard, David Phillips, Rayware, Denzel's, Pharmacy2U, European Capital Private Debt Fund LP, EPE Junior Aggregator LP, Atlantic Credit Opportunities Fund Limited and EAC Sponsor Limited are considered to be Level 3 assets. Various valuation techniques may be applied in determining the fair value of investments held as Level 3 in the fair value hierarchy;

- For recently acquired assets, the investment cost may be considered as an applicable fair value for the asset if this is deemed appropriate;
- For underperforming assets, net asset or recovery valuation is considered more applicable, in particular where the business' performance be contingent on shareholder financial support;
- For performing assets, market approach is considered to be the most appropriate with a specific focus on trading comparables, applied on a forward basis. Transaction comparables, applied on a historic basis may also be considered;
- For assets managed and valued by third party managers, the valuation methodology of the third party manager is reviewed. If deemed appropriate and consistent with reporting standards, the valuation prepared by the third-party manager will be used.

The Investment Advisor believe that it is appropriate to apply an illiquidity discount to the multiples of comparable companies when using them to calculate valuations for small, private companies. This discount adjusts for the difference in size between generally larger comparable companies and the smaller assets being valued. The illiquidity discount also incorporates the premium the market gives to comparable companies for being freely traded or listed securities. The Investment Advisor has determined between 15 per cent. and 25 per cent. to be an appropriate illiquidity discount with reference to market data and transaction multiples seen in the market in which the Investment Advisor operates.

Where portfolio investments are held through subsidiary holding companies, the net assets of the holding company are added to the value of the portfolio investment being assessed to derive the fair value of the holding company held by the Company.

Notes to the Financial Statements

For the year ended 31 January 2023 (continued)

12 Fair value of financial instruments (continued)

EPIC Acquisition Corp and EAC Sponsor Limited

Management have prepared scenario analysis for the holdings in EPIC Acquisition Corp and EAC Sponsor Limited to calculate a probability weighted range of implied values under potential realisation scenarios. Management have also considered alternative option pricing methodologies to cross reference market valuations for the EPIC Acquisition Corp warrants.

For Level 2 assets, significant unobservable inputs are developed as follows:

- Probability of EPIC Acquisition Corp business combination, combination period extension or liquidation
- Option pricing methodology and inputs

EAC's management have identified six key factors which it believes play a material role in the probability of EAC's ability to complete a business combination. These factors are: i) business combination opportunity pipeline; ii) EAC's competitive advantage vs other SPACs/sources of capital; iii) quality of EAC's network; iv) macro environment; v) availability of PIPE funding; and vi) prevailing investor redemption rates in the SPAC market. Each factor has been assigned a weighting based on management's judgement of its importance in completing the business combination. Management has also assigned a minimum and maximum score (out of 10) to each factor based on its judgement of the relevant factor (a higher score indicates the factor is supportive of a business combination and vice versa). Management has then calculated a weighted average probability range and median probability for completion of a business combination.

Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements of EPIC Acquisition Corp and EAC Sponsor Limited's assets, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on the investment valuations. The key inputs into the preparation of the valuations of EPIC Acquisition Corp and EAC Sponsor Limited were the unit price of the underlying securities. If these inputs had been taken to be 25 per cent. higher, the value of these assets and profit for the year would have been £1,813,784 higher. If these inputs had been taken to be 25 per cent. lower, the value of these assets and profit for the year would have been £1,813,784 lower.

12 Fair value of financial instruments (continued)

Fair value hierarchy – Financial instruments measured at fair value

The Company's investments in the Subsidiaries at 31 January 2023 are classified as Level 3 (in line with 31 January 2022), given the variation in classification of the underlying assets. The Company values these investments on the basis of the net asset value of these holdings.

The table below analyses the underlying investments held by the Subsidiaries measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The Board 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 Assets and Liabilities of the Subsidiaries.

31 January 2023	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at fair value through profit or loss				
Unquoted private equity investments (including debt)	–	–	47,383,890	47,383,890
Unquoted fund investments	–	–	3,184,749	3,184,749
Quoted investments	41,757,541	5,495,557	–	47,253,098
Investments at fair value through profit or loss	**41,757,541**	**5,495,557**	**50,568,639**	**97,821,737**
Other asset and liabilities (held at cost)	–	–	–	2,591,240
Total	**41,757,541**	**5,495,557**	**50,568,639**	**100,412,977**

31 January 2022	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at fair value through profit or loss				
Unquoted private equity investments (including debt)	–	–	41,897,143	41,897,143
Unquoted fund investments	–	–	5,989,711	5,989,711
Quoted investments	87,206,277	5,166,896	–	92,373,173
Investments at fair value through profit or loss	**87,206,277**	**5,166,896**	**47,886,854**	**140,260,027**
Other asset and liabilities (held at cost)	–	–	–	265,033
Total	**87,206,277**	**5,166,896**	**47,886,854**	**140,525,060**

There have been no changes in the designation of level of fair value hierarchy in the reporting periods under review.

Notes to the Financial Statements

For the year ended 31 January 2023 (continued)

12 Fair value of financial instruments (continued)

Fair value hierarchy – Financial instruments measured at fair value (continued)

The following table, detailing the value of portfolio investments only, shows a reconciliation of the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy for the underlying investments held by the Subsidiaries.

Unquoted investments (including debt)	31 January 2023 £	31 January 2022 £
Balance as at 1 February	47,886,854	28,422,329
Additional investments	2,086,948	25,786,074
Capital distributions from investments	(2,235,136)	(330,247)
Change in fair value through profit & loss	2,829,973	(5,991,302)
Balance as at 31 January	**50,568,639**	**47,886,854**

Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 January 2023 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 31 January 2023 £	Significant unobservable inputs
Unquoted private equity investments (including debt)	47,383,890	Sales/EBITDA multiple or investment cost
Unquoted fund investments	3,184,749	Reported net asset value

The valuation methodology employed as at 31 January 2023 for the investment in Rayware was changed from the acquisition cost methodology used in the prior year to an EBITDA multiple methodology, given that the acquisition occurred greater than 12 months prior to the valuation date.

Significant unobservable inputs are developed as follows:

- Trading comparable multiple: valuation multiples used by other market participants when pricing comparable assets. Relevant comparable assets are selected from public companies determined to be proximate to the investment based on similarity of sector, size, geography or other relevant factors. The valuation multiple for a comparable company is determined by calculating the enterprise value of the company implied by its market price as at the reporting date and dividing by the relevant financial metric (sales or EBITDA).

- Reported net asset value: for assets managed and valued by a third party, the manager provides periodic valuations of the investment. The valuation methodology of the third-party manager is reviewed. If deemed appropriate and consistent with reporting standards, the Board will adopt the valuation prepared by the third-party manager. Adjustments are made to third party valuations where considered necessary to arrive at the Director's estimate of fair value.

- Investment cost: for recently acquired assets (typically completed in the last twelve months), the Investment Advisor considers the investment cost an appropriate fair value for the asset.

12 Fair value of financial instruments (continued)

Significant unobservable inputs used in measuring fair value (continued)

Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements of Level 3 assets, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on the Level 3 investment valuations:

- For the Company's investment in mature Level 3 assets, the valuations used in the preparation of the financial statements imply an average EV to EBITDA multiple of 6.7x (weighted by each asset's total valuation) (2022: 6.2x). The key unobservable inputs into the preparation of the valuation of mature Level 3 assets was the EBITDA multiple applied to the asset's financial forecasts. A sensitivity of 25 per cent. has been applied to these multiples, in line with the maximum liquidity discount employed in the valuations. If these inputs had been taken to be 25 per cent. higher, the value of the Level 3 assets and profit for the year would have been £11,982,622 higher. If these inputs had been taken to be 25 per cent. lower, the value of the Level 3 assets and profit for the year would have been £15,338,259 lower. A corresponding increase or decrease in the asset's financial forecasts would have a similar impact on the Company's assets and profit.
- For the Company's investment in growth Level 3 assets, the valuations used in the preparation of the financial statements imply an average EV to sales multiple of 1.4x (weighted by each asset's total valuation) (2022: 1.0x). The key unobservable inputs into the preparation of the valuation of growth Level 3 assets were the sales multiple applied to the asset's financial forecasts. A sensitivity of 25 per cent. has been applied to these multiples, in line with the maximum liquidity discount employed in the valuations. If these inputs had been taken to be 25 per cent. higher, the value of the Level 3 assets and profit for the year would have been £970,343 higher. If these inputs had been taken to be 25 per cent. lower, the value of the Level 3 assets and profit for the year would have been £735,831 lower. A corresponding increase or decrease in the asset's financial forecasts would have a similar impact on the Company's assets and profit.

Classification of financial assets and liabilities

The table below sets out the classifications of the carrying amounts of the Company's financial assets and liabilities into categories of financial instruments.

31 January 2023

	At fair value £	At amortised cost £	Total £
Financial assets			
Investments at fair value through profit or loss	100,412,977	–	100,412,977
Cash and cash equivalents	–	22,226,008	22,226,008
Trade and other receivables	–	87,899	87,899
	100,412,977	**22,313,907**	**122,726,884**
Financial liabilities			
Trade and other payables	–	596,790	596,790
Unsecured loan note instruments*	–	3,987,729	3,987,729
Zero dividend preference shares**	–	20,721,001	20,721,001
	–	**25,305,520**	**25,305,520**

Notes to the Financial Statements

For the year ended 31 January 2023 (continued)

12 Fair value of financial instruments (continued)

31 January 2022

	At fair value £	At amortised cost £	Total £
Financial assets			
Investments at fair value through profit or loss	140,525,060	–	140,525,060
Cash and cash equivalents	–	27,545,042	27,545,042
Trade and other receivables	–	95,147	95,147
	140,525,060	**27,640,189**	**168,165,249**
Financial liabilities			
Trade and other payables	–	982,655	982,655
Unsecured loan note instruments*	–	3,977,427	3,977,427
Zero dividend preference shares**	–	19,580,190	19,580,190
	–	**24,540,272**	**24,540,272**

* The Directors consider that the fair value of the unsecured loan note instruments is the same as its carrying value.

** The Directors consider that the fair value of the zero dividend preference shares is £19,100,000 (2022: £21,000,000) calculated on the basis of the quoted price of the instrument on the London Stock Exchange of 95.50 pence as at 31 January 2023 (2022: 105.00 pence).

13 Cash and cash equivalents

	2023 £	2022 £
Current and call accounts	22,226,008	27,545,042
	22,226,008	**27,545,042**

The current and call accounts have been classified as cash and cash equivalents in the Statement of Cash Flows.

14 Trade and other payables

	2023 £	2022 £
Trade payables	1,008	13,657
Accrued administration fee	36,533	48,406
Accrued audit fee	9,920	54,078
Accrued professional fee	45,489	65,811
Accrued investment advisor fees	487,107	500,000
Accrued Directors' fees	14,333	12,833
Provision for ZDP issue costs	–	285,870
Other payables	2,400	2,000
Total	**596,790**	**982,655**

15 Liabilities

Unsecured Loan Notes ("ULN")

The Company has issued ULN's which pay interest at 7.5 per cent. per annum and are redeemable on 24 July 2023, following an approval of an extension of their maturity in July 2022. At 31 January 2023, £3,987,729 (2022: £3,987,729) of ULNs in principal amount were outstanding. Issue costs totalling £144,236 have been offset against the value of the loan note instrument and are being amortised over the life of the instrument. The total issue costs expensed in the year ended 31 January 2023 was £10,303 (2022: £20,605). The carrying value of the ULNs in issue at the year-end was £3,987,729 (2022: £3,977,427). The total interest expense for the ULNs for the year is £309,382 (2022: £319,685). This includes the amortisation of the issue costs. The carrying value of ULN is presented under current liabilities in the current period as they are redeemable within 12-month period from the Statement of Assets and Liabilities date.

Zero Dividend Preference Shares ("ZDP Shares")

On 17 December 2021 the Company issued 20,000,000 ZDP Shares at a price of £1 per share, raising £20,000,000. The ZDP Shares will not pay dividends but have a final capital entitlement at maturity on 16 December 2026 of 129.14 pence. It should be noted that the predetermined capital entitlement of a ZDP Share is not guaranteed and is dependent upon the Company's gross assets being sufficient on 16 December 2026 to meet the final capital entitlement. Issue costs totalling £573,796 have been offset against the value of the ZDP Shares and are being amortised over the life of the instrument. The total issue costs expensed in the year ended 31 January 2023 was £115,359 (2022: £14,358). The carrying value of the ZDP Shares in issue at the year-end was £20,721,001 (2022: £19,580,190). The total finance charge for the ZDP Shares for the year is £1,128,093 (2022: £156,983). This includes the ZDP Share finance charge and the amortisation of the Issue costs.

16 Share capital

	2023 Number	2023 £	2022 Number	2022 £
Authorised share capital				
Ordinary shares of 5p each	45,000,000	2,250,000	45,000,000	2,250,000
Called up, allotted and fully paid				
Ordinary shares of 5p each	34,616,554	1,730,828	34,616,554	1,730,828
Ordinary shares of 5p each held in treasury	(4,951,575)	–	(3,096,575)	–
	29,664,979	**1,730,828**	**31,519,979**	**1,730,828**

No shares were issued during the year ended 31 January 2023 and year ended 31 January 2022.

During the year ended 31 January 2023, the Company repurchased 1,855,000 shares (2022: 628,844 shares) with a total value of £2,587,375 (2022: £2,117,866). These shares are held as treasury shares.

During the year ended 31 January 2023, the Trust purchased 280,739 shares (2022: 456,524 shares) with a total value of £484,821 (2022: £1,498,776). 862,290 shares vested to Participants in the year ended 31 January 2022 (2022: 3,775). At 31 January 2023 1,290,202 shares were held by the Trust (2022: 1,871,753) (see note 7).

Notes to the Financial Statements

For the year ended 31 January 2023 (continued)

17 Basic and diluted loss per share (pence)

Basic loss per share for the year ended 31 January 2023 is 141.77 pence (2022: basic profit per share of 17.86 pence). This is calculated by dividing the loss of the Company for the year attributable to the ordinary shareholders of £43,836,210 (2022: profit of £5,726,220) divided by the weighted average number of shares outstanding during the year of 30,921,130 after excluding treasury shares (2022: 32,065,616 shares).

Diluted loss per share for the year ended 31 January 2023 is 141.77 pence (2022: diluted profit per share of 17.86 pence). This is calculated by dividing the loss of the Company for the year attributable to ordinary shareholders of £43,836,210 (2022: profit of £5,726,220) divided by the weighted average number of ordinary shares outstanding during the year, as adjusted for the effects of all dilutive potential ordinary shares, of 30,921,130 after excluding treasury shares (2022: 32,065,616 shares).

18 NAV per share (pence)

The Company's NAV per share of 328.41 pence (2022: 455.66 pence) is based on the net assets of the Company at the year-end of £97,421,364 (2022: £143,624,977) divided by the shares in issue at the end of the year of 29,664,979 after excluding treasury shares (2022: 31,519,979). The Company's unaudited estimate of the NAV per share of 334 pence announced on 6 February 2023 has been updated for final audit conclusions.

The Company's diluted NAV per share of 328.41 pence (2022: 455.66 pence) is based on the net assets of the Company at the year-end of £97,421,364 (2022: £143,624,977) divided by the shares in issue at the end of the year of 29,664,979 (2022: 31,519,979) after excluding treasury shares, as there are no adjustments for the effects of dilutive potential ordinary shares.

19 Net cash used in operating activities

Reconciliation of profit before finance cost and tax to net cash used in operating activities:

	2023 Company £	2022 Company £
Loss/profit for the year before taxation	(43,836,210)	5,726,220
Adjustments for non-cash income/expense		
Net fair value movement on investments	39,438,551	(10,280,363)
Interest on unsecured loan note instruments	309,382	319,685
Zero dividend preference shares finance charge	1,128,093	156,983
Loss before finance cost	(2,960,184)	(4,077,475)
Adjustments:		
Share-based payment expense	555,225	822,166
Purchase of investments	(3,174,948)	(31,253,480)
Proceeds from investments	3,848,880	18,364,193
	(1,731,027)	**(16,144,596)**
Non-cash items		
Movement in trade and other receivables	6,848	3,817
Movement in trade and other payables	(373,147)	20,140
Effect of exchange rate fluctuations on cash and cash equivalents	(2,310)	–
Net cash used in operating activities	**(2,099,636)**	**(16,120,639)**

Comparative cash flows have been restated to reclassify Purchase of investments and Proceeds from investments previously presented under Investing activities section to Operating activities section.

20 Financial instruments

The Company's financial instruments comprise:

- Investments in listed and unlisted companies held by Subsidiaries, comprising equity and loans
- Cash and cash equivalents, ZDP shares and unsecured loan note instruments; and
- Accrued interest and trade and other receivables, accrued expenses and sundry creditors.

Financial risk management objectives and policies

The main risks arising from the Company's financial instruments are liquidity risk, credit risk, market price risk and interest rate risk. None of those risks are hedged. These risks arise through directly held financial instruments and through the indirect exposures created by the underlying financial instruments in the Subsidiaries. These risks are managed by the Directors in conjunction with the Investment Advisor. The Investment Advisor is responsible for day to day management of financial instruments in the Subsidiaries.

Capital management

The Company's capital comprises share capital, share premium and reserves and is not subject to externally imposed capital requirements.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's liquid assets comprise cash and cash equivalents and trade and other receivables, which are readily realisable.

Residual contractual maturities of financial assets

31 January 2023	Less than 1 Month £	1 – 3 Months £	3 months to 1 year £	1 – 5 years £	Over 5 years £	No stated maturity £
Financial liabilities						
Trade and other receivables and prepayments	87,899	–	–	–	–	–
Cash and cash equivalents	22,226,008	–	–	–	–	–
Total	**22,313,907**	**–**	**–**	**–**	**–**	**–**

31 January 2022	Less than 1 Month £	1 – 3 Months £	3 months to 1 year £	1 – 5 years £	Over 5 years £	No stated maturity £
Financial liabilities						
Trade and other receivables and prepayments	95,147	–	–	–	–	–
Cash and cash equivalents	27,545,042	–	–	–	–	–
Total	**27,640,189**	**–**	**–**	**–**	**–**	**–**

Notes to the Financial Statements

For the year ended 31 January 2023 (continued)

20 Financial instruments (continued)

Residual contractual maturities of financial liabilities

31 January 2023	Less than 1 Month £	1 – 3 Months £	3 months to 1 year £	1 – 5 years £	Over 5 years £	No stated maturity £
Financial liabilities						
Trade and other payables	596,790	–	–	–	–	–
Loan note instruments	–	–	3,987,729	–	–	–
Zero dividend preference shares	–	–	–	25,827,284	–	–
Total	**596,790**	**–**	**3,987,729**	**25,827,284**	**–**	**–**

31 January 2022	Less than 1 Month £	1 – 3 Months £	3 months to 1 year £	1 – 5 years £	Over 5 years £	No stated maturity £
Financial liabilities						
Trade and other payables	982,655	–	–	–	–	–
Loan note instruments	–	–	3,987,729	–	–	–
Zero dividend preference shares	–	–	–	25,827,284	–	–
Total	**982,655**	**–**	**3,987,729**	**25,827,284**	**–**	**–**

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company.

The Company, through its interests in Subsidiaries, has advanced loans to a number of private companies which exposes the Company to significant credit risk. The loans are advanced to unquoted private companies, which have no credit risk rating. They are entered into as part of the investment strategy of the Company and its Subsidiaries, and credit risk is managed by taking security where available (typically a floating charge) and the Investment Advisor taking an active role in the management of the borrowing companies.

Although the Investment Advisor looks to set realistic repayment schedules, it does not necessarily view a portfolio company not repaying on time and in full as 'underperforming' and seeks to monitor each portfolio company on a case-by-case basis. However, in all cases the Investment Advisor reserves the right to exercise step in rights. In addition to the repayment of loans advanced, the Company and Subsidiaries will often arrange additional preference share structures and take significant equity stakes so as to create shareholder value. It is the performance of the combination of all securities including third party debt that determines the Company's view of each investment.

20 Financial instruments (continued)

Credit risk (continued)

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following (excluding exposure in the underlying Subsidiaries):

	2023 £	2023 £
Cash and cash equivalents	22,226,008	27,545,042
Total	**22,226,008**	**27,545,042**

Cash balances are placed with HSBC Bank plc, Barclays Bank plc, both of which have the credit rating of A1 Negative (Moody's) and Santander International which has the credit rating of A2 (Moody's).

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is exposed to a market price risk via its equity investments held through its interests in Subsidiaries, which are stated at fair value.

Market price risk sensitivity

The Company is exposed to market price risk with regard to its underlying equity interests in a number of quoted and unquoted companies which are stated at fair value. Luceco plc was quoted on the Main Market of the London Stock Exchange at 31 January 2023. EPIC Acquisition Corp's shares and warrants were quoted on the Euronext Amsterdam Stock Exchange at 31 January 2023.

If Luceco plc's share price had been 5.0 per cent. higher than actual close of market on 31 January 2023, EPE Special Opportunities Limited's NAV per share would have been 2.03 per cent. higher than reported. If Luceco's share price had been 5.0 per cent. lower than actual close of market on 31 January 2023, EPE Special Opportunities Limited's NAV per share would have been 2.03 per cent. lower than reported. These movements would have had a corresponding effect on the profit for the year.

If EPIC Acquisition Corp's share price had been 5.0 per cent. higher than actual close of market on 31 January 2023, EPE Special Opportunities Limited's NAV per share would have been 0.27 per cent. higher than reported. If EPIC Acquisition Corp's share price had been 5.0 per cent. lower than actual close of market on 31 January 2023, EPE Special Opportunities Limited's NAV per share would have been 0.27 per cent. lower than reported. These movements would have had a corresponding effect on the profit for the year.

Notes to the Financial Statements

For the year ended 31 January 2023 (continued)

20 Financial instruments (continued)

Interest rate risk

The Company is exposed to interest rate risk through its unsecured loan note instruments and on its cash balances. Most of the loans are at fixed rates. Cash balances earn interest at variable rates. The unsecured loan note instruments carry fixed interest rates.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial assets and liabilities at the earlier of contractual re-pricing or maturity date, measured by the carrying values of assets and liabilities:

31 January 2023 Assets	Less than 1 month £	1 month to 1 year £	1 – 5 years £	Over 5 years £	Non- interest bearing £	Total £
Receivables and cash						
Trade and other receivables	–	–	–	–	–	–
Cash and cash equivalents	22,226,008	–	–	–	–	22,226,008
Total financial assets	**22,226,008**	**–**	**–**	**–**	**–**	**22,226,008**
Liabilities						
Financial liabilities measured at amortised cost						
Trade and other payables	–	–	–	–	(596,790)	(596,790)
Unsecured loan note instruments	–	(3,987,729)	–	–	–	(3,987,729)
Total financial liabilities	**–**	**(3,987,729)**	**–**	**–**	**(596,790)**	**(4,584,519)**

31 January 2022 Assets	Less than 1 month £	1 month to 1 year £	1 – 5 years £	Over 5 years £	Non- interest bearing £	Total £
Receivables and cash						
Trade and other receivables	–	–	–	–	–	–
Cash and cash equivalents	27,545,042	–	–	–	–	27,545,042
Total financial assets	**27,545,042**	**–**	**–**	**–**	**–**	**27,545,042**
Liabilities						
Financial liabilities measured at amortised cost						
Trade and other payables	–	–	–	–	(982,655)	(982,655)
Unsecured loan note instruments	–	(3,977,427)	–	–	–	(3,977,427)
Total financial liabilities	**–**	**(3,977,427)**	**–**	**–**	**(982,655)**	**(4,960,082)**

20 Financial instruments (continued)

Interest rate sensitivity

The Company is exposed to market interest rate risk via its cash balances and unsecured loan note instruments. A sensitivity analysis has not been provided as it is not considered significant to Company performance.

Currency risk

The Company's has no significant exposure to foreign currency risk.

Exposure to other market price risk

The investment advisor monitors the concentration of risk for equity and debt securities based on counterparties and industries (and geographical location). The Company's underlying investments including bank deposits held through its Subsidiaries are concentrated in the following industries.

	2023 %	2022 %
Consumer and Retail	41.2	26.1
Engineering, Manufacturing and Distribution	34.1	52.0
Healthcare	2.1	1.9
Credit Funds	2.6	3.6
Bank Deposits	20.0	16.4
	100.0	**100.0**

The Company notes that there was a concentration on the Consumer and Retail sector, representing 41.2 per cent. of investments for the year ended 31 January 2023 (31 January 2022: Engineering, Manufacturing and Distribution sector representing 52.0 per cent.). The Company monitors carefully the sector concentration risk across the portfolio.

Operational risk

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities (both at the Company and at its service providers) and from external factors (other than credit, market and liquidity risks) such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The Company's objective is to manage operational risk so as to balance the limitation of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures;
- requirements for:
  - appropriate segregation of duties between various functions, roles and responsibilities;
  - reconciliation and monitoring of transactions; and
  - periodic assessment of operational risk faced;

Notes to the Financial Statements

For the year ended 31 January 2023 (continued)

20 Financial instruments (continued)

Operational risk (continued)

- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective.

The Company's key service providers include the following:

- Administrator: Langham Hall Fund Management (Jersey) Limited
- Investment Advisor: EPIC Investment Partners LLP
- Financial Administrator: EPIC Administration Limited
- Nominated Advisor and Broker: Numis Securities Limited

The Directors' assessment of the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via regular discussions with the service providers as well as site visits to their offices. The Company also undertakes periodic third-party reviews of service providers' activities.

21 Directors' interests

Five of the Directors have interests in the shares of the Company as at 31 January 2023 (2022: five). Nicholas Wilson holds 144,690 ordinary shares (2022: 131,265). Clive Spears holds 51,841 ordinary shares (2022: 136,314). Heather Bestwick holds 39,431 ordinary shares (2022: 22,307). David Pirouet holds 17,309 ordinary shares (2022: 14,073). Michael Gray holds 5,614 ordinary shares (2022: 2,378)

22 Related parties

The Company has no ultimate controlling party.

Directors' fees expense during the year amounted to £172,000 (year ended 31 January 2022: £149,000) of which £14,333 is accrued as at 31 January 2023 (2022: £12,833)

Certain Directors of the Company and other participants are incentivised in the form of equity settled share-based payment transactions, through a Jointly Owned Share Plan (see note 7).

Details of remuneration payable to key service providers are included in note 5 to the financial statements.

Performance fees are paid to the Investment Advisor based on the performance of the Subsidiaries and deducted in calculating the fair value of Subsidiaries (see note 5).

In August 2020, the Investment Advisor acquired a controlling interest in EPIC Investment Partners (Ireland) (previously known as "ACML"). ACML is the manager of Atlantic Credit Opportunities Fund and the sub-advisor to the segregated account of Prelude Structured Alternatives Master Fund LP. On 1 September 2020, the Company completed a £1.9 million investment into Atlantic Credit Opportunities Fund. On 12 November 2020, the Company completed a further $2.5 million investment in a segregated account of Prelude Structured Alternatives Master Fund LP. The Company will not pay any management or performance fees to ACML in relation to these two investments.

22 Related parties (continued)

In December 2021, ESO Alternative Investments LP invested €10 million into EPIC Acquisition Corp ("EAC"), a newly incorporated special purpose acquisition company ("SPAC") and EAC's sponsor, EAC Sponsor Limited (the "Sponsor"). The Sponsor is jointly led by the Investment Advisor and TT Bond Partners (an independent party).

In July 2022, the Company agreed the extension of the maturity of £4.0 million unsecured loan notes to 24 July 2023. Delphine Brand, a connected party of Giles Brand (a person discharging managerial responsibilities ("PDMR") for the Company), is a minority holder of the unsecured loan notes.

Giles Brand, Managing Partner of the Investment Advisor, is a director of certain portfolio investments of the Subsidiaries, including Luceco plc and Hamsard 3145 Limited.

23 Subsequent events

There were no significant subsequent events that would require adjustments to or disclosure in these financial statements.

Unaudited schedule of shareholders holding over 3% of issued shares

As at 31 January 2023

	Percentage holding
Giles Brand	35.5%
Corporation of Lloyds	9.9%
Premier Miton Investors	5.3%
Boston Trust Company Limited (Trustee to the ESO JOSP Scheme)	4.2%
Lombard Odier Darier Hentsch	3.5%
First Equity	3.5%
Total over 3% holding	**62.0%**

Company Information

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H. Bestwick
D. Pirouet
N.V. Wilson
M.M. Gray

Investment Advisor

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Appointed 22 April 2022

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EPE Special Opportunities

Registered in Bermuda number 53954. EPE Special Opportunities Ltd is quoted on the AIM Market, an exchange operated by the London Stock Exchange, and the Growth Market of the Aquis Stock Exchange and is advised by EPIC Investment Partners LLP.