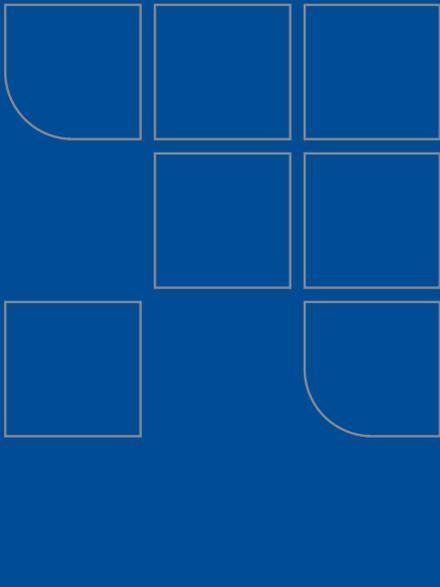


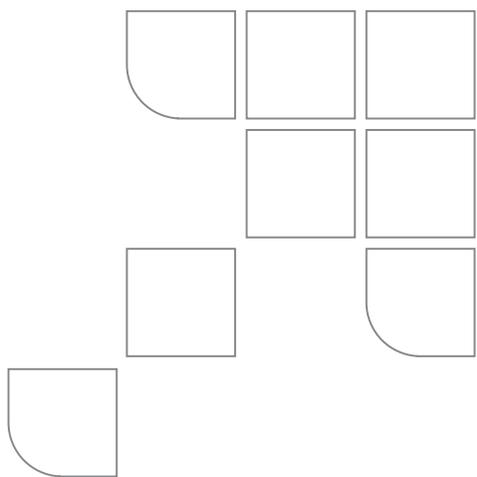


EPE Special Opportunities plc

## Interim Report | **July 2017**

Interim Report & Unaudited Financial Statements  
For the six months ended 31 July 2017





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## Biographies of the Directors

### Geoffrey Vero FCA, Non-Executive Chairman

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

### Robert Quayle, Non-Executive Director

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

### 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 Chairman of Qatar Investment Fund Plc, a premium listed company, and, until recently, was chairman of Alternative Investment Strategies Limited. He is a resident of the Isle of Man.

### Heather Bestwick, Non-Executive Director

Heather Bestwick has been a financial services professional for 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 law firm Walkers in the Cayman Islands, and Managing Partner of the Jersey office. Becoming a non-executive director in 2014, she is Chairman of Equiom (Jersey) Limited and Equiom (Guernsey) Limited, sits on the boards of the manager of the Deutsche Bank dbX hedge fund platform, a shipping fund, and the States of Jersey incorporated company holding Jersey's affordable housing, together with several other financial services companies.

### Clive Spears, Non-Executive Director

Clive Spears retired from the Royal Bank of Scotland International Limited in December 2003 as Deputy Director of Jersey after 32 years of service. His main activities prior to retirement included Product Development, Corporate Finance, Trust and Offshore Company Services and he was Head of Joint Venture Fund Administration with Rawlinson & Hunter. Mr Spears is an Associate of the Chartered Institute of Bankers and a Member of the Chartered Institute for Securities & Investment. He has accumulated a well spread portfolio of directorships centring on private equity, infrastructure and corporate debt. His appointments currently include being Chairman of Nordic Capital Limited, sitting on the board of Jersey Finance Limited and being director and Head of the Investment Committee for GCP Infrastructure Investments (FTSE 250 listed company).

## Profile of Investment Advisor

EPIC Private Equity LLP (“EPE” or the “Investment Advisor”) was founded in June 2001 and is independently owned by its Partners. EPE focuses on niche investment opportunities with a focus on special situations, distressed, growth and buyout transactions, special purpose acquisition companies, private investments in public equities, as well as primary and secondary limited partner transactions.

### Giles Brand

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

### Robert Fulford

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

### James Henderson

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

### Alex Leslie

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

### Hiren Patel

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

# Chairman's Statement

The UK's economic outlook has continued to be uncertain with mixed indications of the country's economic trajectory. Since the start of EPE Special Opportunities plc's ("ESO plc" or the "Company") financial year, the negotiations for the UK's exit of the European Union have started in earnest with notice given by the UK under Article 50 and the first face-to-face negotiations between lead political parties, albeit delayed by the UK's general election in June 2017. The Board continues to monitor the softening of UK GDP growth (0.2% in Q1 2017 among the lowest of the G7), rising inflation (+2.7% consumer price index in April 2017) and continued impact of the devaluation of sterling. However, over the same period there have been encouraging indications, such as falling unemployment and growth in certain sectors such as manufacturing. The long-term effects of the UK's departure from the European Union will not be known for some time, but as the negotiations progress, the Board will monitor and react appropriately to outcomes as they become apparent.

The Net Asset Value ("NAV") per share as at 31 July 2017 for the Company was 412.26 pence per share, representing an increase of 13.2% on the NAV per share of 364.13 pence as at 31 January 2017. The share price as at 31 July 2017 for the Company was 307.50 pence, representing an increase of 14.5% on the share price of 268.50 pence as at 31 January 2017.

The Company's performance has been buoyed by continued growth in the value of Company's largest asset, Luceco plc, which released maiden results reporting sales growth of 29.8% and adjusted EPS growth of 102.4% for the year ended 31 December 2016. These results were well received by investors and Luceco's price has increased by 64.00 pence or 25.7% since 31 January 2017.

As reported at the year end, Whittard of Chelsea had a good finish to 2016 and this trend has continued into the first half of 2017. Momentum is encouraging across the business' UK retail estate and online channels, supported by macro factors, such as tourism activity and consumer confidence. The business continues to invest in programmes to target long-term growth and sustainable returns, such as customer acquisition initiatives and international sales channels.

Process Components has maintained a positive trajectory; the sales pipeline and order backlog have reached historical highs and the business completed a successful relocation to a new, larger manufacturing facility. The business has also successfully brought in-house the manufacture of its equipment range, providing both margin and supply chain control benefits.

Pharmacy2U continues to successfully pursue a strategy of customer acquisition, leveraging economies of scale to drive down customer acquisition costs. The business continues to benefit from the new distribution facility opened in 2016.

On 8 March 2017, the Company completed the acquisition of a €2.5 million secondary commitment in European Capital's Private Debt Fund ("ECPD"). ECPD provides private debt for European small and medium sized enterprises ("SMEs"), predominantly in France and the UK.

On 22 May 2017, the Company announced the appointment of R&H Fund Services (Jersey) ("R&H"). The Board look forward to working with R&H, who have a strong track record of working successfully with listed and private equity funds. The Board would like to extend its gratitude to FIM Capital ("FIM") for their long-standing support as the Company's administrator.

I would also like to thank the Investment Advisor, EPE, as well as my fellow Directors and professional advisors, for their continued hard work and attentiveness during the first half of the year.

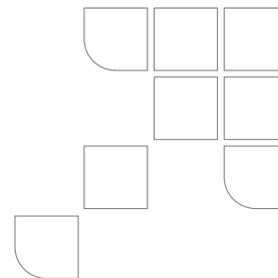
I look forward to updating you at the end of the year.

**Geoffrey Vero**

*Chairman*

8 September 2017

# Investment Advisor's Report



In the six months to 31 July 2017, the Investment Advisor has concentrated on building investor value through initiatives to drive growth within the current portfolio, both organic and through corporate actions, and through deployment of capital into new investments.

The Investment Advisor continues to work with management teams across the portfolio to develop operational improvements and revenue expansion activities to enhance the value of the individual assets. The Investment Advisor also continues to pursue corporate activities within the portfolio where investor value can be successfully obtained, such as the Initial Public Offer (“IPO”) of Luceco plc in October 2016.

During the period, a number of new private equity deals have been sourced by the Investment Advisor but the maintenance of strict price discipline and prudent consideration of wider market conditions has meant none have been completed during the period, an active pipeline however is in hand. All new private equity investments will be made via ESO Investments 2 LP (“ESO 2 LP”), in which the Company is the sole investor.

On 8 March 2017, the Company completed the secondary acquisition of a €2.5 million commitment in European Capital's Private Debt Fund (“ECPD”) by ESO Alternative Investments LP (“ESO AI LP”), a partnership established to hold the Company's primary and secondary fund investments. ECPD provides private debt for European SMEs, predominantly in France and the UK. The fund has commitments of €473.0 million. The acquisition of the ECPD interest will provide the Company with a reasonable yield and will further diversify the Company's asset class exposure. The acquisition price and level of deployed capital are supportive of the Company's forecast returns. Prior to March 2016, the Investment Advisor acted as placement agent to ECPD on the successful raise of the fund.

The Investment Advisor continues to monitor the impact of macro-economic factors upon the portfolio, most notably that of the UK's negotiations to leave the European Union, commenced during the period. The Investment Advisor is mindful of the short-term effect the uncertainty of these negotiations is having upon the UK economy, including the devaluation of sterling and indications of slowing GDP growth, whilst noting that certain sectors of the UK economy maintain stronger growth forecasts, including manufacturing.

The Investment Advisor has continued to be pleased with the growth of the portfolio's largest asset, Luceco plc. The growth

during the period has been driven by the release, on 3 April 2017, of the business' maiden set of results for the year ended 31 December 2016. The business announced sales growth of 29.8% for the year and adjusted EPS growth of 102.4% for the year, exceeding market forecasts. These results were well received by investors and Luceco's share price has increased by 64.00 pence or 25.7% since the 31 January 2017. The Company, via ESO Investments 1 LP, holds interest in 24.3% of Luceco's shares and Giles Brand, Managing Partner of the Investment Advisor, is the Chairman of Luceco plc.

As reported at the year-end, Whittard of Chelsea had a good finish to 2016 and the trend has continued into 2017. Momentum is encouraging across its UK retail estate and online channels, supported by macro factors, such as increased retail activity, and consumer confidence. The business has benefited from the devaluation of sterling through greater tourism activity but conversely continues to monitor the impact of this devaluation on cost prices. The business also focuses on programmes to target long-term growth and sustainable returns, such as customer acquisition initiatives and international sales channels in markets such as China, Japan and Taiwan.

Process Components, an engineering parts and equipment supplier to the powder processing and handling industries, has maintained its positive trajectory; the sales pipeline and order backlog remain at historical highs and the business has completed a successful relocation of its operations to a new, larger manufacturing facility. The business continues to explore sales growth opportunities in new sectors and geographies. The business has also successfully brought the manufacture of its equipment range in-house, providing both margin and supply chain control benefits which are still being realised.

Pharmacy2U, an online pharmacy business, has maintained its strong momentum following the completion of a merger with its leading competitor, ChemistDirect, in 2016. The business continues to successfully pursue a strategy of customer acquisition, leveraging economies of scale to drive down acquisition costs. The business has benefited from the new distribution facility opened in the prior period.

# Investment Advisor's Report (continued)

## Company highlights

The NAV per share as at 31 July 2017 for the Company was 412.26 pence, calculated on the basis of 27.7 million ordinary shares (versus 30.0 million at issue), representing an increase of 13.2% on the NAV per share of 364.13 pence as at 31 January 2017. The share price for the Company as at 31 July 2017 was 307.50 pence, representing an increase of 14.5% on the share price of 268.50 pence as at 31 January 2017.

Based on the latest NAV, as set out above, Gross Asset Cover for the total outstanding loans of £7.9 million is now 15.5x. Cash balances now stand at £31.3 million (including cash held by ESO 1 LP) with interest coverage of 53.0x per annum. Overall liquidity in the Company is £33.3 million.

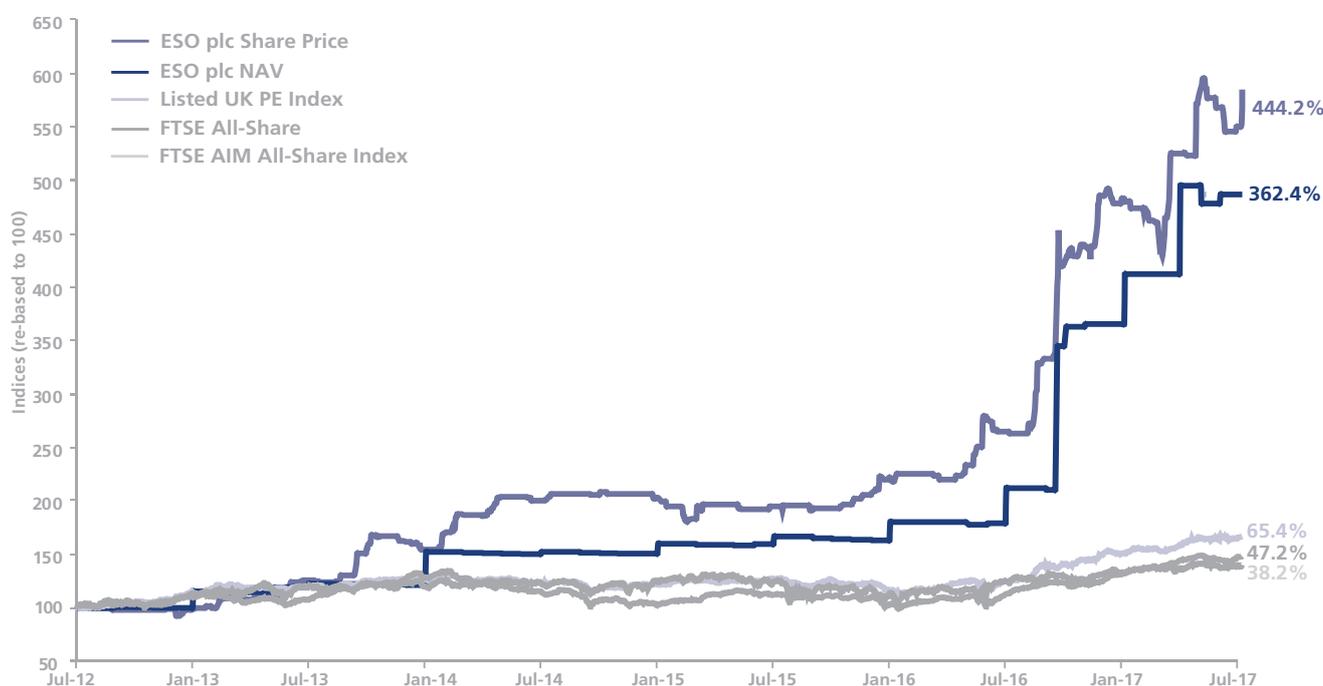
Third party net debt in the Company's portfolio stands at 0.9x EBITDA. The portfolio remains conservatively valued with a

weighted average Enterprise Value equating to an EBITDA multiple of 6.2x for mature unquoted assets and equating to a Sales multiple of 0.5x for unquoted assets investing for growth. This compares favourably to an average Enterprise Value to EBITDA multiple across comparable listed European private equity companies of 11.4x.

Investment highlights from the inception of the Company (16 September 2003) to 31 July 2017 include:

- Deployed £66 million of capital;
- Returned over £134 million to the Company in capital and income; and
- The underlying portfolio is valued at a gross 8.2x money multiple and 28.7% IRR.

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



## Performance summary

As at 31 July 2017	One Year	Three Years	Five Years
ESO plc Share Price	107.1%	173.3%	444.2%
ESO plc NAV Per Share	119.5%	204.5%	362.4%
Listed European PE Index*	32.7%	33.9%	65.4%
AIM All-Share Index	30.2%	28.0%	47.2%
FTSE All-Share Index	10.7%	12.8%	38.2%

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

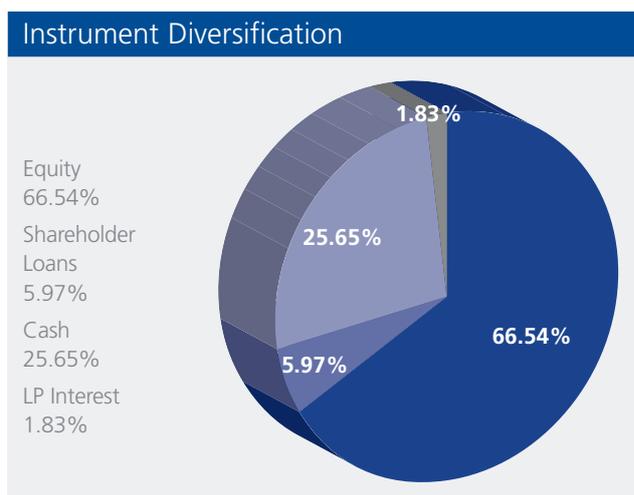
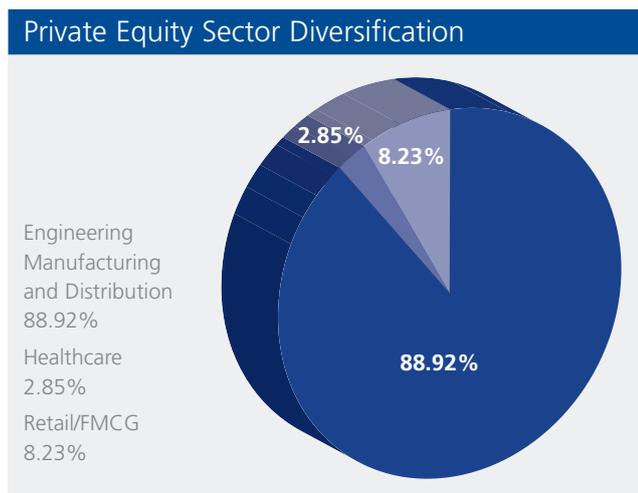
# Investment Advisor's Report (continued)

## Recent developments

- July 2015: £4.5 million ULNs issue and £0.25 million issue of new equity in the Company;
- November to December 2015: refinancing of £3.0 million in principal amount of the existing CLNs into ULNs with warrants over Ordinary shares offered on a 1 for 5 basis. A further £0.5 million was raised through issuance of ULNs to new investors;
- July 2016: merger of Pharmacy2U with Chemist Direct, creating a clear leader in the UK online pharmacy sector;
- October 2016: IPO and admission to trading on the Main Market of the London Stock Exchange of Luceco plc. An implied return to ESO plc at the IPO valuation of 24.4x Money Multiple and 75.6% IRR, of which 12.3x Money Multiple and 57.9% IRR has been realised; and
- March 2017: acquisition of €2.5 million commitment in European Capital Private Debt Fund which provides private debt for European SMEs, predominantly in France and the UK.

## Portfolio diversification

The portfolio at the period-end was diversified by sector and instrument as follows:



Current portfolio: ESO Investments 1 LP ("ESO 1 LP")

Luceco plc

Luceco plc ("Luceco") is a manufacturer and distributor of electrical accessories and LED lighting in the UK and increasingly internationally, operating under the brand names British General (or "BG"), Luceco and Masterplug, supplying both the retail and wholesale markets. The development of the Luceco LED lighting ranges is a major focus for the business. The gathering momentum behind the lighting technology switch to LED provides the business with an opportunity to enter and build market share in the category at a point of disruptive transition as traditional solutions are superseded. The business is building a strong market position in the UK and starting to develop sales operations internationally, for example in the USA, Spain, Germany and Hong Kong. Luceco is differentiated by its positioning as a Chinese manufacturer, where the Company has built a 52,500-square metre wholly-owned production facility in Jiaxing, with British product quality and a responsive product development team. Luceco completed a successful IPO in October 2016 and was admitted to trading on the Main Market of the London Stock Exchange.

# Investment Advisor's Report

(continued)

## Whittard of Chelsea

Whittard of Chelsea ("Whittard") is a retailer of specialty tea, coffee and hot chocolate. Established in 1886, Whittard commands both strong brand recognition and customer loyalty in the UK and abroad. The main channel for Whittard is the portfolio of c.50 stores across the UK. These stores are positioned in prime locations on the high street, in tourist centres and outlets, with sales generated from both gifting and regular self-purchases. Other channels include the online, wholesale and franchise channels. The Investment Advisor has focused on developing the Whittard of Chelsea brand towards a more premium stance, which should enhance its appeal both in the UK home market and abroad.

## Pharmacy2U

Pharmacy2U ("P2U") is an online pharmacy business, delivering National Health Service and private prescriptions direct to the home using an innovative technology developed in conjunction with the NHS, the Electronic Prescription Service ("EPSr2"). In December 2015, P2U moved into a new automated distribution facility which, once established, is expected to drive future capacity growth in the near term. In July 2016, P2U merged with Chemist Direct creating a clear leader in the UK online pharmacy sector.

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

## Process Components

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

Current Portfolio: ESO Alternative Investments LP ("ESO AI LP")

## European Capital Private Debt Fund

European Capital Private Debt Fund ("ECPD Fund") is a provider of private debt to European SMEs, predominantly in France and the UK. The ECPD Fund has total commitments of €473.0 million. Prior to March 2016, the Investment Advisor acted as placement agent to the ECPD Fund on the successful raise of the fund. The Company acquired a fund commitment of €2.5 million in March 2017 through ESO AI LP, in which ESO plc is the sole investor.

Current portfolio: ESO Investments 2 LP ("ESO 2 LP")

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

## Outlook

The Investment Advisor is focused on creating value in its core investments, where opportunities for significant value creation remain, as well as on making new investments to increase portfolio diversification and generate attractive returns for shareholders. The Investment Advisor expects to achieve continued cost savings and revenue improvement measures in portfolio companies, especially those in manufacturing and consumer focused sectors. New investment opportunities are being pursued. All new private equity investments will be made via ESO 2 LP, in which the Company is the sole investor. All new primary and secondary fund investments will be made via ESO AI LP, in which the Company is the sole investor.

# Strategic Report

## Objectives and opportunities

The Company is an investment company and is quoted on the AIM Market of the London Stock Exchange (“AIM Market”) and the Growth Market of the NEX Exchange. Its objective is to provide long-term returns on equity for its shareholders by way of investment in a portfolio of private equity assets. The portfolio is likely to be concentrated, numbering between two and 10 assets at any one time.

## Investment policy

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

- Growth, Buyout and Pre-IPO opportunities: leveraging the Investment Advisor’s investment experience, contacts and ability. The Company is particularly focused on making investments in sectors where the opportunity exists to create a unique asset via the consolidation of a number of smaller companies, taking advantage of the lack of liquidity in the SME market and the attraction to secondary buyers of larger operations.
- Special Situations: investment opportunities where the Investment Advisor believes that assets are undervalued due to specific, event-driven circumstances and where asset-backing may be available and the opportunity exists for recovery and significant upside. Target companies may or may not be distressed as a result of the situation. The Investment Advisor will aim to use its restructuring and refinancing expertise to resolve the situation and achieve a controlling position in the target company. The Company seeks to acquire distressed debt, undervalued equity or the assets of target businesses in solvent or insolvent situations.
- Private Investment in Public Equities (“PIPEs”): the Company may consider making investments in a number of smaller quoted companies, primarily ones whose shares are admitted to

the AIM market. The Company will either seek to acquire and de-list the target company or take a large minority interest in the target company whilst retaining the listing. The Company may offer ordinary shares in the Company as all or part of the consideration for such investments.

- Special Purpose Acquisition Companies (“SPACs”): the Company may consider making investments in listed companies which have been established to acquire other companies. The Investment Advisor would seek to work with a management team to develop an acquisition strategy in advance of the listing of the SPAC, at which point the Company would invest. The subsequent acquisition or acquisitions may be funded through further equity raises directly into the SPAC. The strategy would seek to take advantage of the Investment Advisor’s combination of experience in both the establishment of and management of listed companies and private equity investing.
- Secondary portfolios/Limited Partner positions (Secondary or Primary)/EPE Funds: the Company is able, through EPE’s Placement business, to invest as a limited partner in various funds on substantially improved terms. On occasion, the Company will seek to take advantage of these commitments. The EPE skill-set and experience is well suited to the requirements of co-investing in funds.

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

The Company will seek to invest between £2 million and £20 million in a range of debt and equity instruments with a view to generating returns through both yield (c.5% to 15% per annum) and capital gain. Whilst in general the Company aims to take controlling equity positions, it may seek to develop companies as a minority investor. Occasionally the Board may authorise investments of less than £2 million. For investments larger than £20 million, the Company may seek co-investment from third parties or additional public market fundraisings.

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

# Strategic Report

## (continued)

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

The Company is focused on investing in UK based SMEs, as well as those with significant overseas operations. For instance, within the Company's current portfolio, Luceco plc employs c.2,000 staff at its manufacturing and product development facility in Jiaxing, China and Process Components has a significant US sales and distribution operation.

The Company's Investment Policy has been in place for several years and is subject to ongoing review as described below and in the Investment Advisor's Report.

### The Investment Advisor

The Investment Advisor to the Company is EPE, which was founded in June 2001 and is an independent investment manager wholly owned by its Partners. Since 2001, EPE has made 34 SME investments. EPE manages the Company's investments in accordance with guidelines determined by the Directors, the Investment Advisor and the Company's constitutional commitments. These guidelines evolve periodically. EPE was appointed as the Investment Advisor in September 2003.

### Current and future development

The Board regularly reviews the development and strategic direction of the Company. The Board's main focus continues to be on the Company's long-term investment return. It is believed that the Company has foundations in place to build a successful and durable investment vehicle given its supportive shareholder base, with Giles Brand and his connected persons owning 22.6%<sup>1</sup> of the issued Ordinary Share Capital of the Company, and the provision of equity funding until at least December 2020, with five-year extensions thereafter, via the passing of the Continuation Vote in July 2013.

### Performance

A number of key indicators are considered by the Board and the Investment Advisor in assessing the progress and performance of the Company. These are well established industry measures and are as follows:

- Return on equity over the long-term;
- Movement in NAV per ordinary share;

- Movement in share price; and
- Realisation of assets above cost and above holding value at NAV.

Further details of these key performance indicators can be found on the Investment Advisor's report above.

As part of this review of performance, the Board and the Company's auditors review and challenge the investment valuations prepared by EPE to ensure the Company's performance is fairly reported. The Board also considers contemplated capital events over the lifetime of the Company to gain an appreciation of the Company's likely development and future performance. This is considered in light of the risks faced by the Company and its portfolio discussed below.

### Risk management

All risks associated with the Company are the responsibility of the Board, which reviews and manages these either directly or through EPE and the Company's administrators R&H Fund Services (Jersey) Ltd ("R&H" or the "Administrator"). The Board, EPE and R&H review the risks faced by the Company on an ongoing basis and at quarterly Board meetings. These reviews are not restricted to a specific time horizon due to the long-term nature of investments and short-term liquidity requirements. Further, the Risk and Audit Committee reviews the Company's approach to risk management on a biannual basis at the Business Risk Assessment level and on an annual basis at the operational level to ensure adopted practices are suitable, effective and robust. An external assurance review was completed in the past year to provide further comfort to the Board regarding operational processes undertaken by the Company's sub-administrator, EPE Administration Ltd ("EPEA").

The main risks which the Company currently faces are as follows:

#### Macroeconomic risks

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

<sup>1</sup> As at 8 September 2017 and excluding awards made under the Joint Share Ownership Plan

# Strategic Report

## (continued)

### Share price volatility and liquidity

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

The Board monitors share price to NAV per share discount, and considers the most effective methodologies to keep this at a minimum. These methodologies include a share buyback policy, which has been used prudently and efficiently to improve shareholder returns. Over the last five years, the policy, along with the Company purchasing limited partnership interests, par value CLNs and ordinary shares, has retired the equivalent of 39.9% of the capital base.

The Company holds quoted investments, through its investment in Luceco plc, which are subject to share price volatility. The Company values its holding in Luceco plc at the quoted price at close of the markets on the balance sheet date without adjustment. Therefore, the holding value for this asset is subject to short-term, intraday volatility (i.e. no period averages are taken) or more widely, fluctuations due to a change in investor sentiment regarding the business or the industry in which the business operates.

### Long-term strategic risks

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

### Investment risks

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

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

Adequate performance of portfolio assets once acquired is primarily dependent on macroeconomic conditions, conditions within each asset's market and the ability of the respective management teams of each asset to execute their business strategy. Any one of these factors could have an impact on the valuation of a portfolio company and upon the Company's ability to make a profitable exit from the investment within the desired timeframe.

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

The Company and EPE monitor the risk that high asset concentration within the investment portfolio may pose. The Company mitigates the risk through the current level of liquidity available to the Company to invest in new assets, the Investment Advisor's ongoing work to identify new attractive investment opportunities and careful monitoring of all the investment portfolio's assets, with particular attention to the portfolio's larger assets.

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

### Foreign exchange risk

The base currency of the Company is Sterling. Certain of the Company's assets may be invested in investee companies which may have operations in countries whose currency is not Sterling and securities and other investments which are denominated in other currencies.

The Company's investment in ECPD Fund is denominated in euros and ESO AI LP maintains a small euro cash balance to meet drawdowns from that investment. However, given the size of this investment, a €2.5 million commitment, relative to the Company's gross asset value, the exposure is limited.

Accordingly, the Company will necessarily be subject to foreign exchange risks and the value of its assets may be affected unfavourably by fluctuations in currency rates.

# Strategic Report

## (continued)

### Valuation risks and methodology

The Investment Advisor determines asset values using IPEV guidelines and other valuation methods with reference to the valuation principles of IFRS 13: Fair Value Measurement. This determination is subject to many assumptions and requires considerable judgment.

For unquoted investments, the assets are classified as Level 3 in the IFRS 7 fair value hierarchy. IPEV guidelines recommend the use of comparable quoted company metrics and comparable transaction metrics to determine an appropriate enterprise value, to which a marketability discount is applied, given the illiquid nature of private equity investments. The Investment Advisor also seeks to confirm value using discounted cash flow and other methods of valuation, and by applying a range approach. The Investment Advisor adopts a conservative approach to valuation with reference to the aforementioned methodology having regard for on-going volatile market conditions.

For quoted investments, the assets are classified as Level 1 in the IFRS 7 fair value hierarchy. Accordingly, the assets are valued at the quoted price at close of markets on the balance sheet date, without adjustment.

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

### Gearing risks

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

### Operational risks

The Company's investment management is provided or arranged for the Company by EPE and the Company's administration is provided by R&H. The Company is therefore exposed to internal and external operational risks at EPE and R&H, including

regulatory, legal, information technology, human resources and deficiencies in internal controls. The Company monitors the provision of services by EPE and R&H to ensure they meet the Company's business objectives.

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

Quarterly Board reports are submitted by each provider setting out any operational or compliance issues arising and are monitored by the Board. The Board considers the performance of each outsource provider in conjunction with the Audit and Risk Committee processes assumed directly by the Board in accordance with the offer document. An Audit and Risk Committee visit to the Investment Advisor was completed in January 2017.

Performance is further considered as part of the annual audit process and any issues arising therein as a result of reports and or discussion with the appointed Auditors.

R&H Fund Services (Jersey) Ltd act as the Company's administrators and EPE Administration Limited act as the Company's as sub-administrator, specifically to provide administration and accounting services. The Board reviews the performance and procedures of both service providers (including disaster recovery procedures) on an annual basis and conducted an in-depth review of the procedures and services offered by EPEA in January 2017. An external assurance review was completed in the past year to provide assurance to the Board regarding operational processes undertaken by EPEA.

The Company's Nomad and corporate finance advisor is Numis Securities ("Numis") who provide compliance and regulatory services to the Company. The Board also periodically reviews the performance of Numis as Nomad and Corporate Adviser to the Company. A review was carried out in 2016 with performance deemed to be satisfactory and the ongoing engagement approved. The next review is planned later in 2017.

# Strategic Report

(continued)

## Sources of funds

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

The Company's own cash resources may be supplemented by additional third party funding. One route of third party funding includes the provision of co-investment capital alongside the Company in ESO 2 LP, either as private investment capital directly into ESO 2 LP or on a deal by deal basis. The Company may also seek opportunistic public market fundraisings, in particular when considering transformational investment opportunities such as the acquisition of the EPIC plc private equity portfolio in 2010. Alternatively, third party debt funding may be sourced, comprising zero dividend preference shares, preference shares, senior and mezzanine debt, such as the £10.0 million of CLNs raised in 2010 to part-fund the EPIC plc portfolio acquisition and the £8.0 million new ULNs raised in 2015.

## Board Composition and Succession Plan

### Objectives of Plan

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

The Plan is reviewed by the Board annually and at such other times as circumstances may require (e.g. a major corporate development or an unexpected resignation from the Board). The Plan may be amended or varied in relation to individual circumstances at the Board's discretion in due course.

The Board has reviewed and approved a formal succession plan with regards to the Directors. The Board conducted a competency and succession review and following the results of that review appointed Heather Bestwick to the Board on 10 February 2017.

## Methodology

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

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

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

The Board also uses the skill matrix to review the current composition of the Board to assess strengths and to identify and mitigate any weaknesses. The Board conduct these reviews on an ongoing basis and addresses issues as they are highlighted by the process. The next review is set for May 2018.

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

- Bringing independent judgment to bear on issues of strategy, performance, resources, key appointments and standards of conduct and the importance of remaining free from any business or other relationship that could materially interfere with independent judgement;
- Having an understanding of the Company's affairs and its position in the industry in which it operates;
- Keeping abreast of and complying with the legislative and broader responsibilities of a Director of a company whose shares are traded on the London Stock Exchange;
- Allocating sufficient time to meet the requirements of the role, including preparation for Board meetings; and
- Disclosing to the Board as soon as possible any potential conflicts of interest.

**Geoffrey Vero**

*Chairman*

8 September 2017

# Risk and Audit Committee Report

The Risk and Audit Committee is chaired by Clive Spears and comprises all other Directors.

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;
- 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 visits and meetings at the office of the Investment Advisor.

During the past year the Risk and Audit Committee carried out a further review of its terms of reference against FRC guidelines and its own effectiveness. It concluded that the changes were working well and that the Risk and Audit Committee is satisfactorily fulfilling its terms of reference and is operating effectively. Additional risk lines have been agreed covering Cyber Security and macro influences, such as Brexit.

## Significant accounting matters

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

The Company's accounting policy for valuing investments is set out in notes 7 and 8. The Risk and Audit Committee examined and challenged the valuations prepared by the Investment Advisor, taking into account the latest available information on the Company's investments and the Investment Advisor's knowledge of the underlying portfolio companies through their ongoing monitoring. The Risk and Audit Committee satisfied itself that the valuation of investments had been carried out consistently with prior accounting periods, or that any change in valuation basis was appropriate, and was conducted in accordance with published industry guidelines.

The Auditors explained the results of their review of the procedures undertaken by the Manager for the valuation. On the basis of their 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, KPMG Audit LLC ("KPMG"), and considered their report on the financial statements. The fee for the audit of the annual report and financial statements of the Company for the year ended 31 January 2018 is expected to be £28,550 (2017: £27,450).

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

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

# Risk and Audit Committee Report (continued)

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

The Board will review the performance and services offered by R&H as fund administrator following their recent appointment and EPEA as fund sub-administrator on an ongoing basis. An external assurance review was completed in the past year to provide comfort to the Board regarding operational processes undertaken by EPEA.

## Risk management and internal control

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

## **Clive Spears**

*Chairman of the Risk and Audit Committee*

8 September 2017

# Review report by KPMG Audit LLC

## to EPE Special Opportunities plc

### Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 July 2017 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 July 2017 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the AIM Rules.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Directors' responsibilities

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

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

### Our responsibility

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

### The purpose of our review work and to whom we owe our responsibilities

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

### **KPMG Audit LLC** **Chartered Accountants**

Heritage Court  
41 Athol Street  
Douglas  
Isle of Man IM99 1HN

8 September 2017

# Consolidated Statement of Comprehensive Income

For the six months ended 31 July 2017

Note	1 Feb 2017 to 31 Jul 2017			1 Feb 2016 to	1 Feb 2016 to	
	Revenue	Capital	Total	31 Jul 2016	31 Jan 2017	
	(unaudited)	(unaudited)	(unaudited)	Total	Total	
	£	£	£	£	£	
	<b>Income</b>					
	Interest income	3,482	–	3,482	8,539	12,558
	<b>Total income</b>	<b>3,482</b>	<b>–</b>	<b>3,482</b>	<b>8,539</b>	<b>12,558</b>
	<b>Expenses</b>					
5	Investment advisor's fees	(1,369,521)	–	(1,369,521)	(406,525)	(1,181,626)
	Administration fees	(108,269)	–	(108,269)	(37,418)	(119,680)
	Directors' fees	(86,417)	–	(86,417)	(62,000)	(124,000)
	Directors' and Officers' insurance	(1,994)	–	(1,994)	(1,994)	(3,988)
	Professional fees	(35,919)	–	(35,919)	(31,021)	(70,942)
	Board meeting and travel expenses	(4,731)	–	(4,731)	(6,195)	(10,974)
	Auditors' remuneration	(21,125)	–	(21,125)	(20,700)	(35,700)
	Bank charges	(443)	–	(443)	(589)	(1,068)
	Irrecoverable VAT	(32,764)	–	(32,764)	(134,474)	(310,161)
6	Share-based payment expense	(103,297)	–	(103,297)	(117,823)	(245,750)
	Sundry expenses	(22,103)	–	(22,103)	(9,774)	(27,637)
	Listing fees	(17,605)	–	(17,605)	(13,312)	(31,643)
	Nominated advisor and broker fees	(31,092)	–	(31,092)	(31,035)	(63,935)
	<b>Total expenses</b>	<b>(1,835,280)</b>	<b>–</b>	<b>(1,835,280)</b>	<b>(872,860)</b>	<b>(2,227,104)</b>
	<b>Net expenses</b>	<b>(1,831,798)</b>	<b>–</b>	<b>(1,831,798)</b>	<b>(864,321)</b>	<b>(2,214,546)</b>
	<b>Gains on investments</b>					
7	Share of profit of associates	–	14,952,071	14,952,071	8,703,208	63,958,644
	<b>Gain for the period/year on investments</b>	<b>–</b>	<b>14,952,071</b>	<b>14,952,071</b>	<b>8,703,208</b>	<b>63,958,644</b>
	<b>Finance charges</b>					
13	Interest on unsecured loan note instruments	(309,382)	–	(309,382)	(309,382)	(618,765)
13	Interest on convertible loan note instruments	–	–	–	(70,502)	(129,126)
	<b>Profit/(loss) for the period/year before taxation</b>	<b>(2,141,180)</b>	<b>14,952,071</b>	<b>12,810,891</b>	<b>7,459,003</b>	<b>60,996,207</b>
	<b>Taxation</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
	<b>Profit/(loss) for the period/year</b>	<b>(2,141,180)</b>	<b>14,952,071</b>	<b>12,810,891</b>	<b>7,459,003</b>	<b>60,996,207</b>
	<b>Other comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
	<b>Total comprehensive income/(loss) for the period/year</b>	<b>(2,141,180)</b>	<b>14,952,071</b>	<b>12,810,891</b>	<b>7,459,003</b>	<b>60,996,207</b>
11	<b>Basic earnings/(loss) per ordinary share (pence)</b>	<b>(7.62)</b>	<b>53.21</b>	<b>45.59</b>	<b>27.46</b>	<b>213.39</b>
11	<b>Diluted earnings/(loss) per ordinary share (pence)</b>	<b>(7.62)</b>	<b>52.72</b>	<b>45.17</b>	<b>26.05</b>	<b>211.78</b>

The total column of this statement represents the Group's Consolidated Statement of Comprehensive Income, prepared in accordance with IFRS, as adopted by the EU. The supplementary revenue return and capital return columns are prepared in accordance with the Board of Directors' agreed principles. All items derive from continuing activities.

The accompanying notes form an integral part of these financial statements

# Consolidated Statement of Financial Position

As at 31 July 2017

Note		31 July 2017 (unaudited) £	31 January 2017 (audited) £	31 July 2016 (unaudited) £
	<b>Non-current assets</b>			
7	Investments in associates	88,562,103	73,609,872	54,770,897
7,9	Loans to associates and related companies	3,057,712	1,012,055	1,012,055
		<b>91,619,815</b>	<b>74,621,927</b>	<b>55,782,952</b>
	<b>Current assets</b>			
	Cash and cash equivalents	31,025,667	37,232,756	5,317,668
	Trade and other receivables	102,379	99,290	110,176
		<b>31,128,046</b>	<b>37,332,046</b>	<b>5,427,844</b>
	<b>Current liabilities</b>			
	Trade and other payables	(639,851)	(684,996)	(160,690)
7,9	Loans from associates and related companies	–	(276,510)	(280,067)
13	Convertible loan note instruments	–	–	(1,880,047)
		<b>(639,851)</b>	<b>(961,506)</b>	<b>(2,320,804)</b>
	<b>Net current assets</b>	<b>30,488,195</b>	<b>36,370,540</b>	<b>3,107,040</b>
	<b>Non-current liabilities</b>			
13	Unsecured loan note instruments	(7,872,433)	(7,862,131)	(7,851,828)
		<b>(7,872,433)</b>	<b>(7,862,131)</b>	<b>(7,851,828)</b>
	<b>Net assets</b>	<b>114,235,577</b>	<b>103,130,336</b>	<b>51,038,164</b>
	<b>Equity</b>			
10	Share capital	1,473,781	1,568,568	1,543,206
	Share premium	2,893,562	2,893,562	2,056,590
	Capital reserve	95,752,235	80,800,164	25,544,728
	Revenue reserve	14,115,999	17,868,042	21,893,640
	<b>Total equity</b>	<b>114,235,577</b>	<b>103,130,336</b>	<b>51,038,164</b>
12	<b>Net asset value per share (pence)</b>	<b>412.26</b>	<b>364.13</b>	<b>187.89</b>

The accompanying notes form an integral part of these financial statements

# Consolidated Statement of Changes in Equity

For the six months ended 31 July 2017

	Six months ended 31 July 2017 (Unaudited)				
	Share capital	Share premium	Capital reserve	Revenue reserve	Total
	£	£	£	£	£
<b>Balance at 1 February 2017</b>	<b>1,568,568</b>	<b>2,893,562</b>	<b>80,800,164</b>	<b>17,868,042</b>	<b>103,130,336</b>
Total comprehensive income for the period	–	–	14,952,071	(2,141,180)	12,810,891
<b>Contributions by and distributions to owners</b>					
Share-based payment charge	–	–	–	103,297	103,297
Cash received from JSOP participants	–	–	–	1,322	1,322
Purchase of treasury shares	–	–	–	(1,810,269)	(1,810,269)
Cancellation of Treasury Shares	(94,787)	–	–	94,787	–
Issue of new shares	–	–	–	–	–
<b>Total transactions with owners</b>	<b>(94,787)</b>	<b>–</b>	<b>–</b>	<b>(1,610,863)</b>	<b>(1,705,650)</b>
<b>Balance at 31 July 2017</b>	<b>1,473,781</b>	<b>2,893,562</b>	<b>95,752,235</b>	<b>14,115,999</b>	<b>114,235,577</b>

	Year ended 31 January 2017 (Audited)				
	Share capital	Share premium	Capital reserve	Revenue reserve	Total
	£	£	£	£	£
<b>Balance at 1 February 2016</b>	<b>1,543,206</b>	<b>2,056,590</b>	<b>16,841,520</b>	<b>23,020,022</b>	<b>43,461,338</b>
Total comprehensive income for the year	–	–	63,958,644	(2,962,437)	60,996,207
<b>Contributions by and distributions to owners</b>					
Share-based payment charge	–	–	–	245,750	245,750
Cash received from JSOP participants	–	–	–	–	–
Purchase of treasury shares	–	–	–	(2,435,293)	(2,435,293)
Issue of new shares	25,362	836,972	–	–	862,334
<b>Total transactions with owners</b>	<b>25,362</b>	<b>836,972</b>	<b>–</b>	<b>(2,189,543)</b>	<b>(1,327,209)</b>
<b>Balance at 31 January 2017</b>	<b>1,568,568</b>	<b>2,893,562</b>	<b>80,800,164</b>	<b>17,868,042</b>	<b>103,130,336</b>

	Six months ended 31 July 2016 (Unaudited)				
	Share capital	Share premium	Capital reserve	Revenue reserve	Total
	£	£	£	£	£
<b>Balance at 1 February 2016</b>	<b>1,543,206</b>	<b>2,056,590</b>	<b>16,841,520</b>	<b>23,020,022</b>	<b>43,461,338</b>
Total comprehensive income for the period	–	–	8,703,208	(1,244,205)	7,459,003
<b>Contributions by and distributions to owners</b>					
Share-based payment charge	–	–	–	117,823	117,823
Cash received from JSOP participants	–	–	–	–	–
Purchase of treasury shares	–	–	–	–	–
Issue of new shares	–	–	–	–	–
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>117,823</b>	<b>117,823</b>
<b>Balance at 31 July 2016</b>	<b>1,543,206</b>	<b>2,056,590</b>	<b>25,544,728</b>	<b>21,893,640</b>	<b>51,038,164</b>

The accompanying notes form an integral part of these financial statements

# Consolidated Statement of Cash Flows

For the six months ended 31 July 2017

	1 Feb 2017 to 31 July 2017 (unaudited) £	1 Feb 2016 to 31 Jan 2017 (audited) £	1 Feb 2016 to 31 July 2016 (unaudited) £
<b>Operating activities</b>			
Interest income received	3,482	12,558	8,539
Expenses paid	(1,780,217)	(1,597,955)	(876,384)
<b>Net cash used in operating activities</b>	<b>(1,776,735)</b>	<b>(1,585,397)</b>	<b>(867,845)</b>
<b>Investing activities</b>			
Loan advances to associate	(2,045,657)	–	–
Loan repayment to associates	(276,510)	–	–
Capital (contribution to)/distribution from associate	(160)	36,416,460	–
<b>Net cash (used in)/generated from investing activities</b>	<b>(2,322,327)</b>	<b>36,416,460</b>	<b>–</b>
<b>Financing activities</b>			
Convertible loan note interest paid	–	(102,236)	(70,502)
Convertible loan note repurchases	–	(1,017,713)	–
Unsecured loan note interest paid	(299,080)	(598,159)	(299,079)
Cash received from JSOP participants	1,322	–	–
Purchase of treasury shares	(1,810,269)	(2,435,293)	–
<b>Net cash used in financing activities</b>	<b>(2,108,027)</b>	<b>(4,153,401)</b>	<b>(369,581)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(6,207,089)</b>	<b>30,677,662</b>	<b>(1,237,426)</b>
<b>Cash and cash equivalents at start of period/year</b>	<b>37,232,756</b>	<b>6,555,094</b>	<b>6,555,094</b>
<b>Cash and cash equivalents at end of period/year</b>	<b>31,025,667</b>	<b>37,232,756</b>	<b>5,317,668</b>

The accompanying notes form an integral part of these financial statements

# Notes to the Unaudited Interim Financial Statements

For the six months ended 31 July 2017

## 1 The Company

The Company was incorporated with limited liability in the Isle of Man on 25 July 2003. The Company then re-registered under the Isle of Man Companies Act 2006, with registration number 008597V. The Company moved its operations to Jersey with immediate effect on 22 May 2017 and subsequently operates 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 NEX Exchange.

The interim consolidated financial statements as at and for the six months ended 31 July 2017 comprise the Company and its subsidiaries (together "the Group"). The interim consolidated financial statements are unaudited.

The consolidated financial statements of the Group as at and for the year ended 31 January 2017 are available upon request from the Company's business office at Ordnance House, 31 Pier Road, St Helier, Jersey, JE4 8PW and the registered office at IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP, or at [www.epicpe.com](http://www.epicpe.com).

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

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

The Company is deemed to have control of its EBT, which is therefore also treated as a subsidiary.

The Company also had interests in four partnerships that are accounted for as associates. The partnerships comprise one limited liability partnership and three limited partnerships.

## 2 Statement of compliance

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

The interim consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 January 2017.

The interim consolidated financial statements were approved by the Board of Directors on 8 September 2017.

## 3 Significant accounting policies

The accounting policies applied by the Group in these interim consolidated financial statements are the same as those applied by the Group as at and for the year ended 31 January 2017.

### Associates

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

## 4 Financial risk management

The Group financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 January 2017.

# Notes to the Unaudited Interim Financial Statements

(continued) For the six months ended 31 July 2017

## 5 Investment advisory fees

The investment advisory fee payable to EPIC Private Equity LLP is calculated at 2% of the Group's Net Asset Value ("NAV"), with a minimum of £325,000 payable per annum. The charge for the current period was £1,369,521 (period ended 31 July 2016: £406,525; year ended 31 January 2017: £1,181,626).

## 6 Share-based payment expense

Certain employees (including Directors) of the Group receive remuneration in the form of equity settled share-based payment transactions, through a Joint Share Ownership Plan ("JSOP").

The Employee Benefit Trust ("EBT") was created to award shares to eligible employees as part of the JSOP. Participants are awarded a certain number of shares ("Matching Shares") which vest after three years. 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 EBT holds the Matching Shares jointly with the participant until the award vests. The EBT held 1,547,065 Matching Shares at the period end which have traditionally not voted (31 January 2017: 1,547,065 matching shares).

The cost of equity settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined based on the share price of the equity instrument at the grant date.

The amount expensed in the income statement has been calculated by reference to the grant date fair value of the equity instrument and the estimated number of equity instruments to be issued after the vesting period, less the nominal amount paid for the joint ownership interest in the Matching Shares. The total expense recognised on the share based payments during the period amounts to £103,297 (period ended 31 July 2016: £117,823; year ended 31 January 2017: £245,750).

## 7 Non-current assets

	31 July 2017 (unaudited)	31 January 2017 (audited)	31 July 2016 (unaudited)
	£	£	£
Investments in associates	88,562,103	73,609,872	54,770,897
Loans to associates and related companies	3,057,712	1,012,055	1,012,055
	<b>91,619,815</b>	<b>74,621,927</b>	<b>55,782,952</b>

### Investment in associates

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

During the period, the Company received £nil (year ended 31 January 2017: £36,416,460) from ESO 1 LP, £nil (year ended 31 January 2017:£nil) from ESO Investments (PC) LLP and £nil (year ended 31 January 2017:£nil) from ESO Alternative Investments.

# Notes to the Unaudited Interim Financial Statements

(continued) For the six months ended 31 July 2017

## 7 Non-current assets (continued)

### Fair value hierarchy – Financial instruments measured at fair value

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

The Investment Advisor has applied appropriate valuation methods with reference to IPEV guidelines and other valuation methods with reference to the valuation principles of IFRS 13. For unquoted investments, the valuation principles adopted are classified as Level 3 in the IFRS 13 fair value hierarchy. For quoted investments, the assets are classified as Level 1 in the IFRS 7 fair value hierarchy. Accordingly, the assets are valued at the quoted price at close of markets on the balance sheet date, without adjustment.

Summary financial information for associates as at and for the period ended 31 July 2017 is as follows:

Associate	Total	Minority interest	ESO plc share	Percentage share
	£	£	£	%
<b>ESO 1 LP</b>				
Non-current assets	101,753,189	(20,350,636)	81,402,553	80.0%
Current assets	201,318	(40,264)	161,054	80.0%
Current liabilities	(1,332,742)	266,549	(1,066,193)	80.0%
<b>Net assets</b>	<b>100,621,765</b>	<b>(20,124,351)</b>	<b>80,497,414</b>	<b>80.0%</b>
Income	188,844	(39,193)	149,651	79.2%
Gains/(losses) on investments	18,476,911	(3,834,704)	14,642,207	79.2%
Expenses	(98,900)	20,526	(78,374)	79.2%
<b>Profit</b>	<b>18,566,855</b>	<b>(3,853,371)</b>	<b>14,713,484</b>	<b>79.2%</b>
<b>ESO AI LP</b>				
Non-current assets	2,211,866	–	2,211,866	100.0%
Current assets	126,919	–	126,919	100.0%
Current liabilities	(2,045,657)	–	(2,045,657)	100.0%
<b>Net assets</b>	<b>293,128</b>	<b>–</b>	<b>293,128</b>	<b>100.0%</b>
Income	80,356	–	80,356	100.0%
Gains on investments	253,419	–	253,419	100.0%
Expenses	(40,727)	–	(40,727)	100.0%
<b>Profit</b>	<b>293,048</b>	<b>–</b>	<b>293,048</b>	<b>100.0%</b>
<b>ESO 2 LP</b>				
Non-current assets	–	–	–	–
Current assets	100	(20)	80	80.0%
<b>Net assets</b>	<b>100</b>	<b>(20)</b>	<b>80</b>	<b>80.0%</b>
Income	–	–	–	–
Gains/(losses) on investments	–	–	–	–
Expenses	–	–	–	–
<b>Profit</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

# Notes to the Unaudited Interim Financial Statements

(continued) For the six months ended 31 July 2017

## 7 Non-current assets (continued)

Associate	Total	Minority interest	ESO plc share	Percentage share
ESO (PC) LLP	£	£	£	%
Non-current assets	9,453,084	(1,897,994)	7,555,090	79.9%
Current assets	270,753	(54,362)	216,391	79.9%
<b>Net assets</b>	<b>9,723,837</b>	<b>(1,952,356)</b>	<b>7,771,481</b>	<b>79.9%</b>
Income	–	–	–	–
Gains on investments	–	–	–	–
Expenses	(3,657)	731	(2,926)	80.0%
<b>Loss</b>	<b>(3,657)</b>	<b>731</b>	<b>(2,926)</b>	<b>80.0%</b>
<b>ESO plc</b>				
Loans to associates and related companies	3,057,712	–	3,057,712	100.0%
Other assets and liabilities ESO plc	30,488,194	–	30,488,194	100.0%
<b>Total</b>	<b>33,545,906</b>	<b>–</b>	<b>33,545,906</b>	<b>100.0%</b>
<b>Total assets less current liabilities</b>	<b>144,184,737</b>	<b>(22,076,727)</b>	<b>122,108,010</b>	<b>84.7%</b>
<b>Summary of ESO plc fund structure</b>				
	Total	Minority interest	ESO plc share	Percentage share
	£	£	£	£
ESO 1 LP	100,621,765	(20,124,351)	80,497,414	80.0%
ESO AI LP	293,129	–	293,129	100.0%
ESO 2 LP	100	(20)	80	80.0%
ESO (PC) LLP	9,723,837	(1,952,356)	7,771,481	79.9%
ESO plc current assets, current liabilities and loans to related companies	33,545,906	–	33,545,906	100.0%
<b>Total assets less current liabilities</b>	<b>144,184,737</b>	<b>(22,076,727)</b>	<b>122,108,010</b>	<b>84.7%</b>

# Notes to the Unaudited Interim Financial Statements

(continued) For the six months ended 31 July 2017

## 7 Non-current assets (continued)

Summary financial information for associates as at and for the year ended 31 January 2017 was as follows:

Associate	Total	Minority interest	ESO plc share	Percentage share
ESO 1 LP	£	£	£	%
Non-current assets	81,090,140	(16,218,028)	64,872,112	80.0%
Current assets	4,735,863	(947,172)	3,788,691	80.0%
Current liabilities	(3,596,093)	719,220	(2,876,873)	80.0%
<b>Net assets</b>	<b>82,229,910</b>	<b>(16,445,980)</b>	<b>65,783,930</b>	<b>80.0%</b>
Income	685,005	(139,522)	545,483	79.6%
Gains on investments	75,645,445	(15,407,480)	60,237,965	79.6%
Expenses	(247,461)	50,403	(197,058)	79.6%
<b>Profit</b>	<b>76,082,989</b>	<b>(15,496,599)</b>	<b>60,586,390</b>	<b>79.6%</b>

Associate	Total	Minority interest	ESO plc share	Percentage share
ESO (PC) LLP				
Non-current assets	9,453,084	(1,849,629)	7,603,455	80.4%
Current assets	276,610	(54,123)	222,487	80.4%
<b>Net assets</b>	<b>9,729,694</b>	<b>(1,903,752)</b>	<b>7,825,942</b>	<b>80.4%</b>
Income	–	–	–	–
Gains on investments	4,224,784	(846,366)	3,378,418	80.0%
Expenses	(7,710)	1,546	(6,164)	80.0%
<b>Profit</b>	<b>4,217,074</b>	<b>(844,820)</b>	<b>3,372,254</b>	<b>80.0%</b>

ESO plc				
Loans to associates and related companies	1,012,055	–	1,012,055	100.0%
Loans from associates and related companies	(276,510)	–	(276,510)	100.0%
Other assets and liabilities ESO plc	36,647,050	–	36,647,050	100.0%
<b>Total</b>	<b>37,382,595</b>	<b>–</b>	<b>37,382,595</b>	<b>100.0%</b>
<b>Total assets less current liabilities</b>	<b>129,342,199</b>	<b>(18,349,732)</b>	<b>110,992,467</b>	<b>85.8%</b>

Summary of ESO plc fund structure	Total	Minority interest	ESO plc share	Percentage share
	£	£	£	£
ESO 1 LP	82,229,910	(16,445,980)	65,783,930	80.0%
ESO (PC) LLP	9,729,694	(1,903,752)	7,825,942	80.4%
ESO plc current assets, current liabilities and loans to related companies	37,382,595	–	37,382,595	100.0%
<b>Total assets less current liabilities</b>	<b>129,342,199</b>	<b>(18,349,732)</b>	<b>110,992,467</b>	<b>85.8%</b>

# Notes to the Unaudited Interim Financial Statements

(continued) For the six months ended 31 July 2017

## 8 Financial assets and liabilities

### Fair values of financial instruments

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

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

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

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

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

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

### Valuation framework

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

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

# Notes to the Unaudited Interim Financial Statements

(continued) For the six months ended 31 July 2017

## 8 Financial assets and liabilities (continued)

### Fair value hierarchy – Financial instruments measured at fair value

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

	Level 1	Level 3	Total
	£	£	£
<b>31 July 2017</b>			
<b>Financial assets at fair value through profit or loss</b>			
Unquoted investments	–	14,783,592	14,783,592
Quoted equity investments	87,834,547	–	87,834,547
Debt securities, unquoted	–	10,871,014	10,871,014
<b>Total investments</b>	<b>87,834,547</b>	<b>25,654,606</b>	<b>113,489,153</b>
	Level 1	Level 3	Total
	£	£	£
<b>31 January 2017</b>			
<b>Financial assets at fair value through profit or loss</b>			
Unquoted investments	–	11,685,937	11,685,937
Quoted equity investments	69,857,288	–	69,857,288
Debt securities, unquoted	–	9,000,000	9,000,000
<b>Total investments</b>	<b>69,857,288</b>	<b>20,685,937</b>	<b>90,543,225</b>

The following table shows a reconciliation of the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

	31 July 2017 (unaudited)	31 January 2017 (audited)
	£	£
<b>Unquoted investments</b>		
Balance at 1 February	11,685,937	37,276,754
Additional investments	2,352,192	330,327
Transfers to Level 1	–	(30,908,209)
Change in fair value through profit or loss	745,463	4,987,065
<b>Total</b>	<b>14,783,592</b>	<b>11,685,937</b>

### Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 July 2017 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 31 July 2017 £	Valuation technique
Unquoted investments	25,654,606	Sales/EBITDA multiples

# Notes to the Unaudited Interim Financial Statements

(continued) For the six months ended 31 July 2017

## 8 Financial assets and liabilities (continued)

Significant unobservable inputs are developed as follows:

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

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

## 9 Loans to/(from) associates and related companies

	31 July 2017 (unaudited)	31 January 2017 (audited)	31 July 2016 (unaudited)
	£	£	£
ESO Investments 1 LP	512,055	512,055	512,055
ESO Alternative Investments LP	2,045,657	–	–
EPIC Structured Finance Limited	500,000	500,000	500,000
<b>Loans to associates and related companies</b>	<b>3,057,712</b>	<b>1,012,055</b>	<b>1,012,055</b>
ESO Investments (PC) LLP	–	(276,510)	(280,067)
<b>Loans from associates and related companies</b>	<b>–</b>	<b>(276,510)</b>	<b>(280,067)</b>

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

## 10 Share capital

	31 July 2017 (unaudited)		31 January 2017 (audited)		31 July 2016 (unaudited)	
	Number	£	Number	£	Number	£
<b>Authorised share capital</b>						
Ordinary shares of 5p each	45,000,000	2,250,000	45,000,000	2,250,000	45,000,000	2,250,000
<b>Called up, allotted and fully paid</b>						
Ordinary shares of 5p each	29,475,625	1,473,781	31,371,362	1,568,568	30,864,117	1,543,206
Ordinary shares of 5p each held in treasury	(1,765,876)	–	(3,048,879)	–	(3,700,944)	–
	<b>27,709,749</b>	<b>1,473,781</b>	<b>28,322,483</b>	<b>1,568,568</b>	<b>27,163,173</b>	<b>1,543,206</b>

Between 31 January 2017 and 31 July 2017, the Company bought back 612,734 ordinary shares from the market and on 26 May 2017 cancelled all ordinary shares held by Corvina Limited, a wholly owned subsidiary of the Company.

Of the ordinary shares bought back from the market, Giles Brand (Managing Partner of the Investment Advisor) and Hiren Patel (Partner, Finance Director and Head of Compliance of the Investment Advisor) (both also being Person Discharging Managerial Responsibilities (“PDMRs”) of the Company) sold 113,310 and 21,750 Ordinary Shares respectively at a price of 295.00 pence to the Company.

# Notes to the Unaudited Interim Financial Statements

(continued) For the six months ended 31 July 2017

## 11 Basic and diluted earnings per ordinary share

The basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period of 28,098,107 (six-month period ended 31 July 2016: 27,163,173; year ended 31 January 2017: 28,585,144).

The diluted earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period, as adjusted for the effects of all dilutive potential ordinary shares of 28,361,968 (six-month period ended 31 July 2016: 28,630,238; year ended 31 January 2017: 28,801,620).

## 12 Net asset value per share (pence)

The net asset value per share is based on the net assets at the period end of £114,235,577 divided by 27,709,749 ordinary shares in issue at the end of the period (31 July 2016: £51,038,164 and 27,163,173 ordinary shares; 31 January 2017: £103,130,336 and 28,322,483 ordinary shares).

The diluted net asset value per share of 408.37 pence, is based on the net assets of the Group and the Company at the period-end of £114,235,577 divided by the shares in issue at the end of the period, as adjusted for the effects of dilutive potential ordinary shares, of 27,973,610, after excluding treasury shares (31 July 2016: £51,038,164 and 29,220,327 ordinary shares; 31 January 2017: £103,130,336 and 28,538,959, ordinary shares).

## 13 Loan note instruments

	31 July 2017 (unaudited)	31 January 2017 (audited)	31 July 2016 (unaudited)
	£	£	£
Unsecured loan note instrument	7,872,433	7,862,131	7,851,828
Convertible loan note instrument	–	–	1,880,047
	<b>7,872,433</b>	<b>7,862,131</b>	<b>9,731,875</b>

On 23 July 2015, the Company raised £4,500,000 via a placing of a Unsecured Loan Note (“ULN”) instrument. Following the initial issuance of the ULNs, further notes were issued to investors such that on 31 January 2016 the Company had issued £7,975,459 in principal amount and the notes admitted to trading on the ISDX Growth Market on 29 January 2016. There were no ULNs issued during the period.

The notes carry interest at 7.5% per annum. 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. A total of £10,302 was expensed in the period ended 31 July 2017 (£20,605 in the year ended 31 January 2017, £10,302 in the period ended 31 July 2016). The total interest expensed on the ULNs in the period ended 31 July 2017 is £309,382 (£618,765 in the year ended 31 January 2017, £309,382 in the period ended 31 July 2016). This includes the amortisation of the issue costs.

Convertible Loan Note (“CLN”) instrument issued on 31 August 2010 and was fully repaid on 29 December 2016. The total interest expensed on the CLNs for the period ended 31 July 2016 was £70,502 (£129,126 in the year ended 31 January 2017).

## 14 Financial commitments and guarantees

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

# Notes to the Unaudited Interim Financial Statements

(continued) For the six months ended 31 July 2017

## 15 Subsequent events

On 31 July 2017, the Company announced an amendment to the exercise date of warrants, issued in respect of the CLN refinancing announced on 16 September 2015. Having consulted with warrant holders, the Company agreed to amend the earliest exercise date to 28 July 2017, from 31 July 2018 previously.

On 7 August 2017, the Company announced that it has received notice of the exercise of 590,089 warrants in respect of one of the Company's ordinary shares each at a price of 170 pence per share. The aggregate gross proceeds of this exercise were £1,003,151. Following the exercise of the warrants there were no warrants outstanding and there were 28,299,838 ordinary shares in issue, not held in treasury.

On 8 August 2017, the Company announced that certain awards made under the Company's share matching scheme had vested to certain members of the Investment Advisor, and to certain Directors of the Company. Following the vesting of the awards, the EBT held 420,050 ordinary shares (31 January 2017: 1,547,065), Geoffrey Vero held 105,532 ordinary shares (31 January 2017: 84,912), Robert Quayle held 87,883 ordinary shares (31 January 2017: 50,128), Clive Spears held 105,787 ordinary shares (31 January 2017: 68,032) and Nicholas Wilson held 105,743 ordinary shares (31 January 2017: 67,669).

## 16 Related Party Transactions

Geoffrey Vero is a non-executive Director of Numis Corporation plc and a former non-executive Director of Numis Securities Limited, the Nominated Advisors to the Company. During the period ended 31 July 2017, broker fees of £31,092 (31 July 2016: £31,035) were payable to Numis Securities Limited.

Certain Directors of the Company and other participants (including employees and members of the Investment Advisor) are incentivised in the form of equity settled share-based payment transactions, through a Joint Share Ownership Plan (see note 6).

Prior to March 2016 and the Company's investment in ECPD Fund in March 2017, the Investment Advisor acted as placement agent to the ECPD Fund on the successful fundraise of the fund.

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

Directors' interests in the shares of the Company are included in note 15 to the interim financial statements.

## Company Information

Directors	G.O. Vero ( <i>Chairman</i> ) H. Bestwick R.B.M. Quayle C.L. Spears N.V. Wilson	Administrator and Company Address	R&H Fund Services (Jersey) Limited Ordnance House 31 Pier Road, St Helier Jersey JE4 8PW
Secretary	P.P. Scales		
Investment Advisor	EPIC Private Equity LLP Audrey House 16-20 Ely Place London EC1N 6SN	Nominated Advisor and Broker	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Auditors and Reporting Accountants	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN	Registered Agent (Isle of Man)	FIM Capital Limited IOMA House Hope Street Douglas Isle of Man IM1 1AP
Bankers	Barclays Bank plc 1 Churchill Place Canary Wharf London E14 5HP  HSBC Bank plc 1st Floor 60 Queen Victoria Street London EC4N 4TR	Registrar and CREST Providers	Computershare Investor Services (Jersey) Limited Queensway House Hilgrove Street St. Helier Jersey JE1 1E5

