

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and the action you should take, you are recommended immediately to seek your own advice from a person duly authorised under the Financial Services and Markets Act 2000 (as amended) who specialises in advising on the acquisition of shares and other securities.

If you have sold or otherwise transferred all of your Ordinary Shares in EPE Special Opportunities plc, or prior to 4 August 2010 a sale or transfer is effected, please send this document, together with the Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected.

This document constitutes an admission document drawn up in accordance with the AIM Rules for Companies and does not comprise a prospectus prepared in accordance with the Prospectus Rules of the UK Listing Authority made under section 73A of FSMA, and it has not been, and will not be, approved or filed with the Financial Services Authority under the Prospectus Rules. This document has not been delivered to the Isle of Man Financial Supervision Commission for registration as a prospectus pursuant to Section 38 of the Isle of Man Companies Act 1931. This document has not been approved by the Isle of Man Financial Supervision Commission or any other governmental or regulatory authority in or of the Isle of Man.

The Directors, whose names appear on page 10 of this document, accept individual and collective responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the Enlarged Issued Ordinary Share Capital to be admitted to trading on AIM and it is expected that re-admission of the Existing Ordinary Shares will take place on 31 August 2010 and Admission of the New Ordinary Shares will take place on 31 August 2010. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority.**

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. The Ordinary Shares are not dealt on any other recognised investment exchange and no other such applications have been made. Prospective investors should read the whole text and contents of this document and should be aware that an investment in the Company is speculative and involves a degree of risk. In particular, prospective investors' attention is drawn to the section entitled "Risk Factors" in Part III of this document.

EPE Special Opportunities plc

(Incorporated in the Isle of Man with registered number 108834C)

Proposed Acquisition of a majority interest in the EPIC Private Equity Portfolio

Reorganisation of the ESO Portfolio and investment by ESD

Proposed issue of Convertible Loan Notes

Re-admission to trading on AIM

and

Notice of Extraordinary General Meeting

Nominated Adviser and Broker

Numis Securities Limited

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of EPE Special Opportunities plc which is set out in Part I of this document and which recommends that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting referred to below and to the Risk Factors in Part III of this document.

Numis Securities Limited which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as the nominated adviser and broker to EPE Special Opportunities plc for the purpose of the AIM Rules and is acting exclusively for EPE Special Opportunities plc in connection with the proposed Admission. Numis Securities Limited is not acting for and will not be responsible to any person other than EPE Special Opportunities plc and will not be responsible to any person other than EPE Special Opportunities plc for providing the protections afforded to its clients or for providing advice to any other person in connection with this document or any transaction or arrangement referred to in this document. Numis

Securities Limited's responsibility as the nominated adviser to EPE Special Opportunities plc is owed solely to the London Stock Exchange. No representation or warranty, express or implied, is made by Numis Securities Limited as to the contents of this document, or for the omission of any material from this document, for which it is not responsible.

Notice of an Extraordinary General Meeting of EPE Special Opportunities plc, to be held at the offices of IOMA Fund and Investment Management Limited, at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP at 10.00 a.m. on 27 August 2010 is set out at the end of this document. To be valid, the enclosed Form of Proxy for use at the meeting should be completed in accordance with the instructions thereon, signed and returned so as to be received by the Company's Registrars, IOMA Fund and Investment Management Limited, as soon as possible but in any event not later than 10.00 a.m. on 25 August 2010. Completion of the Form of Proxy will not preclude a Shareholder from attending and voting at the meeting in person.

The New Ordinary Shares will, when issued and fully paid, rank in full for all dividends and other distributions declared, made or paid after the date of Admission and will otherwise rank *pari passu* in all respects with the Existing Ordinary Shares.

The contents of the Company's website or any website directly or indirectly linked to the Company's website do not form part of this document.

The New Ordinary Shares and the Convertible Loan Notes have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. No offer of the Ordinary Shares or the Convertible Loan Notes is being made in the United States.

The distribution of this document in certain jurisdictions may be restricted by law. Accordingly, neither this document nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons outside of the UK into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

Prospective investors should rely only on the information in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company or Numis Securities Limited. Without prejudice to the Company's obligations under the AIM Rules, neither the delivery of this document nor any subscription or purchase of shares made pursuant to this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since, or that the information contained herein is correct at any time subsequent to, the date of this document.

The contents of this document are not to be construed as legal, financial, business, investment or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice. Prospective investors must inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of Ordinary Shares or the Convertible Loan Notes; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Ordinary Shares or Convertible Loan Notes which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of Ordinary Shares or Convertible Loan Notes. Prospective investors must rely on their own representatives, including their own legal advisers and accountants, as to legal, tax, investment, or any related matters concerning the Company and an investment therein.

This document contains forward-looking statements. These statements relate to the Company's future prospects, developments and business strategies.

Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily but not exclusively contained in Parts I and II of this document.

The forward-looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

If one or more of the risks or uncertainties described in Part III of this document materialises, or if underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

These forward-looking statements speak only as at the date of this document. Neither the Directors nor the Company undertake any obligation to update forward-looking statements or risk factors other than as required by the AIM Rules or by the rules of any other securities regulatory authority, whether as a result of new information, future events or otherwise.

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DIRECTORS, SECRETARY AND ADVISERS

Directors	Geoffrey O Vero (<i>Non-executive Chairman</i>) Robert B M Quayle (<i>Non-executive Director</i>) Clive L Spears (<i>Non-executive Director</i>) Nicholas V Wilson (<i>Non-executive Director</i>) <i>All of:</i> IOMA House Hope Street Douglas Isle of Man IM1 1AP
Company Secretary and Registered Office	Philip Scales IOMA House Hope Street Douglas Isle of Man IM1 1AP
Nominated Adviser and Broker to the Company	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Lawyers to the Company	Latham & Watkins (London) LLP 99 Bishopsgate London EC2M 3XF
Manx Lawyers to the Company	Cains Advocates Limited 15-19 Athol Street Douglas, Isle of Man IM1 1LB
Lawyers to the Nominated Adviser and Broker	Cobbetts LLP No. 1 Whitehall Riverside Leeds LS1 4BN
Auditors	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN
Registrars	IOMA Fund and Investment Management Limited IOMA House Hope Street Douglas Isle of Man IM1 1AP

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time for receipt of Forms of Proxy for the Extraordinary General Meeting	10.00 a.m. on 25 August 2010
Extraordinary General Meeting	10.00 a.m. on 27 August 2010
Cancellation of admission to trading on AIM of existing Ordinary Shares, Completion of the Acquisition, and Re-admission of, and dealings expected to re-commence in, Existing Ordinary Shares on AIM	8.00 a.m. on 31 August 2010
Admission of, and dealings expected to commence in, New Ordinary Shares on AIM	8.00 a.m. on 31 August 2010

The Company's SEDOL code is B4JV7H7. The ISIN code for the Ordinary Shares is IM008437H77.

ACQUISITION STATISTICS

Number of Ordinary Shares in issue at the date of this document	26,541,501
Issue Price per Consideration Share	55.86 pence
Number of Consideration Shares	3,580,379
Issue Price per EPE Share	55.86 pence
Number of EPE Shares	769,781
Number of Ordinary Shares in issue following completion of the Acquisition and issue of the Consideration Shares and the EPE Shares	30,891,661
Consideration Shares as a percentage of Enlarged Issued Ordinary Share Capital	11.59%
Conversion Shares as a percentage of Enlarged Issued Ordinary Share Capital	19.04%
Number of Ordinary Shares issuable on exercise in full of the Convertible Loan Notes	5,882,352

DEFINITIONS

The following definitions and terms apply throughout this document unless the context otherwise requires:

“Act”	the Isle of Man Companies Acts 1931 to 2004
“Acquisition”	the proposed acquisition by the Fund of the EPIC Private Equity Portfolio
“Acquisition Agreement”	the sale and purchase agreement dated 4 August 2010 by and among EPIC, EPIC Carry LLP, EPIC Carry 2 LLP and EPE (collectively referred to as the Vendors), the Fund, the Fund GP (collectively with the Fund, referred to as the Purchasers) and ESO relating to the Acquisition (the principal terms of which are summarised in Part VI)
“Admission”	admission of the Enlarged Issued Ordinary Share Capital of the Company to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“Admission Date”	the date of Admission
“AIM”	the AIM Market operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies and/or, where applicable, the AIM Rules for Nominated Advisers
“AIM Rules for Companies”	the rules for companies whose securities are traded on AIM published by the London Stock Exchange as amended from time to time
“AIM Rules for Nominated Advisers”	the rules for nominated advisers published by the London Stock Exchange as amended from time to time
“Articles”	the articles of association of the Company
“Board”	the board of directors of the Company
“BVCA”	the British Venture Capital Association
“Capital Shares”	capital shares of 10 pence each in the capital of EPIC
“Carried Interest”	means the right of EPE Carry LP to receive payments representing carried interest under the limited partnership agreement constituting the Fund and the right of ESO Carry LLP to receive payments representing carried interest under the limited liability partnership agreement constituting ESO Investments
“Combined Portfolio”	the ESO Portfolio together with the EPIC Private Equity Portfolio
“Company” or “ESO”	EPE Special Opportunities plc, a company incorporated in the Isle of Man with registered number 108834C
“Completion”	completion of the Acquisition
“Computershare”	Computershare Investor Services plc
“Consideration Shares”	the 3,580,379 Ordinary Shares to be issued to EPIC in accordance with the terms of the Acquisition Agreement
“Conversion Shares”	the 5,882,352 Ordinary Shares issuable on exercise of the right to convert Convertible Loan Notes into Ordinary Shares
“Convertible Loan Notes”	the 10,000,000 unsecured convertible loan notes of £1 each to be constituted by the Deed Poll and to be issued by the Company to EPIC in accordance with the terms of the Acquisition Agreement

“Corporate Governance Code”	The UK Corporate Governance Code published by the Financial Reporting Council in June 2010
“Court”	the Isle of Man High Court
“CREST”	the system for paperless settlement of trades in securities and the holding of securities in uncertificated form which is operated by Euroclear
“Deed Poll”	the deed poll constituting the Convertible Loan Notes executed by the Company on 4 August 2010, further details of which are set out in Part VII
“Directors”	the directors of the Company as listed on page 10 of this document
“Enlarged Group”	ESO following completion of the Acquisition
“Enlarged Issued Ordinary Share Capital”	the ordinary share capital of the Company as enlarged by the issue of the Consideration Shares and the EPE Shares
“EPE Shares”	769,781 Ordinary Shares to be issued to the Investment Adviser in respect of its services in relation to the structuring of the Acquisition and the Fund
“EPIC”	The Equity Partnership Investment Company plc
“EPIC 1”	EPIC Investments LLP, a limited liability partnership through which debt and equity investments in certain of the companies which comprise the EPIC Private Equity Portfolio are held
“EPIC 2”	EPIC Investments 2 LLP, a limited liability partnership through which debt and equity investments in certain of the companies which comprise the EPIC Private Equity Portfolio are held
“EPIC Private Equity Portfolio”	the portfolio of debt and equity investments to be acquired by the Fund through the acquisition of EPIC 1 and EPIC 2 pursuant to the Acquisition Agreement, as described in Part VI
“ESD”	DES Holdings IV (A) LLC, a limited liability company formed under the laws of the State of Delaware by European Secondary Development Fund IV, LP
“ESD Investment”	the investment by ESD of £10 million of cash in the Fund as consideration for a minority interest in the Fund
“ESO Investments”	ESO Investments 2 LLP, a limited liability partnership incorporated in England and Wales with registered number OC356809
“ESO Portfolio”	the portfolio of debt and equity investments held by the Company, directly and/or indirectly, in Morada, Past Times Holdings Limited and Whittard of Chelsea, except for any interest accrued but unpaid on such debt investments on the date of Admission
“EU”	the European Union
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“Existing Ordinary Shares”	the 26,541,501 Ordinary Shares in issue at the date of this document
“Extraordinary General Meeting”	the Extraordinary General Meeting of the Company convened for 10.00 a.m. on 27 August 2010 (and any adjournment thereof), notice of which is set out at the end of this document
“Form of Proxy”	the form of proxy for use at the Extraordinary General Meeting which accompanies this document

“FSA”	the Financial Services Authority
“FSMA”	Financial Services and Markets Act 2000, as amended
“Fund” or “Fund LP”	ESO Investments 1 LP, a limited partnership with registered number LP014043 which is majority owned by ESO and to which it is proposed the EPIC Private Equity Portfolio and the ESO Portfolio be transferred
“Fund GP” or “General Partner”	EPE GP Limited, a limited company incorporated in England & Wales with registered number 07324310 whose registered office is at 10 Norwich Street, London EC4A 1BD
“Group”	the Company and its subsidiaries (including any limited partnership and limited liability partnership in which the Company and/or its subsidiaries have a majority interest)
“Income Shares”	income shares of 10 pence each in the capital of EPIC
“Investment Adviser” or “EPE”	EPIC Private Equity LLP, of 7th Floor, Billiter Street, London EC3M 2RY, investment adviser to the Company
“Investment Funds”	ESO Investments and the Fund
“IRR”	the internal rate of return on the Company’s investments, being the discount factor which, when applied to the amounts invested by the Company and returned to the Company, produces a net present value equal to zero
“Issue Price”	the issue price for the Consideration Shares, being 55.86 pence per Consideration Share
“Limited Partnership Agreement”	means the agreement constituting the Fund dated 4 August 2010 between, among others, the Company, ESD, the Fund GP and EPE Carry LP
“London Stock Exchange”	London Stock Exchange plc
“Money Multiple”	the current value of the Company’s investments plus sums received or receivable from investments compared with the total capital invested to date
“Morada”	Laneside Holdings Limited, which trades under the name of “Morada”
“NAV” or “Net Asset Value”	the total of the consolidated share capital and reserves from time to time of EPIC or the Company (as relevant) calculated in accordance with the relevant company’s accounting policies
“NAV per Share”	the NAV divided by the total number of Ordinary Shares in issue at the relevant time
“New Ordinary Shares”	the Consideration Shares and the EPE Shares
“Numis”	the Company’s nominated adviser and broker, Numis Securities Limited
“Official List”	the Official List of the UKLA
“Ordinary Shares”	ordinary shares of 5 pence each in the capital of the Company
“Overseas Shareholders”	Shareholders resident in, or citizens of, jurisdictions outside the Isle of Man and the United Kingdom

“Placing and Open Offer”	the placing (by Numis as agent for the Company) of 100,000,000 Ordinary Shares and the conditional offer to qualifying shareholders to subscribe for ordinary shares of 1 pence each in June 2009
“Proposals”	the proposals described in this document, including the Reorganisation, the ESD Investment, the Acquisition, Admission, the issue of EPE Shares, the changes to the Company’s investment strategy and revised arrangements relating to EPE and the duration of the Company but excluding for the avoidance of doubt, the authority for the Company to purchase its own shares and for the cancellation of share premium account to be sought pursuant to resolutions 3 and 4 in the notice of Extraordinary General Meeting at the end of this document
“Prospectus Rules”	the Prospectus Rules made by the FSA pursuant to section 73A of the FSMA
“Registrars”	IOMA Fund and Investment Management Limited, the Company’s registrars
“Reorganisation”	the transfer of the ESO Portfolio to the Fund as part consideration for a majority interest in the Fund
“Resolutions”	the resolutions as set out in the notice of EGM at the end of this document
“Securities Act”	the United States Securities Act of 1933 (as amended) and the rules and regulations of the Securities and Exchange Commission promulgated thereunder
“Shareholders”	holders of Ordinary Shares
“SME”	small and medium size enterprises
“Takeover Code”	the City Code on Takeovers and Mergers
“UKLA” or “UK Listing Authority”	the FSA, acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
“uncertificated” or “in uncertificated form”	any securities recorded on a company’s securities register as being held in uncertificated form in CREST and title to which, by virtue of the Isle of Man Uncertificated Securities Regulations 2005, may be transferred by means of CREST
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“US”, “USA” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“Whittard of Chelsea”	Hamsard 3145 Limited, a limited liability company registered in England & Wales (with registered number 6753143 and whose registered office is at Windrush House, Windrush Park, Witney, OX29 7DX), which trades under the name of “Whittard of Chelsea”
“ZDPs”	zero dividend preference shares of 10 pence each issued by EPIC Securities plc

References to Parts are to Parts of this document.

PART I

LETTER FROM THE CHAIRMAN OF EPE SPECIAL OPPORTUNITIES PLC

EPE Special Opportunities plc

(a company incorporated in the Isle of Man with registered number 108834C)

Directors:

G O Vero (*Non-executive Chairman*)
R B M Quayle (*Non-executive Director*)
C L Spears (*Non-executive Director*)
N V Wilson (*Non-executive Director*)

Registered Office:

IOMA House
Hope Street
Douglas
Isle of Man
IM1 1AP

4 August 2010

Dear Shareholder,

**Proposed Acquisition of a majority interest in the EPIC Private Equity Portfolio
Reorganisation of the ESO Portfolio and investment by ESD
Proposed issue of Convertible Loan Notes
Re-admission to trading on AIM
Notice of Extraordinary General Meeting**

1. Introduction

Your Board is announcing today that the Company has entered into certain arrangements which provide for, subject to approval of the Shareholders, the transfer of the ESO Portfolio to a new limited partnership (being the Fund), for ESD to invest £10 million of cash in the Fund and for the Fund to acquire the EPIC Private Equity Portfolio for an aggregate consideration of £22 million. The consideration for the Acquisition will comprise the issue of Convertible Loan Notes and Consideration Shares to EPIC and payment of £10 million in cash funded by the ESD Investment in return for a participation in the Fund which will hold the Combined Portfolio. It is proposed that the EPIC Private Equity Portfolio to be acquired will be held in a new limited partnership structure and that the ESO Portfolio will be passed into this structure in order to create an enlarged combined portfolio.

In view of the size of the Acquisition, the transaction is deemed a reverse takeover for the purposes of the AIM Rules, requiring shareholder approval and re-admission of the Company's Ordinary Shares to trading on AIM.

An overview of the Acquisition and the rationale for pursuing it appears in Part II.

Resolutions will be proposed to the Extraordinary General Meeting, amongst other matters, to approve the Acquisition, to increase the authorised share capital of the Company from £1,650,000 to £2,250,000 and authorise the Company to purchase Ordinary Shares in the market.

The purpose of this document is to:

- provide you with information about the background to and the rationale for the Acquisition and other Proposals; and
- explain why the Board considers the Proposals to be in the best interests of the Company and its Shareholders as a whole and why the Directors recommend that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

2. Reasons for the Acquisition, the Reorganisation and the ESD Investment

The Board believes that the proposed Acquisition represents an opportunity to acquire an interest in a mature portfolio of private equity assets at an attractive price and one which will transform the Company by increasing its scale and diversity.

In order to finance the Acquisition, the Company is entering into a limited partnership with ESD which will provide £10 million of capital in return for a minority interest in a limited partnership through which the EPIC Private Equity Portfolio will be acquired and to which the ESO Portfolio will be transferred. ESD will invest £10 million at the theoretical valuation of the Combined Portfolio of £35.2 million which minimises dilution to existing Shareholders.

Additionally, the Board believes that the Acquisition involves minimal integration risk as the same investment team manages or advises on all thirteen portfolio companies (the four existing portfolio companies of the Company and the nine portfolio companies of EPIC).

Taking into account the above considerations, the Board believes that the Acquisition has the potential to enhance returns to existing Shareholders and therefore considers the Proposals to be in the best interests of the Company. In reaching this conclusion, the Board sought guidance from an independent adviser on the valuation of the EPIC Private Equity Portfolio.

The Proposals are conditional *inter alia* upon approval by Shareholders and the Acquisition is conditional *inter alia* upon approval by the Capital Shareholders of EPIC.

Further details of the proposed Acquisition and the rationale for it are set out in Part II.

3. Consideration for the Acquisition

The consideration for the Acquisition will be £22 million which comprises:

- £10 million of cash;
- Convertible Loan Notes issued to EPIC with a nominal value of £10 million; and
- Consideration Shares issued to EPIC with a value of £2 million at a price of 55.86 pence per Ordinary Share, representing a discount of 20.0 per cent. to the theoretical combined NAV per Ordinary Share of the Enlarged Group of 69.83 pence as it is calculated in Part XI of this document and a premium of 132.7 per cent. to the mid-market price of an Ordinary Share on 3 August 2010, being the last practicable date prior to the publication of this document.

The consideration represents a discount of approximately 17 per cent. to the unaudited holding value attributed to the EPIC Private Equity Portfolio in the reported NAV of EPIC as at 31 January 2010.

The cash element of the consideration for the Acquisition will be funded through cash provided by ESD, a special purpose vehicle formed by European Secondary Development Fund IV, LP, in return for ESD's participation in the Fund which will hold the Combined Portfolio.

4. Purchase of Ordinary Shares

It is proposed that the Board be authorised to purchase in the market up to 7,722,915 issued Ordinary Shares, equivalent to up to 25 per cent. of the Enlarged Issued Ordinary Share Capital. Any purchase of the Ordinary Shares will be made subject to the Act and in accordance with the Articles, the special resolution passed by Shareholders of the Company authorising such purchase and guidelines established from time to time by the Board. The Ordinary Shares purchased by the Company shall be treated as cancelled on purchase and the nominal amount of the Company's issued share capital shall be diminished by the nominal value of the cancelled Ordinary Shares accordingly.

In accordance with Section 13 of the Isle of Man Companies Act 1992, the authority granted by Shareholders must specify a maximum price payable. This has been set at £5 per Ordinary Share but purchases of the Shares will only be made for cash at prices well below the estimated NAV per Share at the relevant time and

where the Board believes such purchases will enhance Shareholder value and/or earnings per Ordinary Share.

The Board recognises that the payment of sums to effect such repurchases will diminish funds available for investment but believes that addressing the imbalance between the market price for the Ordinary Shares and the NAV is a priority. Any such purchase will only be made on a basis which would enhance the NAV per Share.

The authority to purchase Ordinary Shares will expire 18 months after the date on which the authorising resolution is passed. The Company may seek the renewal of the authority to purchase its Ordinary Shares at the Annual General Meeting of the Company in 2011 or at any earlier General Meeting of the Company. Ordinary Shares cannot be purchased by the Company in the two month period immediately preceding the announcement of the Company's interim and annual results or, if shorter, the period from the end of the Company's financial period up to and including the time of the relevant announcement, unless a dispensation to deal has been granted by the London Stock Exchange. The Company will seek to obtain a dispensation in each such close period if circumstances allow.

5. Cancellation of Share Premium Account of the Company

Following the issue of the New Ordinary Shares, the Company will have approximately £2,212,516 standing to the credit of its share premium account. To increase the distributable reserves available for dividends and for the purposes of repurchasing the Ordinary Shares, the Board also proposes that, subject to obtaining the Shareholder approval referred to below, the Company will apply to the Court to confirm the cancellation and transfer of the amount standing to the credit of the share premium account of the Company to a new distributable reserve out of which repurchases of Ordinary Shares may be made.

As the price of any purchases cannot be identified at this stage and to provide flexibility for purchases under any future renewal of the buyback authority, the Directors are seeking Shareholder and Court approval for the cancellation of the entire sum standing to the credit of the share premium account following completion of the Acquisition.

The Court may decide in its discretion whether to confirm the cancellation and will need to be satisfied that the interests of the Company's creditors will not be prejudiced as a result of the cancellation. The Company will take such steps in that regard as it deems appropriate and as required by the Court.

It is expected that the cancellation of the amount standing to the credit of the share premium account should become effective as soon as possible after the Court Order confirming the cancellation comes into effect, estimated to be within eight weeks of the passing of the resolution by Shareholders.

6. Investment strategy

The Company is a private equity investment company advised by EPE and focused on investing in small and medium-sized special situation transactions and distressed companies in the United Kingdom. The acquisition by the Fund of both the EPIC Private Equity Portfolio and the ESO Portfolio will unite EPE's investment discipline across special situations, distressed, growth and buyout transactions. Going forward, the Company will seek to target all these types of transaction, making investments where it believes that pricing is attractive and the opportunity for value creation is strong.

When sufficient financial resources are available, the Company will seek to invest between £2 million and £10 million in a range of debt and equity instruments with a view to generating returns through both yield 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 £5 million, the Company may seek co-investment from third parties, either from large existing Shareholders or, from time to time, non-Shareholders.

The Company will consider most industry sectors and shareholding structures utilising the Investment Adviser's experience in the consumer, retail, manufacturing, financial services, healthcare, support services and media industries.

Following the Acquisition, the Company intends to support the development of the Combined Portfolio through the Fund. The Investment Adviser considers that current market conditions provide opportunities to make bolt-on acquisitions at favourable values to enhance the value of existing investments.

The Board and, in relation to the Fund, the advisory committee of the Fund (as described in Part VIII), will manage any conflicts of interest and related party matters accordingly.

In the current credit environment, the Company recognises that bank syndicated lending is scarce. Therefore, the Company is targeting investments with minimal leverage requirements and, in particular, the acquisition of distressed and undervalued companies with high quality assets and sustainable business models in which value is created through restructuring and recovery rather than through financial engineering.

The Company will continue to target the following types of investments:

- (i) Special situations where the Investment Adviser believes that assets are undervalued due to specific, event-driven circumstances. Target companies may or may not be distressed as a result of the situation. The Investment Adviser will aim to use its restructuring and refinancing expertise to resolve the situation and achieve a controlling position in the target company.
- (ii) Distressed companies where asset-backing may be available and the opportunity exists for recovery and significant upside. These transactions may involve target companies with a substantial asset base providing the Company with considerable downside protection. The Company will seek to acquire distressed debt, undervalued equity or the assets of target businesses in solvent or insolvent situations.
- (iii) Public companies (as described in the Placing and Open Offer circular of the Company June 2009), either backing management to acquire and de-list the company or buying ordinary equity in a listed business. The Company may consider making investments in a number of smaller companies, primarily ones whose shares are admitted to trading on AIM, being companies with a market capitalisation in the region of £1 million to £5 million. It is anticipated that these transactions would involve the acquisition of the entire issued share capital of the target companies. The Company may offer Ordinary Shares as all or part of the consideration for such investments.

Following the Acquisition and when sufficient financial resources are available, the Company intends to expand its current investment strategy by also targeting investment in growth, buyout and pre-IPO opportunities, in order to fully utilise EPE's investment experience, contacts and ability.

Any new investments (other than follow-on investments in the Combined Portfolio) made in the future by ESO will be through ESO Investments in which ESO is the sole investor. On realisation of the Fund and any future investments held in ESO Investments, ESO may seek to return capital to shareholders.

As part of the Proposals, Shareholders are requested to approve this revised investment strategy.

7. Arrangements with EPE

As part of the Proposals, the arrangements with the Investment Adviser, EPE, will be updated to reflect the revised structure through which the Company holds its investments.

Further details of these changes are set out in Part IX.

8. Details of new Fund and structure

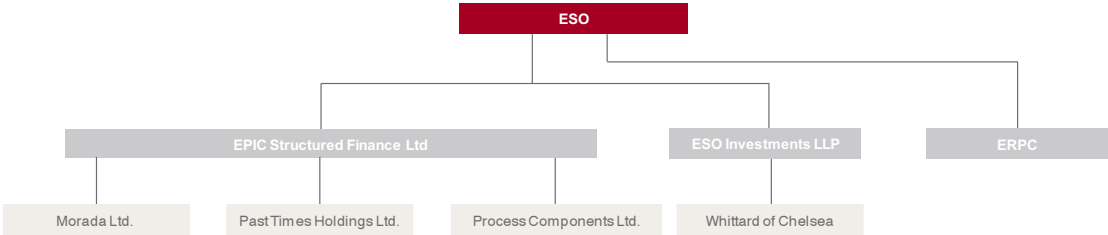
Present investment structure

At present, the Company holds its equity investments in Morada Limited and Past Times Trading Limited directly whilst its debt investments in the two companies are held indirectly through EPIC Structured Finance Limited ("ESF"), a wholly-owned subsidiary of the Company. ESF also holds the Group's debt and equity interests in Process Components Limited.

ESO Investments LLP, a limited liability partnership of which the Company is a member, currently holds the equity and debt investments in Whittard of Chelsea.

Additionally, EPIC Reconstruction Property Company II Limited (“**ERPC**”), a wholly-owned subsidiary of the Company, currently holds one commercial property with a value of £484,310. The property is secured by a mortgage of £484,310 in favour of Commercial First Mortgage Limited and accordingly, the investment is held by ERPC at a net book value of zero.

The current investment structure of the Group is outlined in the summary form diagram below:



Further details of ESO’s current portfolio of investments are set out in Part V

Investment structure following Completion

It is envisaged that, pursuant to an intra-group transfer agreement, ESF will transfer its assets (including its debt and equity investments in Process Components Limited but excluding its debt investments in Morada Limited and Past Times Holdings Limited) and liabilities to the Company.

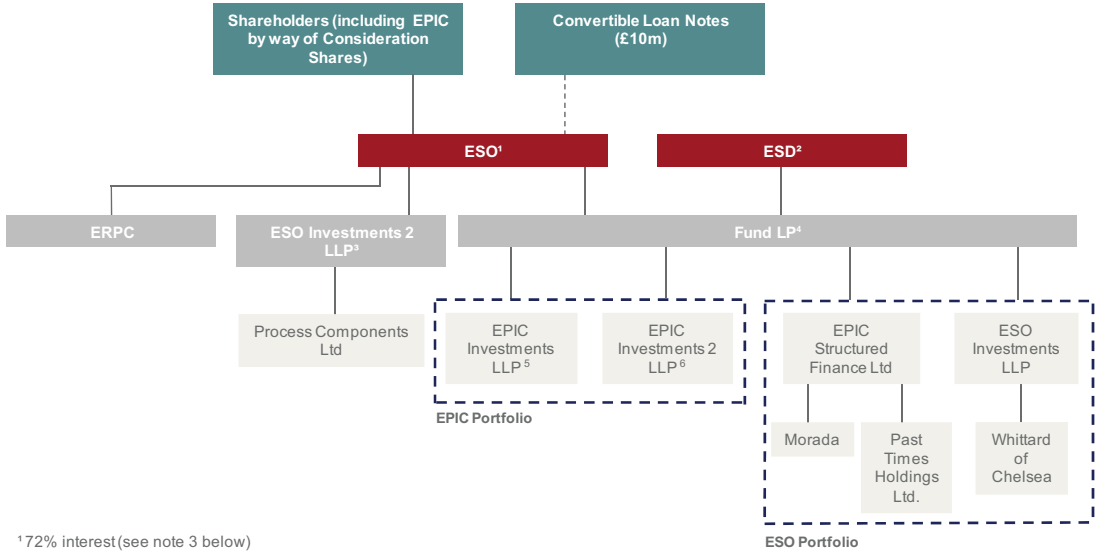
As part of the Reorganisation it is proposed that the Company contributes to the Fund, as part consideration for its limited partner interest in the Fund:

- (i) its entire shareholding in ESF and the debt investments held by ESF; and
- (ii) its equity interests in Past Times Holdings Limited, Morada and ESO Investments LLP.

ERPC will remain a wholly-owned subsidiary of the Company following Completion.

The Company also proposes to transfer its equity and debt investments in Process Components Limited to ESO Investments in which the Company is a member and through which all future investments (other than follow-on investments in companies in the Combined Portfolio) will be made by the Company.

The following structure diagram represents in summary form the manner in which the Company will hold its investments following Completion:



¹ 72% interest (see note 3 below)
² 28% interest (see note 3 below)
³ A newly established limited liability partnership of which ESO is a member, in which all future ESO investments will be held
⁴ The share of the economic interest of the Fund will be apportioned between ESO and ESD according to the Limited Partnership Agreement as described further in Part VIII of this document
⁵ Nexus Industries Holdings Limited, Palatinat Schools Holdings Limited, Pinnacle Regeneration Group Limited, Bighead Holdings Limited, Ryness Holdings Limited, Indicia Limited and Pharmacy2U Limited
⁶ Hamsard 3099 Limited and Driver Require Holdings Limited

The transfer of the Combined Portfolio to the Fund reduces the Board's level of control over individual investments in the Fund, including control over any decision on follow-on investments and realisation of such investments, from that which the Board has previously exercised. However, the Board believes that, having regard to the controls retained by ESO (as further described in Part VIII), it still maintains sufficient control over its investment in the Fund to properly exercise its duties. The Board further believes that the advantages flowing from the formation of the Fund and the ESD Investment should outweigh this reduction of control. The Board's control over its investments held outside the Fund (for example, Process Components Limited and any investments to be made through ESO Investments) will be unaffected by the changes.

9. Dividend policy

The Board did not recommend a dividend for the financial year ended on 31 January 2010. The Board will review its dividend policy periodically and also evaluate distributing excess capital by way of share buy backs and/or special dividends as and when capital is returned to the Company.

10. Valuation methodology

The Company currently values its investments with reference to the BVCA guidelines which state that portfolio companies should be valued on an EBITDA multiple basis using publicly quoted comparables and/or transaction comparables, then discounting the equity value by an appropriate percentage to account for marketability considerations. Cost may be considered as fair value in some cases but assets will always be held at fair value and the value of such assets will be reviewed periodically to ensure that such is the case.

The Company intends to announce estimated NAV per Ordinary Share on a monthly basis following a review of the valuation of the Company's investments by the Board. The Company has always endeavoured to comply with industry-standard guidelines and, as the Fund will be applying the International Private Equity and Venture Capital Valuation Guidelines, for consistency the Board will consider adopting those guidelines going forward. The Company believes that there is unlikely to be any material effect on valuation as a result of such a change.

11. Corporate governance

As an Isle of Man registered company and under the AIM Rules, the Company is not required to comply with the Corporate Governance Code. The Directors, however, place a high degree of importance to ensuring that the Company maintains high standards of corporate governance and have therefore adopted the spirit of the Corporate Governance Code to the extent that they consider appropriate, taking into account the size of the Company and nature of its operations.

The Company's corporate governance framework is set out in its most recent Annual Report and Accounts dated 24 May 2010. In summary, the Board holds at least four meetings annually and has established audit and investment committees, members of which include all the Directors. The Board does not intend to establish remuneration and nomination committees given the current composition of the Board and the nature of the Company's operations. The Board reviews the remuneration of the Directors annually and agrees on the level of Directors' fees.

12. Current trading and future prospects

The Company announced its audited results for the year ended 31 January 2010 on 24 May 2010. For the full financial year ended 31 January 2010 the Company had total gross income of £1.4 million which translated into a net loss for the Company of £0.3 million. NAV per Ordinary Share was 72.89 pence as at 31 January 2010.

The Company had an unaudited cash balance of £4 million as at 30 June 2010.

The Company's existing portfolio continues to perform much in line with expectations, with certain investments demonstrating the prospect for significant upside. The Fund and the Company will seek to exit the smaller investments and continue to identify potential bolt-on opportunities for the remainder of the Combined Portfolio. All portfolio companies are subject to the vagaries of the market place and the Directors

have applied a write-down policy as appropriate. The ongoing challenging economic conditions are expected to provide interesting opportunities for possible new investments.

13. Duration of the Company

Private equity is a long term asset class historically having a typical average holding period of around five years per portfolio company. The types of investments which the Company makes typically need some time to develop and create shareholder value, particularly in current market conditions. Therefore, if the Proposals are approved by the Shareholders, the Board considers it appropriate for the Company to provide a period of certainty for the build-up, development and realisation of the Combined Portfolio to be held in the Fund. The initial term of the Fund agreed with ESD is five years, with a possibility of extension for up to a further two years subject to the agreement of the General Partner and limited partners holding 75 per cent. or more of the Fund.

To align the duration of the Company with the Fund, the Board therefore proposes that an ordinary resolution be proposed to Shareholders in September 2015 for the Company to continue in existence for a further five years. If that resolution is not passed, the Board will be required to submit proposals for the winding up of the Company by no later than 31 December 2016. Assuming continuation is approved, a similar resolution will be proposed every five years after 30 September 2015.

14. Extraordinary General Meeting

Set out at the end of this document is the Notice convening the Extraordinary General Meeting to be held at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP on 27 August 2010 at 10.00 a.m. at which the Resolutions described below will be proposed:

1. An ordinary resolution to approve the Proposals.
2. An ordinary resolution to increase the authorised share capital of the Company from £1,650,000 to £2,250,000 by the creation of 12,000,000 new Ordinary Shares of 5 pence each.
3. A special resolution to grant the Company authority to make market purchases of up to 7,722,915 Ordinary Shares of 5 pence each (representing up to 25 per cent. of the Enlarged Issued Ordinary Share Capital).
4. A special resolution to approve the cancellation of the amount standing to the credit of the Company's share premium account following the allotment and issue of the New Ordinary Shares and subject to approval by the Court.

The quorum for the Extraordinary General Meeting is two persons entitled to attend and to vote on the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporation which is a member. On a show of hands, each holder who is present in person or (being a corporation) by a duly authorised representative has one vote. On a poll, each holder who is present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for every Ordinary Share held. In order to be passed, the special resolutions must be passed by a majority consisting of not less than three-quarters of the total number of votes cast for and against such resolutions whilst the ordinary resolutions require only a simple majority of the total number of votes cast for and against such resolutions.

15. Action to be taken in respect of the Extraordinary General Meeting

A Form of Proxy for use at the Extraordinary General Meeting accompanies this document. The Form of Proxy should be completed and signed in accordance with the instructions thereon and returned to the Registrars at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP as soon as possible, but in any event so as to be received by no later than 10.00 a.m. on 25 August 2010. The completion and return of a Form of Proxy will not preclude a Shareholder from attending the Extraordinary General Meeting and voting in person should he or she so wish.

16. Re-admission

Application will be made for the Enlarged Issued Ordinary Share Capital to be admitted to trading on AIM in accordance with the AIM Rules for Companies. Following shareholder approval of the Proposals, trading in the existing Ordinary Shares on AIM will be cancelled. It is expected that Admission will be effective and dealings in the Existing Ordinary Shares will re-commence on 31 August 2010 and in New Ordinary Shares on 31 August 2010.

As AIM is primarily a market for equity securities, the Convertible Loan Notes are unlikely to be admissible to trading on that market. However, having consulted with PLUS, an independent recognised investment exchange, the Directors believe that the Convertible Loan Notes would be eligible for admission to the "PLUS-quoted" segment of PLUS if there is a market for the Convertible Loan Notes to be floated freely. This will not be the case upon Completion as EPIC will hold 100 per cent. of the Convertible Loan Notes. The Directors therefore intend to seek such admission of the Convertible Loan Notes to PLUS or another appropriate investment exchange on or before 31 July 2011, being the termination date of EPIC.

17. Related party transactions

Under the Acquisition Agreement, the Fund is acquiring minority interests in EPIC 1 and EPIC 2 from EPIC Carry LLP and EPIC Carry 2 LLP (representing carried interest entitlements of up to 20 per cent. of the income and gains of EPIC 1 and EPIC 2, subject to satisfaction of certain performance conditions) both of which are limited liability partnerships in which members of the Investment Adviser's team are participants. As consideration for their minority interests, each of EPIC Carry LLP and EPIC Carry 2 LLP will be entitled to receive nominal cash consideration of 2 pence.

EPE Carry LP, a limited partnership in which members of the Investment Adviser's team are participants, will make a capital contribution of £50 for a founder partner interest in the Fund. EPE Carry LP will be entitled to receive, in respect of its founder partner interest, certain income and realisation proceeds received by the Fund on the disposal of investments in the Combined Portfolio as described in "Distributions" in Part VIII.

Similarly, ESO Carry LP, a limited partnership in which members of the Investment Adviser's team are participants, will make a capital contribution of £50 for a founder partner interest in ESO Investments. Under the members' agreement constituting ESO Investments, EPE Carry LP will be entitled to receive Carried Interest equivalent to 20 per cent. of the income and gains from the realisation of the portfolio of investments in ESO Investments, subject to satisfaction of a hurdle rate of return.

As noted in Part IX, the Investment Adviser will also be issued the EPE Shares, comprising 769,781 new Ordinary Shares, in respect of its services provided in relation to the structuring of the Acquisition and formation of the Fund.

In light of the above, EPE, as the Company's investment adviser, is considered a related party under the AIM Rules by virtue of its interests in EPIC Carry LLP, EPIC Carry 2 LLP and EPE Carry LP, and therefore, the Acquisition, the Reorganisation and issue of EPE Shares constitute related party transactions. In this regard, the Directors consider, having consulted with Numis, that the terms of the Acquisition, the Reorganisation and the issue of EPE Shares are fair and reasonable so far as Shareholders are concerned.

EPIC has been a Shareholder since the Company was formed and is currently the holder of 2,612,178 Ordinary Shares, which represent approximately 9.84 per cent. of the Existing Ordinary Shares of the Company. Although EPIC is not currently a related party, it will be considered to be so upon the issue of the Consideration Shares as it will then hold approximately 20.11 per cent. of the Enlarged Issued Ordinary Share Capital.

EPIC has irrevocably agreed to exercise all votes attaching to the Ordinary Shares currently held by it in favour of the Resolutions.

Mr. Giles Brand is currently the holder of 2,400,000 Ordinary Shares representing approximately 9.04 per cent. of the Existing Ordinary Shares of the Company. Mr. Brand also holds the majority of membership interests in EPE and, as a result, upon the issue of EPE Shares, he will be interested in

approximately 10.26 per cent. of the Enlarged Issued Ordinary Share Capital of the Company. Under the AIM Rules, Mr. Brand will only be regarded as a related party upon issue of the EPE Shares.

Mr. Brand has irrevocably agreed to exercise all votes attaching to the Ordinary Shares currently held by him in favour of the Resolutions.

Further details of EPE's arrangements in respect of ESO Investments and the Fund are summarised in Parts VIII and IX respectively.

18. Conflicts of interest

Your Board is conscious that the Proposals raise a number of conflicts of interest emanating from the longstanding relationship between the Company, EPIC and their respective advisers and managers. It is satisfied that these conflicts of interest have been addressed and managed appropriately.

19. Irrevocable undertakings

The Company has received irrevocable undertakings and letters of intent to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting from certain shareholders holding, in aggregate, 15,013,208 Ordinary Shares representing approximately 56.6 per cent. of the Company's existing issued ordinary share capital.

EPIC has received irrevocable undertakings to vote in favour of the resolution to approve the Acquisition from certain Capital Shareholders holding, in aggregate, 20,863,000 Capital Shares representing approximately 51.8 per cent. of EPIC's existing issued Capital Shares.

20. Recommendation

The Directors consider, having consulted with Numis, the terms of the Acquisition and other Proposals to be fair and reasonable insofar as the Shareholders are concerned and, accordingly, unanimously recommend Shareholders to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

Mr. Wilson and I intend to exercise our voting rights in favour of the Resolutions in respect of our shareholdings in the Company totalling 60,000 Ordinary Shares representing approximately 0.2 per cent. of the Company's existing issued ordinary share capital.

Yours faithfully

Geoffrey Vero
Chairman

PART II

OVERVIEW OF THE PROPOSED TRANSACTION

1. Introduction

The Company proposes to acquire a majority interest in the Fund through which the EPIC Private Equity Portfolio will be acquired from EPIC, a diversified investment company listed on the Official List and traded on the London Stock Exchange. The EPIC Private Equity Portfolio consists of investments in nine UK-based small and medium sized enterprises operating across eight sectors. The agreed total consideration for the EPIC Private Equity Portfolio is valued at £22 million, which represents a discount of approximately 17 per cent. to the unaudited holding value attributed to the EPIC Private Equity Portfolio in the reported NAV of EPIC as at 31 January 2010. The consideration for the Acquisition comprises:

- £10 million of cash;
- Convertible Loan Notes with a nominal value of £10 million; and
- Consideration Shares with a value of £2 million at a price of 55.86 pence per Ordinary Share.

Please see Part VII for further details of the Convertible Loan Notes.

2. Your Board's Rationale for the Acquisition

The EPIC Private Equity Portfolio comprises a portfolio of private equity assets at an attractive valuation

The Directors believe that the Acquisition represents an important opportunity to acquire an interest in a diversified portfolio of mature private equity investments at an attractive price. In particular, they believe that:

- the combined budget EBITDA of the companies comprising the EPIC Private Equity Portfolio is £14.8 million (compared with the combined budget EBITDA of the Company's existing portfolio of £3.9 million);
- total consideration for the EPIC Private Equity Portfolio is valued at £22 million, which represents a discount of approximately 17 per cent. to the unaudited holding value attributed to the EPIC Private Equity Portfolio in the reported NAV of EPIC as at 31 January 2010; and
- eight of the nine portfolio companies are held at cost: it is the view of the Investment Adviser that potential upside to the current holding value exists within the EPIC Private Equity Portfolio.

The Directors have engaged an independent adviser to comment on the valuation of the EPIC Private Equity Portfolio. It is the view of that independent adviser that the current holding values of the EPIC Private Equity Portfolio are appropriate.

Although no valuation has been carried out on the EPIC Private Equity Portfolio since February 2010, the Directors believe that as the investments within the EPIC Private Equity Portfolio mature, there is potential that significant additional value will be realised.

The Enlarged Group will represent a longer-term private equity vehicle with increased scale and diversification

- The addition of an interest in nine new portfolio companies across eight sectors provides significant diversification of the Company's investment portfolio (currently invested in three sectors with concentration in retail).
- The Acquisition will increase the gross asset value of the Company from £20.3 million to £32.4 million upon Admission.

- Increased scale has the potential to improve liquidity for Shareholders and reduce the share price discount.
- The Directors believe that the increased scale of the Company has the potential to provide greater opportunities to raise new capital for investments.

The Acquisition is expected to enhance returns to existing ESO shareholders

The Directors believe that the Reorganisation and the Acquisition has the potential to enhance the returns attributable to existing Shareholders when compared to the returns available to existing Shareholders from the existing portfolio of investments held by ESO.

The Acquisition structure introduces a new and supportive funding partner

- ESD is providing £10 million of cash to fund part of the Acquisition.
- ESD will invest £10 million at the theoretical valuation of the Combined Portfolio of £35.2 million which minimises dilution to existing Shareholders.
- ESD and ESO have committed to provide up to, in aggregate, £2.8 million of follow-on funding in proportion to their interest in the Fund in order to support the development of the Combined Portfolio.

For more information on the limited partnership agreement constituting the Fund and the structure of the ESD Investment please see Parts VI and VIII.

The Acquisition involves minimal integration risk

The same Investment Adviser manages or advises on all thirteen portfolio companies (the four existing portfolio companies of ESO and the nine portfolio companies of EPIC). This should minimise integration risk.

The interests of the Investment Adviser are aligned with the interests of the Shareholders

Employees of the Investment Adviser currently hold approximately 10 per cent. of the existing Ordinary Shares and therefore the Board considers that there is a strong alignment of interest between the employees of the Investment Adviser and Shareholders.

3. EPIC's reasons for sale of the EPIC Private Equity Portfolio

EPIC has a three-tier capital structure:

1. ZDPs
2. Income Shares
3. Capital Shares

The holders of Capital Shares of EPIC voted against a continuation resolution on 29 December 2008, thereby seeking closure of the company and a return of all capital, setting a termination date of 31 July 2011. The ZDPs and Income Shares, comprising the senior tranches of equity, have specific redemption values and the board of directors of EPIC has stated that it is its priority to have those redemption values, due on the termination date, backed by liquid (cash and cash equivalents) and semi-liquid (listed or quoted securities) assets. Currently, the redemption value of the ZDPs is fully covered by a combination of liquid and semi-liquid assets whilst the redemption value of the Income Shares is only partially covered by liquid and semi-liquid assets and dated loan stock (loans due to mature within the life of EPIC) with approximately 50 per cent. being made up of illiquid (private equity assets and other unlisted specialist funds) assets. Therefore, the Company has a funding requirement which must be met by 31 July 2011.

As the EPIC Private Equity Portfolio accounts for approximately 90 per cent. of EPIC's illiquid assets, the disposal of the EPIC Private Equity Portfolio will result in a significant reduction in EPIC's illiquid assets with an increase in its liquid and semi-liquid assets. This will ensure that on completion the redemption

obligation in respect of the ZDPs will be fully covered by liquid assets and the Income Shares will be fully covered by liquid and semi-liquid assets and dated loan stock (due to be repaid before the termination date of EPIC).

Given the current market and the funding obligation to the Income Shares, the realisation of the EPIC Private Equity Portfolio increases certainty for EPIC and its shareholders.

4. Transaction Structure

The consideration due to EPIC under the Acquisition Agreement is valued at £22 million and comprises £10 million of cash, Consideration Shares with a value of £2 million (issued at a price of 55.86 pence per Ordinary Share) and Convertible Loan Notes with a nominal value of £10 million.

It is envisaged that, on the winding up of EPIC at the end of July 2011, the Consideration Shares and the Convertible Loan Notes will be distributed to the Capital Shareholders by way of an *in specie* distribution on a *pro rata* basis. It is intended that Capital Shareholders will at that time have the option to elect either to have their *pro rata* entitlement to Consideration Shares and Convertible Loan Notes sold or placed in the market by EPIC, with the cash proceeds being distributed to them, or to receive their *pro rata* entitlement to the *in specie* distribution of the Consideration Shares and Convertible Loan Notes.

The Consideration Shares will be subject to a lock-in until 31 July 2011 and thereafter will be subject to orderly marketing requirements so long as such Consideration Shares are held by EPIC or 31 July 2012, if earlier.

In connection with the Acquisition, ESO proposes transferring or procuring the transfer of the ESO Portfolio to the Fund in which it will have a 72 per cent. limited partner interest. The Fund will also admit ESD as a limited partner with a 28 per cent. interest in return for a capital contribution to the Fund of £10 million in cash. ESD will invest £10 million at the theoretical valuation of the Combined Portfolio of £35.2 million which minimises dilution to existing Shareholders.

The £10 million capital contribution will be used by the Fund to finance the cash consideration due under the Acquisition Agreement. ESO will also transfer to the Fund the ESO Portfolio. The unaudited net asset value of the Fund following Completion will be £35.2 million (being the consideration of £22 million for the EPIC Private Equity Portfolio and the unaudited net asset value of £13.2 million of the ESO Portfolio, as at 30 June 2010).

Further details of the distribution of income and realisation proceeds received by the Fund on the disposal of investments are set out in Part VIII.

Any future investments (other than follow-on investments in companies in the Combined Portfolio) made by ESO are not expected to be made through the Fund. Instead, any such future investments will be made by ESO through ESO Investments in which ESO is the sole investor.

Any material changes to the Fund will require unanimous consent from Fund's investors including in respect of any changes to its investment strategy and purpose, duration and investment period and fees and carried interest and any admission of additional investors to the Fund. Both ESD and ESO will be represented on the advisory committee of the Fund.

EPIC and ESO have agreed to share the total costs and expenses associated with the Acquisition and the formation of the Fund as to 40 per cent. by EPIC and the balance by ESO. ESO's share of the costs and expenses is expected to be approximately £750,000 (excluding VAT).

Details of the Convertible Loan Notes to be issued to EPIC are set out in Part VII and further details of the Fund appear in Part VIII.

Information on European Secondary Development Fund IV, LP

European Secondary Development Fund IV, LP is a limited partnership established in 2007 under the laws of the Bailiwick of Guernsey with committed capital of EUR353.7 million. European Secondary

Development Fund IV, LP's investment focus is the purchase of secondary positions in existing private equity investments, primarily in Europe. The ARCIS Group acts as specialist investment adviser to European Secondary Development Fund IV, LP. Founded in 1993, the ARCIS Group is headquartered in Europe, with offices in London, Paris and New York.

Investment Adviser

The business of EPE was founded in 2001 as part of EPIC Investment Partners LLP. Following the restructuring of EPIC's investment management arrangements in 2006, EPE is now a privately owned partnership made up of investment professionals from investment banking, accounting and consulting backgrounds and supported by specialist operating and financial partners.

EPE has significant experience in SME and distressed company investing, having arranged approximately £90 million of investment in businesses with approximately £248 million of enterprise value across 42 transactions over the last nine years (17 of which were distressed private equity transactions via ESO). EPE advises on up to £35 million of net assets in EPIC and on £19.6 million of net assets in ESO. The current combined private equity portfolio of EPIC and ESO has approximately £39 million of invested capital in businesses with an aggregate annual turnover of more than £260 million.

EPE has a disciplined approach to investing with highly evolved criteria for selecting deals and conducting due diligence. Through a large number of well established relationships, EPE has access to significant deal flow (around 250 deals are seen per annum).

Details of the terms of appointment of EPE by ESO appear in Part IX.

PART III

RISK FACTORS

This Part III addresses certain risks to which the Company, the Investment Funds and the Combined Portfolio are exposed which could adversely affect the business, results of operations, cash flow, financial conditions, turnover, profits, assets, liquidity and capital resources of the Company, the Investment Funds and/or the Combined Portfolio. Prior to voting on the Proposals, Shareholders should consider these risks fully and carefully, together with all other information set out in this Admission Document. The following risks are those material risks of which the Directors are aware. Additional risks not currently known to the Directors, or which the Directors currently view as immaterial, may also have an adverse effect on the Company, the Investment Funds and/or the Combined Portfolio. If any of the risks actually occur, the Company's business, financial conditions and/or results of future operations could be materially adversely affected. In such circumstances, the value of the Ordinary Shares could decline and a Shareholder may lose all or part of his, her or its investment.

You should read the whole of this Admission Document and not rely solely on the information set out in this section.

There are various risk and other factors associated with the Company, the Investment Funds and/or the Combined Portfolio.

In particular:

The Company's objectives may not be fulfilled

The value of an investment in the Company is dependent upon the Company achieving the aims set out in this document. There can be no guarantee that the Company will achieve the level of success that the Board expects. There is no guarantee or assurance or certainty that the investment objectives of the Company will be met.

Suitability of Ordinary Shares as an investment

The Ordinary Shares may not be a suitable investment for all recipients of this document. Before making a decision, investors are advised to consult an appropriate independent investment adviser authorised through FSMA who specialises in advising on investments of this nature. The value of Ordinary Shares can go down as well as up and investors may get back less than their original investment.

Dilution of ownership of existing Ordinary Shares upon conversion of the Convertible Loan Notes

Ordinary Shareholders bear the risk of meaningful dilution on or before 31 December 2015, if and when the holders of £10 million Convertible Loan Notes elect to convert into Ordinary Shares at an initial price of 170 pence nominal value of Convertible Loan Notes per Ordinary Share.

The Company's investments

The Combined Portfolio comprises equity interests in, and debt owed by, unquoted private companies which may be difficult to value and/or realise.

The future success of the Company is dependent upon the performance of the Combined Portfolio and the identification and acquisition of suitable investment opportunities. There can be no guarantees that such investments can or will be acquired or that its current or future investments will be successful.

The Company has invested and may invest in distressed and insolvent companies which have experienced significant operating issues and may have associated financial distress, including companies involved in insolvency proceedings. Although such purchases may result in significant returns, they involve a substantial degree of risk and may not show any return for a considerable period of time. A successful turnaround of an

investee company and/or the circumstances in which the rights attaching to a debt investment to convert such investment to equity may not be achieved. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant operating issues and associated financial distress is unusually high. Whilst the Investment Adviser seeks to minimise credit risk and undertake due diligence (as considered appropriate) prior to the Company making an investment, there is no assurance that the Investment Adviser will correctly evaluate the nature and magnitude of the various factors that will affect the prospects for a successful reorganisation or similar action. In any reorganisation or liquidation proceeding relating to a company in which the Company invests, it may lose its entire investment, may be required to accept cash or securities with a value less than its original investment, or be liable to indemnify a lender for losses suffered. These matters could have a material adverse effect on the performance of the Company.

Additionally, it is frequently difficult to obtain accurate information, indeed such information may not exist, as to the condition of such entities. Such investments also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payment, lender liability and the courts' power to disallow, reduce, subordinate or disenfranchise particular claims. As a result, the Company may have difficulties in valuing or liquidating positions which could have a material adverse effect on its performance.

Investors should be aware that the Company may seek to leverage its activities. Although the use of leverage may increase the return on investments, it also creates greater potential for loss.

The Company's investments in distressed businesses could subject the Company to an increased risk of loss

Significant risks associated with distressed companies include:

- such companies generally have less predictable operating results;
- such companies may have highly indebted capital structures that make them more vulnerable to adverse financial or business developments than less highly indebted companies and they may be at a heightened risk of breaching financial covenants under any financing arrangements to which they are party;
- such companies may be exposed to substantial litigation with less resources to contest claims than more stable companies;
- such companies are generally dependent on the management talents and efforts of a small group of persons. The death, disability, incapacity or resignation of one or more of those persons could have a material adverse impact on their business and prospects and the investment made.

Such risks could lead to the partial or total loss of the Company's investment in an investee company and there can be no assurance that any such losses will be offset by gains realised on the Company's other investments.

Ongoing effects of the economic downturn

It remains difficult to forecast what impact the recession will have on the performance of the Company's portfolio companies. Whilst the economic climate is undoubtedly one of uncertainty, considerable effort continues to be taken by the Investment Adviser to position the portfolio companies to cope with the current challenging climate.

Valuation of the Company's portfolio

The Company's portfolio comprises interests in unquoted private equity assets. In the absence of a traded market for these assets, determining appropriate portfolio valuation is difficult. BVCA guidelines state that portfolio companies should be valued on an EBITDA multiple basis using publicly quoted comparables and/or transaction comparables, then discounting the equity value by an appropriate percentage to account

for marketability considerations. It is then possible to determine on a case by case basis whether it makes more sense to value the investment at “cost” or “fair value”. If there is sufficient evidence that the value at which the investment is held needs review, fair value is applied. All investments in the portfolio are valued with reference to the aforementioned methodology but also having regard for ongoing volatile market conditions and credit restraints.

Market information and nature of Ordinary Shares

The market value of the Ordinary Shares, as well as being affected by the Company’s NAV and the results of its portfolio of investments, will take into account their dividend yield and prevailing interest rates. As such, the market value of an Ordinary Share may vary considerably from the prevailing NAV per Ordinary Share. Potential investors should be aware that the value of shares can rise or fall and that there may not be proper information available for determining the market value of an investment in the Company at all times. An investment in a share which is traded on AIM, such as the Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all or part of his/her investment.

The Company has very limited ability to redeem or transfer its investment in the Fund

Substantially all of the Company’s funds will be invested in the Fund. Pursuant to the terms of the Limited Partnership Agreement, without the consent of the General Partner the Company may not transfer or redeem its interest in, or otherwise withdraw from, the Fund. If a material adverse event occurs in relation to the Company or the market generally, the ability of the Company to avoid or mitigate further adverse exposure is limited by its limited ability to redeem its interest in, or otherwise withdraw from, the Fund. This could have a materially adverse effect on the value of Ordinary Shares and the ability of investors to dispose of their Ordinary Shares at a satisfactory price or at all.

Failure by service providers to the Company and the Investment Funds to perform their obligations could materially disrupt or damage the business of the Company with adverse effects on its business or performance

The Company and the Investment Funds have no employees and rely upon the performance of third-party service providers to perform their executive functions. In particular, the Company and ESO Investments are reliant on advice provided by the Investment Adviser and the Fund is reliant on the General Partner and EPE. In particular, the Company’s performance is likely to be dependent on the effectiveness of the General Partner’s management of the Fund’s investments, on the effectiveness of the Investment Adviser in the provision of the investment management services to the General Partner and advisory services to the Company and ESO Investments. Failure by any service provider to carry out its obligations to the Investment Funds in accordance with the terms of its appointment without exercising due care and skill, or to perform its obligations to the Investment Funds at all as a result of insolvency or other causes could have a materially adverse effect on the Investment Funds’ performance and returns to the Company. The termination of any relationship between any of the Investment Funds and any third-party service provider, or any delay in appointing a replacement for such service provider, could materially disrupt the business of the relevant Investment Fund and could have a material adverse effect on such Investment Fund’s performance and returns to the Company.

The Company’s performance may be adversely affected should certain individuals cease to provide their services to the Investment Funds and/or the Company

The success of the Investment Funds and, in turn, the Company depend on the diligence, skill and business contacts of the General Partner, in particular, of Giles Brand. Consequently, in the event that Giles Brand ceases to be actively involved in the management of EPE, each of the Company and ESD has the right to remove the General Partner as the general partner of the Fund.

In addition, the success of the Company and the Investment Funds will depend upon the effectiveness of the Investment Adviser providing its services, which in turn will depend on the continued service, in their

respective positions, of certain individuals, principally Giles Brand. The Company cannot predict the impact that any such departures would have on the Investment Funds' and, in turn, the Company's ability to achieve its investment objectives. The departure of any of these individuals for any reason, or the failure to appoint qualified or effective successors in the event of such departures, could have a material adverse effect on the performance of the Investment Funds and returns to the Company.

Share Price Volatility and Liquidity

The market price of the Ordinary 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 Group's interim or full year operating results and business developments of the Group and/or competitors. The market price of the Existing Ordinary Shares may not reflect the underlying value of the Group and it is possible that the market price of the Ordinary Shares will trade at a discount to NAV. Potential investors should be aware that the value of shares and the income from them can go down as well as up and that investment in a share which is traded on AIM might be less realisable and might carry a higher risk than a share quoted on the Official List.

An investment in the Company should be regarded as long-term in nature. Past performance of similar investments is not necessarily a guide to future performance of the Company or its investments.

Payment of dividends

There is no guarantee that the future distributable profits of the Company, before or after the servicing of interest due on the Convertible Loan Notes will be sufficient to allow dividends to be paid.

Taxation

The Company has been advised that the tax treatment of its operations should be as described in this document based on existing law and published practice in the Isle of Man and the United Kingdom. There can be no guarantee that the relevant taxation authorities will accept this analysis and, if they fail to do so, the Company's income and/or gains could be subject to a higher level of taxation, thus reducing the profits available for distributions and/or the NAV.

The levels of, and reliefs from, taxation may change. Any change in the tax status or tax residence of the Company, or in tax legislation or practice, may have an adverse effect on the returns available on an investment in the Company.

The European Directive on Alternative Investment Fund Managers, if implemented, may have a negative effect on marketing and liquidity generally

A draft European Directive on Alternative Investment Fund Managers ("AIFM") was published in 2009 and is the subject of negotiation. If implemented in its current form, the draft AIFM Directive would restrict the ability of a non-EU fund manager to market a non-EU Alternative Investment Fund ("AIF") to investors in the EU. As drafted, the restriction would prohibit the marketing of such funds in the EU, save where certain conditions are met. At the moment, it is not possible to establish what form the final draft AIFM Directive will take before its inception. Currently, it is proposed that the rules affecting non-EU AIFMs managing non-EU AIFs will only come into force three years after the AIFM Directive and it is expected, although not entirely clear from the draft AIFM Directive, that in the meanwhile arrangements will be governed by the local law of each EU state. Consequently, there may be restrictions on the marketing of shares issued by non-EU domiciled funds (such as Ordinary Shares in the Company) to investors in the EU, which in turn may have a negative effect on marketing and liquidity generally. The Directors propose to keep the position regarding the AIFM Directive under review, as it may impact the Company, the Investment Adviser and the Investment Funds.

Any regulatory changes arising from implementation of the AIFM Directive (or otherwise) that limit the Company's ability to market future issues of its Ordinary Shares may materially adversely affect the Company's ability to carry out its investment strategy and achieve its investment objective.

Changes in law or regulations

For regulatory, tax and other purposes, the Company and the Ordinary Shares may be treated differently in different jurisdictions. For instance, in certain jurisdictions and for certain purposes, the Ordinary Shares may be treated as units in a collective investment scheme. Moreover, in certain jurisdictions, the status of the Company and/or the Ordinary Shares may be uncertain or subject to change, or it may differ depending on the availability of certain information or disclosures by the Company. Changes in the status or treatment of the Company or the Ordinary Shares may have unforeseen effects on the ability of investors to hold the Ordinary Shares or the consequences of so doing.

The regulatory environment for funds that are similar to the Company and for the managers of similar funds is evolving. The Company is subject to laws and regulations enacted by national and local governments. Additional laws may apply to the portfolio companies in which the Company makes investments. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Any change in the laws and regulations affecting the Company or any change in the regulations affecting similar funds or private equity fund managers generally, or any failure by the Company to comply with such laws or regulations, may have a material adverse effect on the Company's ability to carry on its activity of investing, which in turn could have a material adverse effect on the Company's performance and returns to Shareholders.

Concentration of investments

Although the acquisition of the EPIC Private Equity Portfolio substantially reduces the Company's concentration in the retail sector (and in Past Times Trading Limited in particular), the Company and/or the Investment Funds may at certain times hold a relatively concentrated investment portfolio. 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.

Due diligence processes may not reveal all material facts or circumstances

Before the Company makes any investment, the Investment Adviser may undertake an information gathering exercise. The objective of this exercise is to enable the Investment Adviser to identify attractive investment opportunities based on the facts and circumstances surrounding an investment. When making an assessment regarding an investment, the Investment Adviser will rely on resources available to it, the target of the investment or, in the case of co-investments, the party with whom the Company is co-investing. Accordingly, there can be no assurance that any research and information gathering exercise carried out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful to the Investment Adviser in evaluating such investment opportunity. This could lead to an acquisition being materially overvalued, which could have a significant adverse effect on the performance of the Company.

Additionally, the due diligence undertaken in respect of these investments may be insufficient to reveal all of the past and future liabilities relating to the operations of such investee companies. Such liabilities could include liabilities arising from litigation, breach of environmental regulations, government fines, contractual liabilities and pensions deficits, amongst others. Furthermore, in some unusual circumstances the limited liability status of investee companies and/or their subsidiaries might not be upheld, and the Company could lose some or all of its investment in such companies, which could have a material adverse effect on the performance of and returns achieved by the Company. The Company will, however, typically seek to avoid exposure to such liabilities.

Illiquidity of underlying investments

The majority of investments made by the Company are expected to comprise unquoted interests in companies which are not publicly traded or freely marketable and for which a sale may occasionally require the consent of other interested parties. Such investments may therefore be difficult to value and/or realise, and their management and realisation may involve significant time and cost. The illiquidity of these investments may make it difficult to sell investments if the need arises or if the Investment Adviser determines such sale would be in the Company's best interests. In addition, if the Company were to be

required to liquidate all or a portion of an investment quickly, the Company may realise significantly less than the value at which the investment was previously recorded, which could result in a decrease in the NAV.

Shareholders will have no right of redemption and must rely, in part, on the existence of a liquid market in order to realise their investment

Whilst the Company is applying for re-admission of the Enlarged Issued Ordinary Share Capital to trading on AIM, there can be no assurance that an active market for the Ordinary Shares will ensue, or that it will be maintained. The AIM market is designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. The AIM Rules are less demanding than those applying to companies admitted to the Official List and an investment in shares traded on AIM may carry a higher risk than an investment in shares admitted to the Official List. In addition, the market in shares traded on AIM may have limited liquidity, making it more difficult for an investor to realise its investment on AIM than to realise an investment in a company whose shares are admitted to the Official List. There may be a limited number of Shareholders and this may contribute to infrequent trading on AIM. As a result, the market price of the Ordinary Shares may be more volatile than that of shares admitted to the Official List, and may not reflect the underlying value of the net assets of the Company. Investors may, therefore, not be able to sell at a price which permits them to recover their original investment and could lose their entire investment.

Shareholders will not be entitled to have their Ordinary Shares redeemed by the Company. While the Directors retain the right to effect repurchases of Ordinary Shares in the manner described in this document with a view to reducing any discount to NAV per Ordinary Share, they are under no obligation to use such powers at any time and the Shareholders should not place any reliance on the willingness of the Directors to do so. Shareholders wishing to realise their investment in the Company will therefore be required to dispose of their Ordinary Shares through trades on AIM or negotiate transactions with potential purchasers. Accordingly, Shareholders' ability to realise their investment is in part dependent on the existence of a liquid market in the Ordinary Shares and on the extent of its liquidity. Investors should not expect that they will necessarily be able to realise, within a period which they would otherwise regard as reasonable, their investment in the Company, nor can they be certain that they will be able to realise their investment on a basis that necessarily reflects the value of the underlying investments held by the Company.

The Ordinary Shares may trade at a discount to Net Asset Value

The Ordinary Shares may trade at a discount to NAV per Share for a variety of reasons, including market and liquidity concerns, the actual or expected performance of the Company, and concerns that regulatory and legislative attitudes to such funds may alter in such a way as to adversely affect the Company. There can be no guarantee that any measures put in place by the Company to mitigate any such discount will be successful or that the use of discount control mechanisms will be possible or advisable.

The Net Asset Value of the Company will fluctuate over time by reference to the performance of the Investment Funds' investments

The Company's NAV is expected to fluctuate over time with the performance of the Investment Funds' investments. Shareholders may not fully recover their initial investment upon sale of their Ordinary Shares. Moreover, valuations of portfolio investments may not reflect the price at which such investments can be realised.

Issuance of additional Ordinary Shares

Under Manx laws, to which the Company is subject, there are no rules restricting the ability of the Directors to issue additional Ordinary Shares on a non pre-emptive basis at any time. If the Directors were to issue further Ordinary Shares in the future with Shareholders' consent, this could have a detrimental effect on the market price of the Ordinary Shares.

Ordinary shares in investee companies will usually rank behind all other claims and the Fund could fail to recover all or part of its investment

The Investment Funds will hold equity securities of investee companies. Equity securities generally represent the most subordinated in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of equity securities generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available, after making interest, dividend and any other required payments in more senior securities of the issuer. Moreover, in the event of an insolvency or winding-up of a company in which any of the Investment Funds hold investments, the claims of shareholders such as the Investment Funds will rank behind all other claims. After repaying holders of more senior securities, such a company may not have any remaining assets to use for repaying amounts owed in respect of an investment by any of the Investment Funds. To the extent that any assets remain, holders of claims that rank equally with the investment by any of the Investment Funds would be entitled to share on an equal and rateable basis in distributions that are made out of those assets. Resulting losses to any of the Investment Funds could have a material adverse effect on the performance of the relevant Investment Fund and returns to the Company.

The Company's investments may, directly or indirectly, be in companies that are highly indebted

The Company invests in companies whose capital structures have a significant degree of debt. In addition, companies that are not or do not become highly leveraged at the time an investment is made may increase their leverage after the time of investment. Investments in highly indebted companies are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. In addition, the incurrence of a significant amount of indebtedness by a company may, among other things:

- limit the company's ability to respond to changing market conditions to the extent additional cash is needed for the response, to make necessary capital expenditures or to take advantage of growth opportunities;
- limit such company's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors who have relatively less debt;
- limit the company's ability to engage in strategic acquisitions that may be desirable to generate attractive returns or further growth; and
- limit the company's ability to refinance its debt and/or obtain additional financing on attractive terms or at all.

Additionally, if any investee company breaches any covenants under its financing arrangements and the relevant lender declares the entire amount of such company's indebtedness due and payable or forecloses on any assets pledged as collateral, the Company may lose some or all of its investment in such company, which could have a material adverse effect on the performance of the Company.

The amount which the Company invests may exceed the amount realised upon exit

There can be no guarantee that investments will ultimately be realised for an amount exceeding the amount invested by the Company. Some or all of the Company's investments may be difficult to realise in a timely manner or at an appropriate price, or at all.

Successful implementation of corporate and management strategies

It is expected that most of the investments that the Company makes will be in the form of investments for which market quotations are not available. Decisions by the Investment Adviser as to whether to make particular investments and when to exit such investments will be based to a significant extent on an analysis and assessment of both the present value and the expected future value of the relevant investment. Estimates of the future value of investments are inherently uncertain and may not reflect the value the Company is eventually able to realise on such investments due to various factors, including a deterioration in an investee

company's trading position or reputation in the market, poor implementation of an investee company's corporate and management strategies, subsequent illiquidity in the market for an investee company's securities or a deterioration in the overall economic climate. The Company's performance and returns could be adversely affected if the value estimates made by the Investment Adviser at the time of investment are materially higher than the values that are ultimately realised on the disposal of such investments.

Foreign exchange risk

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

Risks relating to the Company's borrowings

Borrowings could adversely affect the Company's NAV and the level of any distributions that may be paid to the Company. Distributions owed to the Shareholders are structurally subordinate to the interest payable on the Convertible Loan Notes. There is no guarantee that holders of the Convertible Loan Notes will be satisfied in part or in full from either a capital or interest repayment perspective, thus potentially compromising the return of capital to the Shareholders.

The Investment Funds' performance is dependent on the Investment Adviser

All decisions with respect to the investment of the Investment Funds' resources and the management of Investment Funds' investment portfolio will be undertaken by the Investment Adviser. The growth of the Investment Funds' investment portfolios is substantially dependent upon the effective performance by the Investment Adviser of its obligations, and the Investment Funds' ability to achieve their investment objectives and strategies depends on the skills and expertise of the Investment Adviser in selecting appropriate investments and implementing the various aspects of Investment Funds' investment strategies.

The Investment Funds have broad investment policies. These policies will provide the Investment Adviser with substantial discretion when selecting, acquiring, monitoring and disposing of investments, including in determining the type of investments that it deems appropriate, the investment approach that it follows when making investments and the timing of investments. While the Board will periodically review the Investment Adviser's compliance with these investment policies, it will not review or approve individual investment decisions. It may be difficult or impossible to unwind investments that are not consistent with these investment policies by the time they are reviewed by the Board.

Any failure by the Investment Adviser to manage the Investment Funds' future growth or to effectively implement the Investment Funds' investment strategies could have a material adverse effect on the performance of the Investment Funds and returns to the Company.

Difficulty and cost of terminating the General Partner's appointment

The Company and Fund may only terminate the appointment of the General Partner under the Limited Partnership Agreement in very limited circumstances. Such termination may be difficult to obtain in practice. In certain circumstances, if the Fund is unable to terminate the appointment of the General Partner, the performance of Fund and returns to the Company, as well as the market price of the Ordinary Shares, could suffer. If the General Partner's appointment is terminated, it may be difficult (or impossible) to appoint a replacement general partner and, in such circumstances, the Fund may be dissolved.

Historical returns may not be indicative of future performance

There can be no assurances that future performance will generate similar returns to managed accounts or funds previously managed or advised by the Investment Adviser. No guarantee is made in relation to the performance of the Company, the Investment Funds or the Ordinary Shares. There can be no assurances that an investment in the Company and/or by any of the Investment Funds will have a return on invested capital

that is similar to the historical returns of accounts or funds managed or advised by any directors of the Company or by the Investment Adviser. Past performance may not be an accurate predictor of future performance or returns, nor is there any guarantee that future market conditions will allow for similar performance. An investment in the Company is subject to all of the risks and uncertainties associated with an investment business of the Company's type, including the risk that the Company will not achieve its investment objectives and that the value of the Ordinary Shares could decline substantially.

Carried interest may not fully align the Investment Funds' interests with the General Partner and/or the Investment Adviser

The existence of Carried Interest may create an incentive for the Investment Adviser to distort its advisory services and for the General Partner to direct the Investment Funds' activities towards, riskier or more speculative investments than would be the case in the absence of the arrangement.

There may exist conflicts of interest between the Company and other parties involved in the Company's business

There may exist conflicts of interests, including in relation to the allocation of investment opportunities, as a result of certain relationships between the Company, the Investment Funds, the General Partner, the Investment Adviser and certain of the directors, members and officers thereof.

Risks relating to taxation

Adverse changes in the tax position of the Company

The structure under which the Company holds its investments is based on the Directors' understanding of the current tax law and the practice of the tax authorities of the UK (where the Company's assets are expected to be predominantly located) and the Isle of Man (where the Company is incorporated). Such law (including applicable rates of taxation) or tax authority practice is subject to change, possibly with retrospective effect. Any change in the Company's tax position or status or in tax legislation or proposed legislation, or in the interpretation of tax legislation or proposed legislation by tax authorities or courts, or tax rates could adversely affect the value of investments held by the Company or affect the Company's ability to achieve its investment objective. Any such change could adversely affect the net amount of any distributions payable to Shareholders or the tax treatment of distributions received by Shareholders.

The Company is currently liable to Isle of Man taxation at a standard rate of tax of 0 per cent. save in certain limited circumstances that are not expected to arise.

In February 2010, the government of the Isle of Man commenced a consultation exercise on possible changes to the Isle of Man business formation regime. At this stage no announcement has been made as to the likely nature of the changes, if any, that may be made to the regime.

Furthermore, the Company may incur costs in taking steps to mitigate this effect. As a result, any such change may have a material adverse effect on the Company's performance, financial condition or prospects.

If the Company were to be considered to be resident for taxation purposes in any jurisdiction other than Isle of Man or otherwise subject to taxation in another jurisdiction, its total income or capital gains or those attributable to or effectively connected with such other jurisdiction may be subject to tax in that other jurisdiction and this could have a material adverse effect on the Company's results of operations, financial condition or business prospects.

Non-UK tax residence or non-trading status of the Company could be challenged or transactions could be taxed under certain UK anti-avoidance rules

The Company must conduct its operations in a manner that ensures that it is not treated as being tax resident or as having a taxable presence outside Isle of Man. Given the location of the assets is expected to be predominantly in the UK, the most likely alternative jurisdiction in which the Company may be tax resident is the UK. It is intended that the affairs of the Company will continue to be conducted so that the central management and control of the Company is not exercised in the UK and, consequently, so that the Company

is not UK tax resident. However, it cannot be guaranteed that HMRC will not challenge the position. In order to maintain its non-UK tax residence status, the Company is required to be centrally managed and controlled outside the UK. The composition of the Board, the manner in which the Board conducts its business and the location(s) in which the Board makes decisions will be important in determining and maintaining the non-UK tax residence of the Company. While the Company is incorporated and administered in Isle of Man and a majority of its directors are resident outside the UK, continued attention must be paid to ensure that major decisions by the Company are not made in the UK, to avoid the risk that the Company may lose its non-UK tax residence status.

There is a risk that management errors could potentially lead to the Company being considered UK tax resident. If so, this is likely to result in the Company paying more UK tax than is anticipated, which would negatively affect its financial and operating results and accordingly reduce returns (including dividends) payable to Shareholders. In addition, even where a company maintains its non-UK tax residence status, it will potentially be subject to UK corporation tax if it is carrying on a trade in the UK, in which case the relevant company will be subject to UK income or corporation tax on the income profits and capital gains attributable to its UK trade. It is intended that the Company will not undertake any UK trading activities. It cannot be guaranteed that HMRC will not seek to contend that the Company has acquired one or more of its assets as trading stock and, consequently, is carrying on a trade in the UK. If any such contention were correct, this is likely to result in the Company paying more UK tax than is anticipated, which would negatively affect its financial results and returns to Shareholder.

Changes in tax legislation could result in the imposition of additional and material tax liabilities on Shareholders

Laws in relation to tax (including applicable rates of taxation) and tax authority practice are subject to change. Any change in tax legislation or proposed legislation, or in the interpretation of tax legislation or proposed legislation by tax authorities or courts, or tax rates could adversely affect the after tax return to Shareholders from their investment in the Company, possibly with retrospective effect.

The UK Government has recently made changes to the rules relating to the offshore funds regime, which came into force on 1 December 2009. HMRC's interpretation of the new rules is provided by the New Offshore Funds Manual published in May 2010. The UK government announced in the budget in March 2010 that it will consider various additional reforms to the rules. Were the Company to be classified as a "mutual fund" as a result of these changes, UK holders of Ordinary Shares may be taxed on the gains realised on the disposal of their Ordinary Shares as income (resulting in the payment of income tax or corporation tax on income) rather than as a capital gain (resulting in the payment of capital gains tax or corporation tax on chargeable gains). This may have a material adverse impact on the after tax returns received by Shareholders.

If the Company were an offshore fund, at any time in a relevant period, and if the Company's market value of "qualifying investments" (which includes, *inter alia*, money placed at interest and securities) exceeds 60 per cent. of the market value of all the assets of the Company (excluding cash awaiting investment), then a dividend or any distribution paid by the Company will be treated when received by a UK tax resident individual as interest (with no tax credit available and at tax rates applicable to interest) and not as a dividend or any other type of distribution. When considering the position of the Company, it is necessary to include its interest in ESO's investment portfolio. Shareholders subject to UK corporation tax may be taxed on their holdings in the Company as though that holding were a loan relationship and on the basis of fair value accounting.

Whilst the Company has been advised that it should not be classified as a "mutual fund" within the meaning of the new legislation, the law remains subject to regulatory change at HMRC's discretion (subject to Parliamentary approval). Whilst the Company intends to monitor the position from Admission and will seek to manage its affairs, to the extent reasonably possible, such that it does not become classified as a "mutual fund", no assurance can be given that steps will be taken or that any such steps will be effective in ensuring that the Company will not be classified as a "mutual fund". If it became likely that the Company would be classified as a "mutual fund", options that the Company could consider include seeking to become a "reporting fund" for UK tax purposes. In this event, there would be a risk that UK tax resident investors may

be subject to UK taxation on the Company's income profits whether or not those profits are distributed. This may also have a material and adverse impact on the after tax returns received by Shareholders. Prospective investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

PART IV

INFORMATION ON THE EPIC PRIVATE EQUITY PORTFOLIO

EPIC has typically structured its private equity investments through yielding debt instruments and large equity positions. The names of the companies comprising the EPIC Private Equity Portfolio, which are held in either EPIC 1 or EPIC 2, together with background information on the investments are set out below.

Nexus (2005)

Nexus Industries Holdings Limited (“**Nexus**”) is a manufacturer and distributor of electrical accessories in the UK, operating under the brand names Masterplug, British General and Ross, and supplies to both the retail and wholesale markets. The business is now deleveraging and performing well despite the current market conditions. The construction of a large freehold factory located in mainland China has been recently completed and this is expected to drive both margin improvement and sales growth over the next three to four years.

EPIC initially acquired 29.9 per cent. of the equity in Nexus in January 2004, followed by a further 20 per cent. acquired in June 2008. The investment currently consists of an equity stake of 49.9 per cent., comprising £1.0 million of preference shares and £9.0 million of loans. EPIC assigned a total unaudited holding value of £5.0 million as at 31 January 2010 for these interests (provisioning against preference shares, rolled up interest and junior loans), which lie subordinate to a total of £18.8 million of senior debt and secured loans provided by HSBC Bank plc and Bank of China.

Palatinate (2005)

Palatinate Schools Holding Limited (“**Palatinate**”) operates a group of private preparatory and nursery schools based in London. The schools have good prestige value and pupil growth is anticipated to remain robust, which will drive sales growth. EPIC invested into Palatinate in February 2005 alongside other private equity investors.

EPIC initially acquired 29.9 per cent. of the equity in Palatinate in February 2005, investing a total of £4.3 million (comprising £3.0 million of mezzanine loans and £1.3 million of shareholder loans). EPIC has not re-invested in the business since, and so its current holding consists of an equity stake of 29.9 per cent., £3.4 million of mezzanine loans and £2.5 million of shareholder loans. EPIC assigned a total unaudited holding value of £5.7 million as at 31 January 2010 to its investment in Palatinate.

Pinnacle Regeneration Group (2001)

Pinnacle Regeneration Group Limited (“**PRG**”) is a diversified social housing services business. The core facilities management business serves the public sector social housing market and has a turnover of approximately £50 million. This core business has experienced significant growth since acquisition in 2001. PRG also owns an employment and skills business, Pinnacle People and a Private Finance Initiative (“**PFI**”) bidding vehicle, Regenter, a joint venture with Laing.

EPIC initially acquired 16.1 per cent. of the equity in PRG for £2 million in December 2001, also investing £1 million by way of shareholder loans which have subsequently been repaid. In October 2008, EPIC acquired further stock from Numis Corporation plc for a total consideration of £2.9 million, bringing its total shareholding to 26.3 per cent. EPIC has assigned an unaudited holding value of £4.9 million as at 31 January 2010 for its equity stake in the business, which lies subordinate to a total of £2.6 million of senior debt provided by HBoS plc.

Indicia (2006)

Indicia Limited (“**Indicia**”) is a direct marketing business focussed on database and multi-channel analytics. Indicia was formed through the acquisition and consolidation of three separate businesses and is currently in

discussions with several parties with regard to the purchase of a digital and market research business to complement its existing database build, analysis and direct marketing portfolio of services.

EPIC initially invested £0.7 million in Indicia, comprised of mezzanine loans of £0.65 million and equity of £0.03 million for 29.9 per cent. of Marketing Databasics (Indicia's original platform investment). EPIC then completed the bolt-on acquisition of Results in December 2006 and Entire in March 2008. The current holding consists of an equity stake of 48.4 per cent., £2.2 million of mezzanine loans and £2.9 million of shareholder loans, to which EPIC has assigned a total unaudited holding value of £5.0 million as at 31 January 2010. EPIC's interests lie subordinate to £0.1 million of senior debt provided by HBoS plc.

Pharmacy2U (2002)

Pharmacy2U Limited ("**Pharmacy2U**") is an online pharmacy business, delivering National Health Service and private prescriptions direct to the home using an innovative, in-house developed technology.

EPIC originally invested £0.25 million of a £0.45 million total funding round in November 2002 to support the expansion of the business, structuring its investment as convertible secured debt. EPIC then converted its debt into 9.7 per cent. of preferred equity in March 2005, receiving accrued interest on the convertible secured debt. In November 2005, EPIC sold 1.5 per cent. of its holding for £0.16 million. The current holding consists of an equity stake of 8.2 per cent., to which EPIC has assigned an unaudited holding value of £1.1 million as at 31 January 2010.

Ryness (2002)

Ryness Holdings Limited ("**Ryness**") is a London-based electrical retail and wholesaler, focused on light bulbs, lighting and small electrical goods, operating from 17 locations across the UK. The investment is being run as a buy-and-build strategy. EPIC completed two bolt-on investments of electricals businesses in 2008 and is currently actively searching for further trade counter acquisitions, which it believes should be available at attractive prices owing to the market downturn.

EPIC initially invested into Ryness in 2002, but then provided additional financing to support the management buy-out of the business in 2006. The current holding consists of an equity stake of 29.9 per cent. and £1.1 million of loans. EPIC has assigned an unaudited holding value of £1.1 million as at 31 January 2010 for its interests in the business, which lie subordinate to a total of £1.0 million of senior debt provided by the Royal Bank of Scotland plc.

Bighead (2006)

Bighead Holdings Limited ("**Bighead**") is a specialist engineering business, manufacturing specialist load-spreading fasteners and fixings for composites, plastics and traditional materials. EPIC, over the long-term, aims to replicate Bighead's local success in high-end niche applications by establishing an international network of distributors for the company's products.

EPIC initially invested £0.8 million in mezzanine loans, £0.5 million in shareholder loans and £0.1 million in equity for a 29.9 per cent. equity stake in the business in January 2006. The current holding consists of an equity stake of 39.6 per cent., mezzanine loans of £1.1 million and shareholder loans of £1.1 million. EPIC has assigned an unaudited holding value of £1.4 million as at 31 January 2010 for its interests in the business, which lie subordinate to a £0.6 million senior loan provided by HSBC Bank plc.

Evolving Media (2006)

Hamsard 3099 Limited ("**Hamsard 3099**") is the holding company of Evolving Media Limited ("**Evolving Media**"), which is a young and growing integrated digital marketing agency, based in Bedford, UK. EPIC initially purchased Evolving Media alongside the larger printing cylinders business Keatings in a combined management buy-in. In January 2008, EPIC decided to focus its attentions solely on Evolving Media, exiting Keatings after a period of under-performance, and is currently focused on establishing a London office in order to drive business and product development and recruitment.

EPIC initially acquired the Evolving Media and Keating Group in a joint transaction in June 2007. In January 2008, the Evolving Media and Keating Group was restructured due to the unprofitability of the Keating Group, which was put into administration, leaving EPIC with a primary holding in Evolving Media as well as a legacy loan to a division of the Keating Group. The current holding consists of an equity stake of 43.5 per cent. in Hamsard 3099 and £2.2 million of loans. EPIC has assigned an unaudited holding value of £1.8 million as at 31 January 2010 for its interests in the business.

Driver Require (2007)

Driver Require Holdings Limited (“**Driver Require**”) is a Stevenage-based specialist driver recruitment business. EPIC originally invested into Driver Require as part of a management buy-in in September 2007. EPIC is currently actively pursuing bolt-on disposals and identifying new office sites in its attempt to grow the business in anticipation of an expected market recovery.

EPIC initially invested £0.26 million in mezzanine (majority) and shareholder loans in September 2007. EPIC’s current holding in Driver Require consists of an equity stake of 29.9 per cent. and £0.4 million of loans. EPIC has assigned an unaudited holding value of £0.3 million as at 31 January 2010 for its interests in the business.

PART V

INFORMATION ON ESO

Overview of the Company

The Company is a private equity investment company advised by EPE and focused on investing in small and medium sized companies in the United Kingdom. ESO is incorporated in the Isle of Man with registered number 108834C and listed on the AIM market of the London Stock Exchange. The Company raised £30 million at the time of its original listing on AIM by a placing of Ordinary Shares and successfully raised an additional £5 million (gross of expenses) from, among others, a majority of its founding Shareholders by way of an open offer and placing in June 2009.

The Company's investment strategy has continued to evolve over time. Initially focused upon the arrangement of loan financing for businesses emerging from distressed situations, the Company stated in its Admission Document in September 2003, at the time of admission of its Ordinary Shares to AIM, that it would "*generally seek an equity stake in businesses to which finance is provided, although this will not necessarily be a pre-requisite to the lending. Where possible this stake will be significant or, where appropriate, controlling*".

Currently the Company's focus is on providing finance for under-valued special situation investment opportunities. Subsequent to the acquisition of the EPIC Private Equity Portfolio and, when sufficient financial resources are available, given the Investment Adviser's proven expertise in this area, the Company also intends to seek under-valued growth capital and buy-out opportunities. The Company's investment strategy is to invest between £2 million and £10 million in a range of debt and equity instruments with a view to generating returns through both yield and capital gain. Whilst in general the Company aims to take controlling equity positions, it may seek to develop companies as a minority investor.

The Company will consider most industry sectors and shareholding structures utilising the Investment Adviser's experience in the consumer, retail, manufacturing, financial services, healthcare, support services and media industries.

Investment highlights

From its original placing in September 2003, which raised £28.1 million after expenses (93.8p per Ordinary Share on the basis of 30 million Ordinary Shares) to 31 January 2010, the Company has:

- generated gross income of £14 million;
- paid dividends to shareholders of, in aggregate, £5 million;
- achieved a consolidated track record of 1.0 times money multiple (both exited and current investments);
- achieved returns of 1.4 times money multiple, 10.4 per cent. IRR, with £21 million invested in seven deals since 2005;
- deployed over £39 million of capital and already returned £27 million to ESO in the form of capital and income, with the majority having been reinvested;
- raised a further £4.7 million after expenses in June 2009 by way of an open offer and placing; and
- completed 17 transactions to date.

The Investment Adviser has been actively involved in acquiring distressed assets for the Company since 2003 and has built up an extensive network of deal sources, advisory partners and financing partners and has investigated over 670 opportunities since the Company's inception.

The Investment Adviser typically structures ESO's investments through senior yielding debt instruments and large equity positions.

Directors

The Directors are responsible for the determination of the Company's investment criteria and have overall responsibility for the Company's activities. Details of the Directors are as follows:

Geoffrey Vero FCA

Geoffrey Vero qualified as a chartered accountant with Ernst & Young and then worked for Savills, chartered surveyors, and The Diners Club Limited. He has been active in venture capital since 1985, initially with Lazard Development Capital Limited and then from 1987 to 2002 as a director of Causeway Capital Limited which became ABN Amro Capital Limited. In 2002, he set up The Vero Consultancy specializing 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 N.M. Rothschild. He is also a non-executive director of Numis Corporation plc, Crown Place VCT plc and Chairman of Albion Development VCT plc.

Clive Spears

Clive Spears retired from the Royal Bank of Scotland International Limited in December 2003 as Deputy Director of Jersey operations after 32 years' 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 centering on private equity, property and corporate debt. His appointments currently include Chairman of Nordic Capital Limited and he sits on the board of Jersey Finance Limited.

Robert Quayle

Robert Quayle qualified as an English solicitor at Linklaters & Paines in 1974 after reading law at Selwyn College, Cambridge. He subsequently practised 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 totaling 12 years and holds a number of public and private appointments, and is active in the voluntary sector. Mr. Quayle is Chairman of Isle of Man Steam Packet Co Limited, Neville James International Funds pcc PLC and Neville James Zero Preference Fund Limited. His directorships include Axa Isle of Man Limited and Total Isle of Man Limited as well as companies in the financial services sector. He is also a Commissioner of the Northern Lighthouse Board.

Nicholas Wilson

Nicholas Wilson has over 30 years' experience in hedge funds, derivatives and global asset management. He has run offshore branch operations for MeesPierson Derivatives Limited, ADM Investor Services International Limited and several other London based brokerage companies. He is Non-executive Chairman of Alternative Investment Strategies Limited, the longest running London quoted fund of hedge funds and a constituent of the FTSE All Share Index. In addition, he sits on the boards of a number of other public companies, including RAB Special Situations Company Limited. He is resident in the Isle of Man.

Current Portfolio

Morada (2005)

Morada is a wholesale supplier of textile fabrics and accessories for upholstery, furnishing and curtains. The business was originally focused on contracts with the Ministry of Defence ("MoD") to supply curtains and blinds for MoD living accommodation. Morada has since begun to diversify, supplying PFI contractors as well as customers in the retail sector. Morada is now starting to benefit from the recruitment of a new Managing Director in 2008 and, with the capital structure recently re-organised, the business has been able to attract improved trade credit terms and should continue to perform in line with or above expectations.

The Company initially invested £1.1 million to back the management buyout of the Morada Home business from the administrators of Morada International in 2005. The current holding consists of an equity stake of

65.1 per cent., and £1.6 million of loans. The current total unaudited holding value for the Company's interests in the business is £1.2 million as at 30 June 2010.

Past Times (2005)

Past Times Holdings Limited ("**Past Times**") is a niche retailer of historically inspired jewellery, gifts, books and home-wares. Past Times was acquired in December 2005 from the administrators of Retail Variations plc. During the initial phase of the turnaround, Past Times underwent a major restructuring process, with the number of stores significantly reduced, the head office cost base reduced, and the product range improved. As a result of these improvements, the Investment Adviser is now confident that Past Times will be profitable for a third consecutive year. Past Times continues to expand the number of stores under the guidance of its Chief Executive Officer Mike Taylor, and is expected to deliver continued improved performance despite the current weak retail environment.

The Company initially invested £7.8 million to acquire the business from the administrators of Retail Variations plc in a pre-packaged administration in December 2005. The current holding consists of an equity stake of 82.4 per cent. and two loans of £9.9 million and £1.3 million, respectively. The Company has assigned a current total unaudited holding value of £10.3 million as at 30 June 2010 to its interests in the business, which lie subordinate to a maximum £5.0 million working capital facility provided by Lloyds TSB Bank plc.

Proposals currently being considered in respect of Past Times anticipate that EPIC Structured Finance Limited ("**ESF**") and Past Times will enter into a loan agreement pursuant to which ESF will make loans of up to £500,000 to Past Times. However, ESF will be obliged to make such loans only if it has received a loan in an equal amount from the Company under an intra-group loan agreement to be agreed between the Company and ESF.

Process Components (2005)

Process Components Limited ("**Process Components**") is an engineering parts and equipment supplier. It was formed in June 2009 after a significant industry cut-back in capital expenditure programmes forced a secondary restructuring of Kemutec, formerly a manufacturer of mixing and sifting equipment for the chemical, pharmaceutical and food industries and originally purchased by the Company in March 2005. Previously constrained by its parent, the new business now supplies higher margin products from a significantly lower cost base.

The Company initially invested £4.0 million to acquire Kemutec out of administration in March 2005. After the secondary restructuring of Kemutec in June 2009 and the return of £2.9 million to the Company via a freehold property sale and a loan repayment, the current holding consists of a 85.0 per cent. equity stake and £1.5 million of loans in the retained trading operations, Process Components. The Company has assigned a current total unaudited holding value of £1.5 million as at 30 June 2010 to its interests in the Process Components' business.

Whittard of Chelsea (2008)

Whittard of Chelsea is a specialist retailer of tea and coffee. Whittard of Chelsea was acquired in December 2008 following ownership by Baugur, the Icelandic investment company. The initial restructuring of the business was completed in the first half of 2009, with the number of stores and overhead base both significantly reduced. Following this restructuring, the business achieved sales of £29 million for the financial year ended 31 December 2009 and the Investment Adviser expects it to return to profitability in the current financial year. The business has also successfully undergone the initial phase of a re-branding exercise. There is also the potential to develop the wholesale and international franchising sides of the business.

The Company initially invested £0.6 million to acquire the business in a pre-packaged administration in December 2008. The current holding consists of an equity stake of 75.6 per cent. and £2.8 million of loans, to which the Company has assigned a current total unaudited holding value of £2.8 million as at 30 June 2010.

PART VI

SUMMARY OF THE ACQUISITION AGREEMENT

The following is a summary of the principal terms of the Acquisition Agreement dated 4 August 2010 and made between (1) EPIC; (2) EPIC Carry LLP; (3) EPIC Carry 2 LLP; (4) EPE (EPIC, EPIC Carry LLP, EPIC Carry 2 LLP and EPE are hereinafter collectively referred to as the “**Vendors**”); (5) the Fund; (6) EPE GP Limited (“**Fund GP**”) (the Fund and Fund GP are hereinafter collectively referred to as the “**Purchasers**”) and; (7) the Company.

Under the Acquisition Agreement, at completion of the Acquisition the Vendors will sell their interests in EPIC 1 and EPIC 2 and the Purchasers will purchase the same for an aggregate consideration of £22 million.

The aggregate consideration of £22 million will comprise the following:

- £10 million of cash payable to EPIC;
- Convertible Loan Notes issued to EPIC with a nominal value of £10 million; and
- Consideration Shares issued to EPIC with a value of £2 million at a price of 55.86 pence per Ordinary Share.

The interests of EPIC Carry LLP, EPIC Carry 2 LLP and EPE in EPIC 1 and EPIC 2 will be purchased for nominal consideration.

Completion of the Acquisition under the terms of the Acquisition Agreement is conditional on, amongst other things:

- the due passing without amendment of the Resolutions;
- re-admission of the Existing Ordinary Shares and the Consideration Shares to AIM becoming effective by not later than 8.00 a.m. on 30 September 2010 (or such later date as the Purchasers (acting jointly) shall determine); and
- the approval of the Acquisition Agreement by the shareholders of EPIC in general meeting.

If the above conditions are not satisfied by 30 September 2010 (or such later date as the Vendors (acting jointly) and the Purchasers (acting jointly) shall determine), the Acquisition Agreement will terminate and the Acquisition will not proceed.

The Acquisition Agreement contains undertakings given by the Vendors not to undertake or to permit certain actions in relation to their interests in EPIC 1 and EPIC 2 and in relation to the EPIC Private Equity Portfolio between the date of the Acquisition Agreement and completion of the Acquisition.

The Acquisition Agreement contains warranties given by the Vendors which are limited to title and capacity to enter into the Acquisition Agreement.

The Acquisition Agreement may be terminated by the Purchasers:

- if there is a material breach of the warranties given by the Vendors;
- if there is a material breach of the undertakings given by the Vendors in relation to the period between the date of the Acquisition Agreement and completion of the Acquisition

which in each case is incapable of remedy or, if capable of remedy, is not remedied.

The Acquisition Agreement is governed by the laws of England and Wales.

PART VII

DETAILS OF THE CONVERTIBLE LOAN NOTES

The Company is satisfying £10.0 million of the total consideration payable to EPIC for the Disposal by way of the issue of the Convertible Loan Notes to EPIC.

The Convertible Loan Notes will be constituted pursuant to a Deed Poll dated 4 August 2010 (the “**Instrument**”), a copy of which is available for inspection as referred to in paragraph 10 of Part XII. The principal terms of the Convertible Loan Notes are summarised below.

1. Status

The Convertible Loan Notes will constitute direct and unsecured obligations of the Company.

The payment obligations of the Company under the Convertible Loan Notes will, save for such exceptions as may be provided by mandatory provisions of applicable law, rank at least equally with all the other present and future direct and unsecured obligations of the Company.

2. Structure

The Convertible Loan Notes would be subscribed pursuant to the Instrument constituting 10,000,000 unsecured convertible loan notes due 31 December 2015.

3. Issue size

The issue will be limited to 10,000,000 Convertible Loan Notes of nominal value of £1 each.

4. Issue price

The issue price of the Convertible Loan Notes will be 100 per cent. of the total principal amount of the Convertible Loan Notes.

5. Interest Rate

Interest will be payable on any outstanding Convertible Loan Notes at a rate of 7.50 per cent. per annum. Any interest due will be payable semi-annually in arrears in equal instalments on 31 January and 31 July in each year, commencing on 31 January 2011 (but excluding any tax required by law to be deducted or withheld), subject to sufficient funds being available to the Company (and not required or reserved for other purposes). Additionally, the Company will pay interest at a rate of 12 per cent. per annum and compounding on each Interest Payment Date on any interest accrued but unpaid on the interest payment dates and such accrued but unpaid interest will be paid at the next interest payment date on which sufficient funds are available (and not required or reserved for other purposes) or on the conversion or final redemption of the Convertible Loan Notes (as applicable).

6. Final redemption

Convertible Loan Notes not previously redeemed or converted and in each case cancelled, will be redeemed in full at par on 31 December 2015, together with the unpaid accrued interest. However, the final redemption date of the Convertible Loan Notes will be 31 December 2016 if a continuation resolution is passed by the shareholders of the Company on or before 30 September 2015 although Noteholders may elect to redeem their Convertible Loan Notes on 31 December 2015.

7. Conversion

Each holder of the Convertible Loan Notes (the “**Noteholder**”) will have the right to convert, at any time on or after 31 December 2011 and up to the close of business on the fourteenth business day prior to the final redemption date of the Convertible Loan Notes or, in the event of an Early Redemption Notice (as defined

below) up to the close of business on the seventh business day prior to the redemption of the Notes, some or all of the Convertible Loan Notes outstanding into fully paid Ordinary Shares at the Conversion Price then applicable.

A Noteholder will not be able to exercise its right to convert if such conversion would result in the Noteholder or any of its concert parties being required to make a mandatory offer under Rule 9 of the City Code on Takeovers and Mergers.

Although the conversion price for the Convertible Loan Notes will not be adjusted upon any subscription of Ordinary Shares under an invitation (other than by way of rights) by the Company to holders of Ordinary Shares (an “**Open Offer**”), the Company has undertaken to invite the Noteholders to subscribe for Ordinary Shares under any Open Offer at the same time, on the same terms and subject to the same conditions as if the conversion rights in respect of the Convertible Loan Notes had been exercisable and exercised in full on and with effect from the record date for an Open Offer.

8. Conversion Price

The initial conversion price will be 170 pence per Ordinary Share (the “**Initial Conversion Price**”).

The Initial Conversion Price would be subject to adjustment in certain circumstances, including any allotment to holders of Ordinary Shares pursuant to a capitalisation of profits or reserves, capital distribution or rights issue.

9. Cash reserve

The Company shall ensure that, as from the time that the Company incurs any indebtedness senior to the Convertible Loan Notes it has, and so long as any such indebtedness is outstanding it maintains, cash reserves equal to not less than one year’s interest payable on the Convertible Loan Notes and on any indebtedness senior to the Convertible Loan Notes or, if less, to the final redemption date of the Convertible Loan Notes or the date of scheduled maturity of such senior indebtedness (as relevant).

10. Redemption at the option of the Company

The Company will be able to redeem at any time after 31 July 2013:

- (i) some or all of the principal amount outstanding on the Convertible Loan Notes at par together with unpaid accrued interest on the relevant date fixed for redemption provided that the average middle market quotations for an Ordinary Share for 20 dealing days within the 30 dealing day period ending on the fourteenth day prior to the date on which it gives the Early Redemption Notice to Noteholders are at least 120 per cent. of the average of the conversion prices of the Convertible Loan Notes in effect (or deemed to be in effect) on each such dealing day; or
- (ii) some or all of the principal amount outstanding on the Convertible Loan Notes together with unpaid accrued interest at any time if, prior to the date of the Early Redemption Notice, the Company has cancelled, and/or Noteholders have exercised their right to convert the Notes into Ordinary Shares in respect of, in aggregate, 80 per cent. or more in principal amount of the Convertible Loan Notes,

provided that if the Company elects to exercise its early redemption rights in respect of some but not all of the outstanding Convertible Loan Notes, such redemption shall be effected on a *pro rata* basis in respect of all Noteholders.

The Company will be required to give Noteholders not less than 30 days’ nor more than 60 days’ written notice prior to the early redemption of the Convertible Loan Notes (the “**Early Redemption Notice**”).

Following the Early Redemption Notice, Noteholders will have the right to convert the Convertible Loan Notes into Ordinary Shares. The right to convert into Ordinary Shares will only be exercisable up to the close of business on the seventh Business Day prior to the date of redemption of the Convertible Loan Notes.

11. Change of control

If whilst any of the Convertible Loan Notes are outstanding and capable of being converted any offer is made to all the Ordinary Shareholders of the Company to acquire the whole or any part of the ordinary share capital of the Company (an “Offer”) and the Offer becomes or is declared unconditional in all respects, the Company will be required to give notice of such an Offer in writing to the Noteholders within 14 days of becoming so aware and unless an offer, proposal, scheme or other arrangement which is, in the opinion of an appropriate financial adviser, fair and reasonable has already been or not later than 42 days after the date of such notice is made or put to the Noteholders, then the Company will be obliged to give further notice in writing of that fact to the Noteholders and each Noteholder will be able to, at any time within a period of 60 days after the date of such further notice, give notice in writing to the Company:

- (i) exercising his right to convert in respect of some or all of his Convertible Loan Notes at the conversion price then applicable and; or
- (ii) requiring the Company to repay all of the principal amount outstanding on the Convertible Loan Notes (other than in respect of which he exercises his right to convert under (i) above) at par together with unpaid accrued interest.

Conversion rights shall lapse in respect of any Convertible Loan Notes not tendered for conversion or repayment by the Noteholder in the period defined above.

12. Redemption events

The Convertible Loan Notes will become immediately repayable together with unpaid accrued interest without the necessity of any demand being made by any Noteholder if any of the customary events of default set out in the Instrument occurs and is continuing.

13. Transferability and quotation

The Convertible Loan Notes will be freely transferable in certificated and uncertificated form, in amounts or multiples of £1 in nominal amount.

On completion, the Convertible Loan Notes will not be admitted to an investment exchange. As such, the Company has undertaken to use its reasonable endeavours to seek admission of the Convertible Loan Notes to PLUS or another appropriate exchange on or before 31 July 2011, being the date of the winding up of EPIC, to give holders of the Convertible Loan Notes the ability to trade their respective holdings on market.

There are no restrictions on the Company purchasing Convertible Loan Notes in the market.

14. Rights attaching to shares on conversion

The Ordinary Shares issued on conversion will be fully paid, free from encumbrances and admitted to trading on AIM and will rank in full for all dividends payable by reference to a record date occurring on or after the conversion date and otherwise *pari passu* in all respects with the Ordinary Share capital of the Company.

15. Governing Law

The Convertible Loan Notes and all documentation relating to them will be governed by and construed in accordance with English law.

PART VIII

DETAILS OF ESO INVESTMENTS 1 LP

The Fund:	ESO Investments 1 LP, an English limited partnership with registered number LP014043.
General Partner:	EPE GP Limited, an English limited company with registered number 07324310.
Manager:	<p>EPIC Private Equity Limited, which is authorised and regulated by the Financial Services Authority (the “FSA”). The Manager’s FSA registration number is 217457. The Manager will be appointed by the General Partner as the Fund’s discretionary investment manager.</p> <p>The Manager currently does not have permission from the FSA to establish, operate and wind up unregulated collective investment schemes (such as the Fund), so a suitably authorised fund operator will be appointed to perform these functions (see “Operator” section below).</p> <p>The Manager has applied to the FSA for this permission. It is currently intended that, once the Manager receives this permission, it will perform the functions of the Operator in addition to the functions of the discretionary investment manager, in which case the roles of Manager and Operator will be merged.</p>
Operator:	<p>Initially, State Street Fund Services (UK) Limited, which is authorised and regulated by the FSA to establish, operate and wind up unregulated collective investment schemes. The Operator’s FSA registration number is FRN 448301. The Operator will be appointed by the General Partner to perform all activities in relation to the Fund which constitute the regulated activity of establishing, operating and winding-up unregulated collective investment schemes.</p> <p>It is currently intended that the Manager will take over the role of Operator once it is suitably authorised by the FSA to do so, in which case the roles of Manager and Operator will be merged.</p>
Investor Limited Partners:	ESO and DES Holdings IV (A) LLC, a limited liability company formed under the laws of the State of Delaware (“ESD”), a special purpose vehicle formed by European Secondary Development Fund IV, LP (a fund advised by ARCIS Capital Limited).
Carried Interest Partner:	EPE Carry LP, a Scottish limited partnership with registered number SL8067.
Contributions:	ESO will contribute three existing investments with a book value of £13.16 million to the Partnership and will be deemed to have contributed (by issuing Consideration Shares and Convertible Loan Notes to EPIC pursuant to the Acquisition Agreement) the EPIC Private Equity Portfolio with a value of £12 million. ESD will contribute £10 million in cash.
Follow-on Investment:	ESO and ESD have each committed to make available additional funding for follow-on investments up to a total of £2.8 million in

aggregate following completion, pro rata to their respective holdings in the Fund. ESO and ESD may, but shall not be obliged to, advance further funding to the Fund pro rata to their respective holdings, provided that both agree to do so.

Reinvestment:

Up to 50 per cent. (or more, if approved by the Fund's Advisory Committee) of the Fund's realisation proceeds may be retained for reinvestment by the Partnership, subject to a cap of £5 million during each of the following periods: (i) the period of thirty months from Completion and (ii) the period of thirty months starting immediately after the expiry of the period in (i). In addition, no more than £5 million may be invested in any one portfolio company. The Fund's Advisory Committee may agree to vary these restrictions.

Duration:

The Fund will have an initial life of five years from Completion with up to two one year extensions by agreement between the General Partner and limited partners holding 75 per cent. or more of the Fund.

Priority Profit Share:

The Fund will pay the Manager £0.8 million per annum for each of the first two years, £0.5 million for the third year and £0.35 million per annum for the fourth and fifth years. Fees payable for the period of any extension are to be agreed at the time.

Distributions:

All income and realisation proceeds received by the Fund on the disposal of investments will, after satisfying the expenses and liabilities of the Fund (including the Priority Profit Share), be distributed to partners as follows:

- (a) 100 per cent. to ESO and ESD until they have received a sum equal to their capital contributions;
- (b) 100 per cent. to ESO and ESD until they have been paid an amount equal to a hurdle of 8 per cent. per annum on their capital contributions outstanding from time to time;
- (c) 100 per cent. to the Carried Interest Partner until it has received 25 per cent. of the hurdle return (in order to give it 20 per cent. of the excess after repayment of capital contributions); and thereafter
- (d) 20 per cent. to the Carried Interest Partner and 80 per cent. to ESO and ESD.

Sums distributed to ESO and ESD will be allocated between them such that ESD is entitled to receive 37 per cent. of all such distributions until it has received 1.5 times its capital contributions, thereafter, 25 per cent. until it has received twice its aggregate capital contributions and thereafter, 18 per cent. of all distributions, with the balance being allocated to ESO.

Director's and Monitoring Fees:

The Manager will be entitled to retain up to £0.4 million per annum of monitoring and directors' fees, with any excess accruing to the Fund by way of a commensurate reduction of the Priority Profit Share.

Removal of general partner and key man:

ESD will have the right to remove the General Partner as general partner of the Fund if:

- (a) Giles Brand ceases to be actively involved in the affairs of the Manager;
- (b) the General Partner or the Manager admits to, or is guilty of, fraud, material or wilful violation of law, gross negligence, or a wilful breach or reckless disregard of its duties to the Fund; or
- (c) the General Partner is declared bankrupt, insolvent, is dissolved or liquidated.

Advisory Committee:

An Advisory Committee will be established comprising representatives of ESD and ESO. The role of the Advisory Committee will be to consider any actual and potential conflicts of interest, including any which may arise between the Manager, the Fund's investments and the Manager's other investments.

Material changes:

The consent of both ESO and ESD will be required for material changes including:

- the Fund's investment strategy and purpose;
- the Fund's duration; and
- the admission of additional investors and fee and carried interest arrangements.

Indemnification:

The General Partner and the Manager (and related persons) will be entitled to customary exculpation and indemnification out of the assets of the Fund in relation to any liabilities that they may attract in carrying out their functions, however they will not be indemnified where culpable.

Governing Law:

The limited partnership agreement governing the Fund is governed by the law of England and Wales.

PART IX

COMMERCIAL ARRANGEMENTS WITH INVESTMENT ADVISER

EPE acts as Investment Adviser to the Company, pursuant to the investment advisory agreement between the Company and EPE dated 20 November 2008 (the “**ESO Investment Advisory Agreement**”) which has been amended and restated pursuant to a revised investment advisory agreement dated 4 August 2010 and to take effect from Admission (the “**Revised Investment Advisory Agreement**”). EPE or its affiliates, currently manage ESO Investments LLP and ESO Investments and will manage the Fund upon Completion.

The Investment Adviser is currently entitled to receive an aggregate annual advisory fee from the Company, payable quarterly in arrears, at the rate of 2 per cent. per annum of the Company’s NAV plus VAT, subject to a minimum of £325,000 per annum plus VAT. In the year ended 31 January 2010, the Investment Adviser was paid fees of £359,860 in accordance with the Investment Advisory Agreement.

Under the Revised Investment Advisory Agreement, as a management fee of £800,000 per annum will be payable by the Fund in respect of the period ending on the second anniversary of Completion, £500,000 in respect of the following year and £300,000 for each of the period ending on the fourth and fifth anniversaries of completion, no fee will be payable under the Revised Investment Advisory Agreement in respect of the two year period beginning on the date of Completion. As from the next calendar day subsequent to the second anniversary of Completion, the payment of fees will resume at a rate of 2 per cent. per annum of the Company’s NAV (including its share of the Fund) plus VAT.

The Investment Adviser will no longer be entitled to a performance fee representing a participation in the returns received by the Company from its investments (currently payable as a cumulative performance fee amounting to 20 per cent. of the cumulative total return (taken as increase in net assets plus dividends distributed since inception of the Company), over the net proceeds of the initial public offering and the Placing and Open Offer, plus value added tax if applicable, payable as and when proceeds are received from investments).

It is envisaged that investments acquired after Completion (other than follow-on investments in the Combined Portfolio) will be made through ESO Investments, a limited liability partnership of which the Company will be the principal member. EPE will also be a member and will be responsible for providing advisory services to ESO Investments under the terms of the ESO Investments members’ agreement. When an investment is realised the net proceeds attributable to the Company will be distributed to it by ESO Investments. It is envisaged that ESO Investments will acquire investments made in the two year period commencing on from date of its first investment with successor limited liability partnerships making investments for successive two year periods thereafter.

Under the members’ agreement for ESO Investments, carried interest will be payable to ESO Carry LLP equivalent to 20 per cent. of the income and gains from its portfolio of investments, subject to such portfolio generating a hurdle rate of return of 8 per cent. per annum.

The carried interest will be payable by reference to the monies actually distributed by ESO Investments to the Company. On realisation of an investment by ESO Investments, if, after taking account of other realisations and any unrealised gains and losses, the return realised on the portfolio of ESO Investments exceeds the hurdle rate of return of 8 per cent. per annum, an amount representing the carried interest entitlement shall be paid to ESO Carry LLP.

No such participation will be payable to ESO Carry LLP unless a performance fee would otherwise be payable to EPE of at least the amount of the gain and EPE’s entitlement to a performance fee shall be reduced by the amount of any participation so paid to ESO Carry LLP.

The Investment Adviser will continue to be entitled to charge and retain structuring fees, and also in the future, exit and financing fees, payable by portfolio companies, ESO Investments or the Company. The level of these will depend upon the size and complexity of transactions but will not exceed 2 per cent. of the

transaction value. The current arrangements are for such fees not to exceed 2 per cent. of the transaction value with a minimum of £35,000 plus VAT per transaction.

EPE Carry LP has agreed to pay to the Company the first £250,000 of any distribution to which it becomes entitled from the Fund.

Unless otherwise agreed by the Board in any particular case, the EPE management team will continue to co-invest in the equity element of each future investment at the same time and on the same terms as investments made by ESO Investments, acquiring a minimum of 10 per cent. of the amount of equity acquired by the Company.

An additional fee will be payable to the Investment Adviser in respect of its services in relation to the structuring of the Acquisition and the Fund which is to be satisfied by the issue of a total of 769,696 new Ordinary Shares at a price of 55.86 pence per Ordinary Share. The Investment Adviser is not receiving any payment from EPIC or ESD in respect of the Acquisition or the structuring of the Fund.

Details of the management charges and carried interest payable in respect of the Fund appear in Part VIII.

PART X

FINANCIAL INFORMATION RELATING TO THE COMPANY

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ANNUAL ACCOUNTS 2008

Report of the Independent Auditors KPMG Audit LLC, to the members of EPIC Reconstruction plc

We have audited the Group and Parent Company financial statements (“the financial statements”) of EPIC Reconstruction plc for the year ended 31 January 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statement of Assets and Liabilities, the Consolidated Statement of Changes in Net Assets, the Consolidated Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company’s members, as a body, in accordance with section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s 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 and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors’ responsibilities for preparing the financial statements in accordance with applicable Isle of Man company law and International Financial Reporting Standards are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Isle of Man Companies Acts 1931 to 2004. We also report to you whether in our opinion the information given in the Directors’ Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors’ transactions with the Company is not disclosed.

We read the Directors’ Report and any other information accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements or inconsistencies within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the UK Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group’s and Company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion resulting from disagreement about accounting treatment

As stated in Note 2(b) to the financial statements, the Company has not included in the consolidated financial statements the results of portfolio companies because the Directors are of the opinion that their inclusion

would render the Company's consolidated financial statements misleading. However, the results of certain portfolio companies are required to be included in the consolidated financial statements by International Accounting Standard 27 "Consolidated and Separate Financial Statements" and such non-inclusion constitutes a departure from this accounting standard. The effect of such noninclusion of the results of certain portfolio companies on the consolidated financial statements is disclosed in Note 2(b).

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Company's affairs as at 31 January 2008;
- the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004; and
- the information given in the Directors' Report is consistent with the financial statements.

In our opinion:

- except for the effect of the non-inclusion of the results of certain portfolio companies in the consolidated financial statements as referred to above, the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's affairs as at 31 January 2008 and of the Group's loss for the year then ended.

KPMG Audit LLC
Chartered Accountants
Douglas
Isle of Man

1 May 2008

Consolidated Income Statement
For the year ended 31 January 2008

		31 January 2008			31 January 2007
	Notes	Revenue £	Capital £	Total £	Total £
Income:					
Rental income		35,000	–	35,000	766
Interest income	3	1,762,518	–	1,762,518	2,007,270
Commission income		106,956	–	106,956	587,772
Total income		<u>1,904,474</u>	<u>–</u>	<u>1,904,474</u>	<u>2,595,808</u>
Expenses:					
Investment advisor's fees	4	(217,685)	–	(217,685)	(345,518)
Administration fees	4	(30,000)	–	(30,000)	(57,923)
Directors' fees	5	(75,417)	–	(75,417)	(86,538)
Directors and Officers' insurance		(11,953)	–	(11,953)	(22,479)
Professional fees	8	(243,992)	–	(243,992)	(327,946)
Crest service provision		(5,001)	–	(5,001)	(1,749)
Printing and advertising expenses		6,635	–	6,635	(20,524)
Board meeting and travel expenses		(5,643)	–	(5,643)	(19,207)
Auditors' remuneration		(49,963)	–	(49,963)	(40,266)
Interest and other charges		(30,932)	–	(30,932)	(48,669)
Irrecoverable VAT		(92,110)	–	(92,110)	(105,858)
Sundry expenses		(46,605)	–	(46,605)	(12,064)
Stock exchange fees		(4,850)	–	(4,850)	(8,511)
Advisor and broker fees		(30,000)	–	(30,000)	(36,633)
Rental expenses		–	–	–	(13,449)
Bad debts on rental income		(24,511)	–	(24,511)	(76,082)
Total expenses		<u>(862,027)</u>	<u>–</u>	<u>(862,027)</u>	<u>(1,223,416)</u>
Net investment income		<u>1,042,447</u>	<u>–</u>	<u>1,042,447</u>	<u>1,372,392</u>
Gains on investments					
Net realised gains on investments at fair value through the profit or loss	10	–	–	–	201,236
Unrealised (losses)/gains on investments at fair value through profit or loss	10	–	(1,270,000)	(1,270,000)	3,770,000
Revaluation of investment property	10	–	88,353	88,353	–
Impairment of loan portfolio	19	–	(341,847)	(341,847)	(5,802,965)
Commitments under guarantee	23	–	(1,754,360)	(1,754,360)	(7,413,794)
(Loss)/profit for the period before taxation		<u>1,042,447</u>	<u>(3,277,854)</u>	<u>(2,235,407)</u>	<u>(7,873,131)</u>
Taxation	6	<u>(7)</u>	<u>(18,189)</u>	<u>(18,196)</u>	<u>(22,642)</u>
(Loss)/profit for the period after taxation		<u>1,042,440</u>	<u>(3,296,043)</u>	<u>(2,253,603)</u>	<u>(7,895,773)</u>
Basic and diluted (loss)/earnings per ordinary share (pence)					
	16	3.47p	(10.98p)	(7.51p)	(26.32p)

The total column of this statement represents the Group income statement, prepared in accordance with IFRS. The supplementary revenue and capital return columns are prepared in accordance with the Board of Directors' agreed principles. All items derive from continuing activities.

Consolidated Statement of Assets and Liabilities
As at 31 January 2008

	<i>Notes</i>	<i>31 January</i> 2008 £	<i>31 January</i> 2007 £
Non-current assets			
Investment property	10	676,000	587,647
Financial assets		12,761,460	12,808,500
		<u>13,437,460</u>	<u>13,396,147</u>
Current assets			
Accrued interest and other receivables		471,070	511,101
Cash and cash equivalents	12	2,944,914	2,831,477
Committed cash balances	12	1,983,065	8,319,035
		<u>5,399,049</u>	<u>11,661,613</u>
Current liabilities			
Accrued expenses and sundry creditors		(196,631)	(103,701)
Tax liability	6	(18,189)	–
Guarantee payable		–	(250,000)
Provision for call under guarantee	23	(1,460,095)	(4,653,909)
		<u>(1,674,915)</u>	<u>(5,007,610)</u>
Net current assets		<u>3,724,134</u>	<u>6,654,003</u>
Creditors: amounts falling due in more than one year			
Bank loan	13	(508,021)	(545,974)
Net assets		16,653,573	19,504,176
Represented by:			
Share capital	14	300,000	300,000
Share premium	15	27,850,479	27,850,479
Capital reserve		(12,541,320)	(9,245,277)
Revenue reserve		1,044,414	598,974
		<u>16,653,573</u>	<u>19,504,176</u>
Net asset value per share (pence)	17	55.51p	65.01p

The financial statements were approved by the Board of Directors on 1 May 2008 and signed on its behalf by:

Geoffrey Vero
Director

Nicholas Wilson
Director

Company Statement of Assets and Liabilities
As at 31 January 2008

	<i>Notes</i>	<i>31 January</i> 2008 £	<i>31 January</i> 2007 £
Non-current assets			
Financial assets	10	2,500,000	3,770,001
Investment in subsidiaries		1	275,001
		<u>2,500,001</u>	<u>4,045,002</u>
Current assets			
Loan to subsidiary	11	14,027,020	12,668,475
Accrued interest and other receivables		30,887	170,006
Cash and cash equivalents	12	133,442	489,873
		<u>14,191,349</u>	<u>13,328,354</u>
Current liabilities			
Accrued expenses and sundry creditors		(177,281)	(97,474)
		<u>(177,281)</u>	<u>(97,474)</u>
Net current assets		<u>14,014,068</u>	<u>13,230,880</u>
Net assets		<u>16,514,069</u>	<u>17,275,882</u>
Represented by:			
Share capital	14	300,000	300,000
Share premium	15	27,850,479	27,850,479
Capital reserve		(12,759,303)	(11,552,365)
Revenue reserve		1,122,893	677,768
		<u>16,514,069</u>	<u>17,275,882</u>
Net asset value per share (pence)		55.05p	57.59p

The loss dealt with in the financial statements of the Company for the year ended 31 January 2008 was £164,813 (2007: loss of £10,109,597).

The financial statements were approved by the Board of Directors on 1 May 2008 and signed on its behalf by:

Geoffrey Vero
Director

Nicholas Wilson
Director

**Consolidated Statement of Changes in Net Assets
For the year ended 31 January 2008**

	<i>Year ended 31 January 2008</i>				<i>Year ended 31 January 2007</i>	
	<i>Share Capital £</i>	<i>Share Premium £</i>	<i>Capital Reserve £</i>	<i>Revenue Reserve £</i>	<i>Total £</i>	<i>£</i>
Net assets at start of year	300,000	27,850,479	(9,245,277)	598,974	19,504,176	29,574,949
(Loss)/profit for the year after taxation	–	–	(3,296,043)	1,042,440	(2,253,603)	(7,895,773)
Dividends paid	–	–	–	(597,000)	(597,000)	(2,175,000)
Net assets at end of year	<u>300,000</u>	<u>27,850,479</u>	<u>(12,541,320)</u>	<u>1,044,414</u>	<u>16,653,573</u>	<u>19,504,176</u>

Consolidated Statement of Cash Flows
For the year ended 31 January 2008

	<i>Notes</i>	<i>31 January</i> 2008 £	<i>31 January</i> 2007 £
Operating activities			
Rental income		35,000	18,614
Interest		1,742,728	1,762,652
Commission income		175,255	672,969
Expenses paid	18	<u>(790,921)</u>	<u>(1,447,311)</u>
Net cash inflow from operating activities		1,162,062	1,006,924
Taxation paid		<u>(7)</u>	<u>(590,049)</u>
Net cash flows from operating activities		<u>1,162,055</u>	<u>416,875</u>
Investing activities			
Purchase of investments and investment property		–	(20,000)
Sale of investments and investment property		–	1,088,836
Loan advances		(3,642,629)	(17,771,390)
Loan repayments		2,091,168	6,892,595
Payments called under the guarantee		(4,948,174)	(3,202,885)
Deferred consideration paid		(250,000)	–
Transfer from/(to) committed cash		<u>6,335,970</u>	<u>8,995,801</u>
Net cash flows from investing activities		<u>(413,665)</u>	<u>(4,017,043)</u>
Financing activities			
Dividends paid		(597,000)	(2,175,000)
Part payment of bank–loan		<u>(37,953)</u>	<u>(20,294)</u>
Net cash flows from financing activities		<u>(634,953)</u>	<u>(2,195,294)</u>
Increase/(decrease) in cash and cash equivalents		113,437	(5,795,462)
Cash and cash equivalents at start of year		2,831,477	8,626,939
Cash and cash equivalents at end of year		<u>2,944,914</u>	<u>2,831,477</u>

Notes to the Financial Statements For the year ended 31 January 2008

1. Operations

The Company was incorporated with limited liability in the Isle of Man with the registered number 108834C on 25 July 2003. The Company's ordinary shares are listed on the Alternative Investment Market ("AIM"). The Company raised £30 million by a placing of ordinary shares at 100 pence per share.

The Company has four wholly owned subsidiaries, detailed in Note 27.

The principal activity of the Company and its subsidiaries (together "the Group") is to arrange financing for businesses emerging from distressed situations.

The consolidated financial statements comprise the results of the Company and its subsidiaries (the "Group") (See Notes 2(b) and 22).

The Company has no employees.

2. Accounting policies

- (a) The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB) except for the non-consolidation of certain companies as detailed in Note 2(b) and applicable legal and regulatory requirements of Isle of Man law and reflect the following policies, which have been adopted and applied consistently.

The financial statements are presented in Sterling. They are prepared on a fair value basis for financial assets and liabilities at fair value through profit or loss (FVTPL).

In preparing these consolidated financial statements, the Group has adopted IFRS 7 *Financial Instruments: Disclosures* and IAS 1 *Presentation of Financial Statements – Capital Disclosures*. The adoption of IFRS 7 and the amendment to IAS 1 impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profits or financial position of the Group. In accordance with the transitional requirements of the standards, the Group has provided full comparative information.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year relate to impairment provisioning in connection with secured loans, provisioning with regard to commitments under the guarantee with Eurosales and valuation of unquoted equity investments.

- (b) **Subsidiaries**

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the

consolidated financial statements from the date that control commences until the date that control ceases.

As part of the Group's arrangement of finance for businesses emerging from distressed situations the Group may receive preference and ordinary shares. Such shares permit the Group to participate in any increase in the value of portfolio companies. Such shares are received for nil consideration and the equity interest of the Group is capped by way of management options to purchase the Group's interest at a set amount. In addition, Board representation is only assumed in default situations. For such interests the Directors consider that they do not meet the definition of subsidiaries under IAS 27.

For two investments (2007: four investments) in portfolio companies, the equity interest of the Company is not capped. It is considered that such companies meet the definition of subsidiaries and would therefore fall to be consolidated under IAS 27. However, the Directors consider that consolidation would render the consolidated accounts misleading, as such interests were acquired for nil consideration, as part of loan finance arranged for such companies and such interests were acquired with a view to income and capital gain.

If these two investments had been consolidated, the Group net assets would have been decreased by £4,317,000 (2007: net assets decreased by £3,634,000).

(c) ***Segmental reporting***

The Directors are of the opinion that the Group is engaged in a single segment of business and geographic area being arranging financing for businesses emerging from distressed situations in the United Kingdom.

(d) ***Income***

Interest income is recognised in the Consolidated Income Statement as it accrues. Dividend income is accounted for when the right to receive such income is established. The return on shares held in money market funds is treated as interest receivable.

(e) ***Expenses***

All expenses are accounted for on an accruals basis.

(f) ***Taxation***

Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable in respect of the previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(g) ***Cash and cash equivalents***

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk

of changes in value and are held for the purposes of meeting short-term cash commitments rather than for investments or other purposes. Money market funds are treated as cash and cash equivalents.

(h) ***Investments***

(i) ***Classification***

Equity and preference share investments have been designated at fair value through profit and loss.

Financial assets that are designated as loans and receivables comprise loans and accrued interest and other receivables.

Financial liabilities that are not at fair value through profit or loss comprise accrued expenses and sundry creditors.

(ii) ***Recognition***

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

A regular way purchase of financial assets is recognised by using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed.

(iii) ***Measurement***

Financial instruments are measured initially at cost (transaction price).

Subsequent to initial recognition, all instruments classified as FVTPL are stated at fair value. The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices.

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. BVCA valuation guidelines are also taken into account in determining fair value.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance sheet date. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

(iv) ***Impairment***

Financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists,

3. Interest income

	31 January 2008	31 January 2007
	£	£
Cash Balances	285,560	758,917
Secured loans	1,476,958	1,248,353
Total	<u>1,762,518</u>	<u>2,007,270</u>

4. Investment advisory, administration and performance fees

(a) *Investment advisory fees*

On 10 September 2003 the Company entered into an Investment Advisory Agreement with EPIC Private Equity Limited (Formerly EPIC Specialist Investments Limited) ('EPE' or 'the Manager') for the provision of investment advisory services. Investment advisory fees are paid quarterly in arrears at a rate of 1 per cent. per annum of the Group's Gross Asset Value (including the Group's attributable proportion of financing contracts for which it is participating in the credit risk).

The management agreement can be terminated by either party giving not less than 12 months notice at any time after the second anniversary of the commencement of the Investment Advisory Agreement.

The Manager is entitled to charge and retain structuring and exit fees of a maximum of 2 per cent. of the value of the total facilities provided on any transaction or a minimum of £35,000 per transaction, whichever is the higher. In the year ending 31 January 2008, no such fees were charged.

(b) *Administration fees*

On 10 September 2003 the Company entered into an Administration agreement with Northern Trust International Fund Administration Services (Isle of Man) Limited for the provision of administration, registration and secretarial services. The fee was payable at a rate of 0.15 per cent. per annum of the Group's Net Asset Value, subject to a minimum fee of £30,000 per annum. This agreement was terminated on 30 November 2007 and IOMA Fund and Investment Management Limited were appointed as administrators for the provision of administration, registration and secretarial services. The fee is payable at a rate of 0.15 per cent. per annum of the Group's Net Asset Value, subject to a minimum fee of £30,000 per annum. The agreement is terminable by either of the parties giving not less than 6 months notice.

(c) *Performance fees*

The Investment Advisory Agreement above also provides for the provision of a performance fee. The fee is payable if the Total Return (taken as Net Asset Value plus dividends distributed) is equal to at least 8 per cent. per annum from the date of admission of the Company's shares to AIM, based on the funds raised through the Placing of shares and compounded annually. No performance fee has accrued for the year ended 31 January 2008 (2007: £Nil).

5. Directors' fees

Directors' fees payable for the year (excluding VAT) were as follows:

	2008	2007
	£	£
GO Vero (Chairman)	20,417	15,625
DL Adamson	–	17,598
RBM Quayle	20,000	20,000
CL Spears	15,000	15,000
NV Wilson	20,000	20,000
Under-accrual for prior year	–	(1,685)
	<u>75,417</u>	<u>86,538</u>

6. Taxation

Both the Company and EPIC Structured Finance Limited are Isle of Man tax resident. The Companies are liable to a zero per cent. rate of income tax.

UK Corporation tax at 30 per cent. on the profit on ordinary activities of the UK property company subsidiary has been provided for.

	2008	2007
	£	£
Actual UK Corporation Tax charge in the accounts	7	22,642
Deferred tax on property revaluation	18,189	
	<u>18,196</u>	<u>22,642</u>

7. Dividends paid and proposed

Under the terms of the Company's prospectus, it is the policy of the Company to distribute substantially all of its distributable profits each year. The Directors, having taken legal advice to ensure compliance with the applicable regulations, agreed to amend the Company's dividend distribution policy with effect from 1 February 2006. Dividends are now declared from available revenue reserves rather than from the total return of the Company.

During the year the following dividends were paid.

		Rate	Total
			£
2007 Final Paid	31 December 2007	1.99p	597,000

After the balance sheet date, the Directors have proposed a final dividend of 3.24p per ordinary share for the year ended 31 January 2008. The proposed final dividend has not been provided for in the financial statements.

8. Professional fees

Professional fees represent the employment of third party advisers on a number of aborted transactions together with accountancy fees for subsidiary companies.

9. Financial assets and liabilities

	2008		2007	
	Group	Company	Group	Company
	£	£	£	£
Assets				
Financial assets at fair value through profit or loss – designated on initial recognition:				
Equity investments	2,500,000	2,510,002	3,770,000	4,045,002
Loans and receivables and cash balances	15,660,509	12,051,495	20,700,113	13,328,354
Total financial assets	<u>18,160,509</u>	<u>14,561,497</u>	<u>24,470,113</u>	<u>17,373,356</u>
Liabilities				
Financial liabilities measured at amortised cost	(2,182,936)	(50,583)	(5,553,584)	(97,474)
Total financial liabilities	<u>(2,182,936)</u>	<u>(50,583)</u>	<u>(5,553,584)</u>	<u>(97,474)</u>

Loans and receivables and cash balances presented above represents cash balances and accrued interest and other receivables as detailed in the balance sheet.

Financial liabilities measured at amortised cost presented above represents accrued expenses and sundry creditors, guarantee payable, provision for calls under guarantee and bank loan, as detailed in the balance sheet.

10. Non-current assets

	2008		2007	
	<i>Group</i> £	<i>Company</i> £	<i>Group</i> £	<i>Company</i> £
Investment property	676,000		587,647	–
Financial assets:				
Secured loans	10,261,460	–	9,038,500	–
Unquoted equity investments	2,500,000	2,500,001	3,770,000	3,770,001
Investment in subsidiaries	–	10,001	–	275,001
	<u>13,437,460</u>	<u>2,510,002</u>	<u>13,396,147</u>	<u>4,045,002</u>

An external independent valuation company having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued, values the investment property based on market values.

The secured loans are secured by way of floating charge. The terms of secured loans are disclosed in note 19.

Unquoted equity investments comprises unrealised fair value gains of £2,500,000 (2007: £3,770,000) on two (2007: two) portfolio companies. Fair value is determined by the Directors, based on valuation techniques. The movement in unrealised gains/(losses) is reflected in the income statement being a loss of £1,270,000 (2007: gains of £3,770,000) in the year.

There were no realised capital gains in the year (2007: £207,479) in respect of investment property sales. There were no realised gains/(losses) on other investments of the Group (2007: net loss £6,243).

11. Loan to subsidiary – EPIC Structured Finance Limited

	2008	2007
	<i>Company</i> £	<i>Company</i> £
Loan to subsidiary	14,027,020	12,668,475

The loan to the subsidiary is unsecured interest free and not subject to any fixed repayment term.

12. Cash at bank

	2008		2007	
	<i>Group</i> £	<i>Company</i> £	<i>Group</i> £	<i>Company</i> £
Current and call accounts	2,944,914	101,841	274,471	3,875
Money market fund	–	–	2,557,006	485,998
Term deposit	1,983,065	–	8,319,035	–
	<u>4,927,979</u>	<u>101,841</u>	<u>11,150,512</u>	<u>489,873</u>

£1,983,065 (31 January 2007: £8,319,035) of the term deposit is charged in favour of the third party finance company to support the Group's commitment under a credit risk participation agreement (see Note 23).

The current and call accounts and money market fund have been classified as cash and cash equivalents in the Consolidated Statement of Cash Flows together with the uncharged part of the term deposit.

13. Bank loan

	2008 Group £	2007 Group £
Mortgage loan	508,021	545,974

The mortgage bank loan bears interest at 9.10 per cent. and is secured on investment property valued in the financial statements at £676,000 (2007: £587,647). The loan expiry date is May 2029.

14. Share capital

At 31 January 2008/2007

	Number	£
Authorised		
Ordinary shares of 1p each	<u>50,000,000</u>	<u>500,000</u>
Called up, allotted and fully paid		
Ordinary shares of 1p each	<u>30,000,000</u>	<u>300,000</u>

The Company treats share capital, share premium and reserves as capital. The Company does not have any externally imposed capital requirements. As at 31 January 2008 the Company had capital of £16,653,573 (2007: £19,504,176).

The Company's capital is deployed to meet the Company's investment objective as set out in Note 1. The Company has no debt as at 31 January 2008, although a subsidiary has a mortgage loan of £508,021 in relation to investment property (Note 13).

15. Share premium

The share premium arose on the issue of the ordinary shares and represents the difference between the price at which the shares were issued (100p) and the par value (1p). Issue expenses amounting to £1,849,521 were written off against the share premium account.

16. Basic and diluted loss per share (pence)

Basic and diluted loss per share are calculated by dividing the loss for the year attributable to ordinary shareholders of £2,253,603 (2007: loss of £7,895,773) by the weighted average number of shares outstanding during the period of 30,000,000 (2007: 30,000,000).

17. Net asset value per share (pence)

The net asset value per share is based on the net assets as at the year-end of £16,653,573 (2007: £19,504,176) divided by 30,000,000 shares (2007: 30,000,000 shares) in issue at the end of the year.

18. Note to the consolidated statement of cash flows

Reconciliation of net investment income to net cash inflows from operating activities:

	2008 £	2007 £
Net investment income	1,042,447	1,372,392
Adjustment for loan settlement expenses	(13,346)	–
Movement in debtors and prepayments	40,031	(62,705)
Movement in accrued expenses	<u>92,930</u>	<u>(302,763)</u>
Net cash flows from operating activities	<u>1,162,062</u>	<u>1,006,924</u>

19. Financial instruments

The Group's financial instruments comprise:

- Investments in unlisted companies, comprising equity and loans that are held in accordance with the Group's investment objectives.
- Cash and cash equivalents, including the investment of surplus liquidity in a money market fund.

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. None of these risks are hedged. These risks are managed by the Directors in conjunction with the Investment Adviser. The Investment Adviser is responsible for day to day management.

Liquidity risk

Under the credit risk participation agreement (see Note 23), the Group is committed to funding a proportion of any credit losses on loans arranged by the Group and advanced by a third party finance company. The Group has no other significant liabilities or commitments. Therefore, the key liquidity risk facing the Group is that the Group does not have sufficient liquid resources to meet any demands made under the credit risk participation agreement. The Group's liquid assets comprise cash and cash equivalents, which are readily realisable and a term deposit account, which is partly held as security under the credit risk participation agreement (see Note 23).

Residual contractual maturities of financial liabilities.

	<i>Less than 1 month</i>	<i>1–3 months</i>	<i>3 months to 1 year</i>	<i>1–5 years</i>	<i>Over 5 years</i>	<i>No stated maturity</i>
<i>Financial liabilities</i>	£	£	£	£	£	£
31 January 2008						
Accrued expenses and other creditors	214,820	–	–	–	–	–
Guarantee payable	–	–	–	–	–	–
Provision for call	–	1,460,095	–	–	–	–
Bank loan	–	–	–	–	508,021	–
Total	214,820	1,460,095	–	–	508,021	–
31 January 2007						
Guarantee payable	–	250,000	–	–	–	–
Provision for call	–	4,653,909	–	–	–	–
Bank loan	–	–	–	–	545,974	–
Total	103,701	4,903,909	–	–	545,974	–

Credit risk

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

Under the credit risk participation agreement (see Note 23), the Group is exposed to significant credit risk by way of its commitment to fund any credit losses on loans arranged by the Group. The total exposure of the Group as at 31 January 2008 under the credit risk participation agreement was £134,479 (2007: £2,745,550) net of provided loans. Under the credit risk participation agreement there were three investments in default at 31 January 2008 (2007: 5) in respect to some or all of their loans, for which provision has been made (see Note 23).

In addition the Group has advanced loans to a number of unquoted private companies which exposes the Group to significant credit risk (see Note 10). The impairment of loan portfolio charge in the Income

Statement comprises £341,847 (2007: £5,802,965) in respect of impairment provisions against two secured loans during the year and nil (2007: £250,000) payable in respect of a guarantee on behalf of a portfolio company.

At the reporting date, the Group's financial assets exposed to credit risk amounted to the following:

	2008 £	2007 £
Secured loans	10,261,460	9,038,500
Cash balances	4,927,979	11,150,512
Accrued interest and other receivables	471,070	511,101
Total	<u>15,660,509</u>	<u>20,700,113</u>
Exposure under the credit risk participation Agreement (Note 23)	<u>1,983,065</u>	<u>8,319,035</u>

The secured loans are advanced to unquoted private companies, which have no credit risk rating. They are entered into as part of the investment strategy of the Group and credit risk is managed by taking security where available (typically a floating charge) and the Investment Adviser taking an active role in the management of the borrowing companies. As part of the Group's investment strategy, loans and investments are made in companies that are in a recovery phase and therefore carry a relatively high risk of default – which is reflected in the interest rates charged and equity rights taken.

As at the 31 January 2008 there are secured loans to four companies. Therefore, the Group is exposed to concentration risk relating to these loans.

Cash balances are placed with Royal Bank of Scotland International in Jersey.

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to market price risk via its equity investments, which are stated at fair value – with gains and losses recognised in the income statement.

As at the reporting date, the Group's equity investments in the balance sheet comprised two holdings – representing the unrealised fair value gains on those portfolio companies (2007: two holdings). The Group also has equity interests in other portfolio companies, linked to lending facilities, which have not been revalued.

Market price risk sensitivity

The Group's interest in unquoted equity investments accounts for 15 per cent. (2007: 19 per cent.) of net assets. A 5 per cent. increase in the value of these investments as at 31 January 2008 would have increased net assets by £125,000 (2007: £188,500); an equal change in the opposite direction would have decreased net assets by an equal but opposite amount.

Interest rate risk

The Group is exposed to significant interest rate risk, through the secured loan portfolio and cash balances.

The return on the bank balances is linked to short-term deposit rates and is therefore linked closely to bank base rate changes. The secured loans bear interest at fixed rates of 15 per cent. and are repayable as follows:

	<i>Principal</i> £	<i>Interest Rate</i>	<i>Maturity</i>
Past Times Ltd	7,750,000	15%	22 December 2008
Morada Home Ltd	863,000	15%	19 September 2008
Autocue Group Ltd	875,000	15%	31 December 2015
Kemutec	773,464	15%	31 December 2016

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

	<i>Less than 1 month</i> £	<i>1–3 months</i> £	<i>3 months to 1 year</i> £	<i>1–5 years</i> £	<i>Over 5 years</i> £	<i>interest bearing</i> £	<i>Total</i> £
31 January 2008							
Assets							
Designated at fair value through profit or loss							
Equities	–	–	–	–	–	2,500,000	2,500,000
Loans and receivables							
Secured loans	7,750,000	–	863,000	773,460	875,000	–	10,261,460
Accrued interest and other debtors	–	–	–	–	–	471,070	471,070
Cash	2,944,914	–	–	–	–	–	2,944,914
Committed cash	1,983,065	–	–	–	–	–	1,983,065
Total financial assets	12,677,979	–	863,000	773,460	875,000	2,971,070	18,160,509
Liabilities							
Financial liabilities measured at amortised cost							
Accrued expenses and other creditors	–	–	–	–	–	(214,820)	(214,820)
Provision for call	–	–	–	–	–	(1,460,095)	(1,460,095)
Bank loan	–	–	–	–	(508,021)	–	(508,021)
Total financial liabilities			(508,021)	(1,674,915)	(2,182,936)		
Total interest rate sensitivity gap	12,677,979	–	863,000	773,460	366,979		
31 January 2007							
Assets							
Designated at fair value through profit or loss							
Equities	–	–	–	–	–	3,770,000	3,770,000
Loans and receivables							
Secured loans	–	–	7,613,500	750,000	675,000	–	9,038,500
Accrued interest and other debtors	–	–	–	–	–	511,101	511,101
Cash	2,831,477	–	–	–	–	–	2,831,477
Committed cash	8,319,035	–	–	–	–	–	8,319,035
Total financial assets	11,150,512	–	7,613,500	750,000	675,000	4,281,101	24,470,113
Liabilities							
Financial liabilities measured at amortised cost							
Accrued expenses and other creditors	–	–	–	–	–	(103,701)	(103,701)
Guarantee payable	–	–	–	–	–	(250,000)	(250,000)
Provision for call	–	–	–	–	–	(4,653,909)	(4,653,909)
Bank loan	–	–	–	–	(545,974)	–	(545,974)
Total financial liabilities	–	–	–	–	(545,974)	(5,007,610)	(5,553,584)
Total interest rate sensitivity gap	11,150,512	–	7,613,500	750,000	129,026		

Interest rate sensitivity

The Group is exposed to market interest rate risk via its bank balances. A sensitivity analysis has not been provided as it is not considered significant to Group performance.

Currency risk

The Group has no exposure to currency risk as it has no non-sterling assets or liabilities.

Fair Values

All financial instruments are considered to be stated at fair value except for secured loans and the bank loan, which carry a fixed interest rate and are stated at amortised cost. It is not practicable to determine fair value for these loans.

20. Directors' interests

None of the Directors had any interests in the shares of the Company as at 31 January 2008 (2007: £Nil).

21. Related parties

Investment advisory fees amounting to £217,685 (2007: £345,518) were payable to the Manager calculated in accordance with the Investment Advisory Agreement, of which £16,745 (2007: £19,672) was outstanding as at 31 January 2008. The Investment Advisor is also entitled to structuring fees and fees on the sale of investments (see Note 4).

Mr. Geoffrey Vero is a Non-executive Director of Numis Corporation plc and a former Non-executive Director of Numis Securities Limited, the Nominated Advisors, Brokers and Placing Agent to the Company. Advisory and broker fees of £30,000 (2007: £36,633) were payable to Numis Securities Limited, of which £3,750 (2007: £15,000) was paid in advance as at 31 January 2008.

Lehman Brothers, a significant shareholder, have rights to 20 per cent., subject to costs, of the performance fee due to the Manager.

22. Subsidiary Companies

On 21 August 2003 the Company incorporated EPIC Structured Finance Limited in the Isle of Man, with paid up share capital of £2.

On 11 October 2004 the Company incorporated EPIC Reconstruction Property Limited in England and Wales, with paid up share capital of £275,100. During the year this company was liquidated.

On 30 December 2004 the Company incorporated EPIC Reconstruction Property Company II Limited in England and Wales, with paid up share capital of £1.

On 29 September 2005 the Company incorporated EPIC Reconstruction Property Company (Isle of Man) Limited in the Isle of Man, with paid up share capital of £2.

23. Financial commitments and guarantees

Under a credit risk participation agreement signed with Eurosales, a division of RBS, a third party finance company, the Group is committed to fund a minimum of 70 per cent. and a maximum of 100 per cent. (depending on the nature of loan and amount of security) of the credit losses for loans arranged by the Group and funded by Eurosales. Provision is made for any loans which are considered impaired and hence the commitment to fund the related credit losses will be called. As at 31 January 2008 provisions of £1,460,095 have been established against the loans (2007: £4,653,909). Total calls under the agreement in the year, charged to the Income Statement amounted to £1,754,360 (2007: £7,413,794).

Under the terms of the credit risk participation agreement, the Group must retain a minimum amount in a security account, which is charged in favour of Eurosales, to support the Group's commitment under the agreement. As at 31 January 2008, £1,983,065 (31 January 2007: £8,319,035) of the term deposit was charged in favour of Eurosales.

ANNUAL ACCOUNTS 2009

Report of the Independent Auditors KPMG Audit LLC, to the members of EPE Special Opportunities plc (formerly EPIC Reconstruction plc)

We have audited the Group and Parent Company financial statements (“the financial statements”) of EPE Special Opportunities plc (formerly EPIC Reconstruction plc) for the year ended 31 January 2009 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statement of Assets and Liabilities, the Consolidated Statement of Changes in Net Assets, the Consolidated Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company’s members, as a body, in accordance with section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s 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 and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors’ responsibilities for preparing the financial statements in accordance with applicable Isle of Man company law and International Financial Reporting Standards are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Isle of Man Companies Acts 1931 to 2004. We also report to you whether in our opinion the information given in the Directors’ Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors’ transactions with the Company is not disclosed.

We read the Directors’ Report and any other information accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements or inconsistencies within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the UK Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group’s and Company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion resulting from disagreement about accounting treatment

As stated in Note 2(b) to the financial statements, the Company has not included in the consolidated financial statements the results of the controlled portfolio companies because the Directors are of the opinion that their inclusion would render the Company's consolidated financial statements misleading. However, the results of controlled portfolio companies are required to be included in the consolidated financial statements by International Accounting Standard 27 "Consolidated and Separate Financial Statements" and such non-inclusion constitutes a departure from the above mentioned accounting standard. The effect of such non-inclusion of the results of certain portfolio companies on the consolidated financial statements is disclosed in Note 2(b).

In our opinion:

- The financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Company's affairs as at 31 January 2009;
- The financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004; and
- The information given in the Directors' Report is consistent with the financial statements.

In our opinion:

- Except for the effect of the non-inclusion of the results of controlled portfolio companies in the consolidated financial statements as referred to above, the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's affairs as at 31 January 2009 and of the Group's loss for the year then ended.

KPMG Audit LLC

Chartered Accountants

Douglas

Isle of Man

23 April 2009

Consolidated Income Statement
For the year ended 31 January 2009

			<i>31 January 2009</i>		<i>31 January</i>
	<i>Notes</i>	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>	<i>Total</i>
		£	£	£	£
Income:					
Rental income		46,900	–	46,900	35,000
Interest income	3	1,253,640	–	1,253,640	1,762,518
Commission income		–	–	–	106,956
Total income		<u>1,300,540</u>	<u>–</u>	<u>1,300,540</u>	<u>1,904,474</u>
Expenses:					
Investment advisor's fees	4	(328,969)	–	(328,969)	(217,685)
Administration fees	4	(30,000)	–	(30,000)	(30,000)
Directors' fees	5	(75,000)	–	(75,000)	(75,417)
Directors and Officers' insurance		(9,531)	–	(9,531)	(11,953)
Professional fees	8	(154,454)	–	(154,454)	(243,992)
Board meeting and travel expenses		(2,077)	–	(2,077)	(5,643)
Auditors' remuneration		(34,457)	–	(34,457)	(49,963)
Interest and other charges		(53,901)	–	(53,901)	(30,932)
Irrecoverable VAT		(96,010)	–	(96,010)	(92,110)
Sundry expenses		(49,169)	–	(49,169)	(44,971)
Stock exchange fees		(755)	–	(755)	(4,850)
Advisor and broker fees		(27,095)	–	(27,095)	(30,000)
Bad debts on rental expenses		–	–	–	(24,511)
Total expenses		<u>(861,418)</u>	<u>–</u>	<u>(861,418)</u>	<u>(862,027)</u>
Net investment income		<u>439,122</u>	<u>–</u>	<u>439,122</u>	<u>1,042,447</u>
Gains/(losses) on investments					
Net realised gains on investments at fair value through the profit or loss		–	202,657	202,657	–
Unrealised losses on investments at fair value through profit or loss	10	–	(1,750,000)	(1,750,000)	(1,270,000)
Revaluation of investment property	10	–	(176,000)	(176,000)	88,353
Impairment of loan portfolio	19	–	–	(450,000)	(450,000)
Commitments under guarantee	23	–	–	–	(1,754,360)
Loss for the year before taxation		439,122	(2,173,343)	(1,734,221)	(2,235,407)
Taxation	6	–	18,189	18,189	(18,196)
Loss for the year after taxation		<u>439,122</u>	<u>(2,155,154)</u>	<u>(1,716,032)</u>	<u>(2,253,603)</u>
Basic and diluted loss per					
ordinary share (pence)	16	1.45p	(7.12p)	(5.67p)	(7.51p)

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

Consolidated Statement of Assets and Liabilities
As at 31 January 2009

	<i>Notes</i>	<i>31 January</i> 2009 £	<i>31 January</i> 2008 £
Non-current assets	9,10		
Investment property		500,000	676,000
Financial assets		11,936,464	12,761,460
		<u>12,436,464</u>	<u>13,437,460</u>
Current assets			
Accrued interest and other receivables		1,448,994	471,070
Cash and cash equivalents	12	1,633,890	2,944,914
Committed cash balances	12	1,247,895	1,983,065
		<u>4,330,779</u>	<u>5,399,049</u>
Current liabilities			
Accrued expenses and sundry creditors		(89,584)	(196,631)
Deferred tax liability	6	–	(18,189)
Provision for call under guarantee	23	(1,239,759)	(1,460,095)
		<u>(1,329,343)</u>	<u>(1,674,915)</u>
Net current assets		<u>3,001,436</u>	<u>3,724,134</u>
Non-current liabilities			
Bank loan	13	(500,359)	(508,021)
Net assets		<u>14,937,541</u>	<u>16,653,573</u>
Equity			
Share capital	14	327,075	300,000
Share premium	15	28,795,404	27,850,479
Capital reserve		(14,696,474)	(12,541,320)
Revenue reserve		511,536	1,044,414
Total equity		<u>14,937,541</u>	<u>16,653,573</u>
Net asset value per share (pence)	17	45.67p	55.51p

The financial statements were approved by the Board of Directors on 23 April 2009 and signed on its behalf by:

Geoffrey Vero
Chairman

Nicholas Wilson
Director

Company Statement of Assets and Liabilities
As at 31 January 2009

	<i>Notes</i>	<i>31 January</i> 2009 £	<i>31 January</i> 2008 £
Non-current assets			
Financial assets	9,10	750,000	2,500,000
Investment in subsidiaries		<u>1</u>	<u>1</u>
		<u>750,001</u>	<u>2,500,001</u>
Current assets			
Loan to subsidiary	11	14,253,590	14,027,020
Accrued interest and other receivables		18,249	30,887
Cash and cash equivalents	12	<u>14,772</u>	<u>133,442</u>
		<u>14,286,611</u>	<u>14,191,349</u>
Current liabilities			
Accrued expenses and sundry creditors		<u>(69,677)</u>	<u>(177,281)</u>
Net current assets		<u>14,216,934</u>	<u>14,014,068</u>
Net assets		<u>14,966,935</u>	<u>16,514,069</u>
Equity			
Share capital	14	327,075	300,000
Share premium	15	28,795,404	27,850,479
Capital reserve		(14,756,646)	(12,759,303)
Revenue reserve		<u>601,102</u>	<u>1,122,893</u>
Total equity		<u>14,966,935</u>	<u>16,514,069</u>

The loss dealt with in the financial statements of the Company for the year ended 31 January 2009 was £1,547,133 (2008: loss of 164,813).

The financial statements were approved by the Board of Directors on 23 April 2009 and signed on its behalf by:

Geoffrey Vero
Chairman

Nicholas Wilson
Director

**Consolidated Statement of Changes in Net Assets
For the year ended 31 January 2009**

	<i>Share Capital</i>	<i>Share Premium</i>	<i>Capital Reserve</i>	<i>Revenue Reserve</i>	<i>Total</i>	<i>31 January 2008</i>
	£	£	£	£	£	£
Net assets at start of year	300,000	27,850,479	(12,541,320)	1,044,414	16,653,573	19,504,176
Scrip dividend paid	27,075	944,925	–	(972,000)	–	–
Loss for the year after taxation	–	–	(2,155,154)	439,122	(1,716,032)	(2,253,603)
Dividends paid	–	–	–	–	–	(597,000)
Net assets at end of year	<u>327,075</u>	<u>28,795,404</u>	<u>(14,696,474)</u>	<u>511,536</u>	<u>14,937,541</u>	<u>16,653,573</u>

Consolidated Statement of Cash Flows
For the year ended 31 January 2009

	<i>Notes</i>	<i>31 January</i> 2009 £	<i>31 January</i> 2008 £
Operating activities			
Rental income received		46,900	35,000
Interest income received		337,624	1,742,728
Commission income received		–	175,255
Expenses paid		<u>(856,792)</u>	<u>(790,921)</u>
Net cash (outflow)/inflow from operating activities	18	<u>(472,268)</u>	<u>1,162,062</u>
Taxation paid		–	(7)
Net cash (used in)/generated from operating activities		<u>(472,268)</u>	<u>1,162,055</u>
Investing activities			
Purchase of equipment for sale		(261,893)	–
Receipts on disposal of equipment		175,000	–
Loan advances to investee companies		(1,375,000)	(3,642,629)
Receipts on repayments of loans		–	2,091,168
Payments called under the guarantee		(345,170)	(4,948,174)
Receipts from calls under guarantee		274,737	–
Payments of investments transaction costs		(33,938)	–
Deferred consideration paid		–	(250,000)
Transfer from committed cash		<u>735,170</u>	<u>6,335,970</u>
Net cash used in investing activities		<u>(831,094)</u>	<u>(413,665)</u>
Financing activities			
Dividends paid		–	(597,000)
Part payment of loan		<u>(7,662)</u>	<u>(37,953)</u>
Net cash used in financing activities		<u>(7,662)</u>	<u>(634,953)</u>
(Decrease)/increase in cash and cash equivalents		<u>(1,311,024)</u>	<u>113,437</u>
Cash and cash equivalents at start of year		<u>2,944,914</u>	<u>2,831,447</u>
Cash and cash equivalents at end of year		<u>1,633,890</u>	<u>2,944,914</u>

Notes to the Financial Statements
For the year ended 31 January 2009

1. Operations

The Company was incorporated with limited liability in the Isle of Man with the registered number 108834C on 25 July 2003. The Company's ordinary shares are listed on the Alternative Investment Market ("AIM"). The Company raised £30 million by a placing of ordinary shares at 100 pence per share.

The Company has four wholly owned subsidiaries, detailed in Note 22.

The principal activity of the Company and its subsidiaries (together "the Group") is to arrange income yielding financing for businesses emerging from distressed situations. It aims to hold these investments with a view to exiting in due course at a profit.

The consolidated financial statements comprise the results of the Company and its subsidiaries (the "Group") (see Notes 2(b) and 22).

The Company has no employees.

2. Accounting policies

(a) ***Basis of preparation***

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB) except for the non-consolidation of certain companies as detailed in Note 2(b) and applicable legal and regulatory requirements of Isle of Man law and reflect the following policies, which have been adopted and applied consistently.

The financial statements are presented in Sterling. They are prepared on a fair value basis for financial assets and liabilities at fair value through profit or loss (FVTPL).

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

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

Judgements made by Directors and the Investment Advisor in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year relate to impairment provisioning in connection with secured loans and valuations of unquoted equity investments. Due to the current market conditions, the level of estimation required in the valuation of unquoted equity investments and impairment provisions is increased due to a lack of reliable quoted market comparables and recent transaction comparables (notes 10 and 19).

(b) ***Subsidiaries***

Subsidiaries are those enterprises controlled by the Company, except where the enterprises are portfolio companies acquired with a view to income and capital gain. Control exists when the

Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

As part of the Group's investment in businesses emerging from distressed situations the Group may receive preference and ordinary shares. Such shares permit the Group to participate in any increase in the value of portfolio companies.

However, the Directors consider that consolidation would render the consolidated financial statements misleading, as such interests were acquired for nil consideration, as part of loan finance arranged for such companies and such interests were acquired with a view to income and capital gain.

If these three investments had been consolidated, the Group net assets would have been reduced by £7,415,330 (2008: £4,317,000).

(c) ***Segmental reporting***

The Directors are of the opinion that the Group is engaged in a single segment of business and geographic area being arranging financing for businesses emerging from distressed situations in the United Kingdom.

(d) ***Income***

Interest income is recognised in the Consolidated Income Statement as it accrues. Dividend income is accounted for when the right to receive such income is established.

(e) ***Expenses***

All expenses are accounted for on an accruals basis.

(f) ***Taxation***

Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable in respect of the previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(g) ***Cash and cash equivalents***

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purposes of meeting short-term cash commitments rather than for investments or other purposes.

(h) **Investments**

(i) *Classification*

Equity and preference share investments have been designated at fair value through profit and loss.

Financial assets that are designated as loans and receivables comprise loans and accrued interest and other receivables.

(ii) *Recognition*

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

It is normal practice to recognise the purchase of financial assets using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

(iii) *Measurement*

Financial instruments are measured initially at cost (transaction price).

Subsequent to initial recognition, all instruments classified as FVTPL are stated at fair value. The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices.

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. BVCA valuation guidelines are also taken into account in determining fair value.

Where discounted cash flow techniques are used, estimated future cash flows are based on the Investment Advisor's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance sheet date. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Given continuing instability in the publicly quoted markets and uncertainty around earnings outlook for 2009, the Investment Advisor has used a valuation range to determine fair value.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

(iv) *Impairment*

Financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the consolidated income statement as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the Consolidated Income Statement.

(v) *Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

The Company uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(i) *Financial guarantees*

Commitments under financial guarantees are provided for when an event has occurred that will result in the commitment being called (see Note 23).

(j) *Investment property*

Investment property is stated at fair value determined annually by the Directors. Any gain or loss arising from a change in fair value is recognised in the Consolidated Income Statement. Rental income from investment property is accounted for on an accruals basis. Property interests held under operating leases for investment purposes are classified and accounted for as investment property.

(k) *Future changes in accounting policies*

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of the financial year of these financial statements:

International Accounting Standards (IAS/IFRS)

<i>International Accounting Standards (IAS/IFRS)</i>		<i>Effective date (accounting periods commencing after)</i>
IAS 1	Presentation of Financial Statements (Revised)	1 January 2009
IAS 23	Borrowing costs (Revised)	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (Amended)	1 January 2009
IAS 1 and 32	Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amended)	1 January 2009
IAS 39	Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement (Amended)	1 July 2009
IFRS 2	Share-based Payment – Vesting Conditions and Cancellations (Amended)	1 January 2009
IFRS 3	Business Combinations (Revised)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IFRS 7	Financial Instruments: Disclosures (Amended)	1 January 2009

Revised IAS 1 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and

a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group's 2010 consolidated financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.

IFRS 8 introduces the "management approach" to segment reporting, with information based on internal reports. Management are currently assessing the impact of this on the disclosures to be presented regarding segmental reporting.

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

3. Interest income

	2009	2008
	£	£
Cash balances	179,552	285,560
Secured loans	1,074,088	1,476,958
Total	<u>1,253,640</u>	<u>1,762,518</u>

4. Investment advisory, administration and performance fees

Investment advisory fees

On 10 September 2003 the Company entered into an Investment Advisory Agreement with EPIC Private Equity Limited (formerly EPIC Specialist Investments) ('EPE' or the 'Investment Advisor') for the provision of investment advisory services. Investment advisory fees were paid quarterly in arrears at a rate of 1 per cent. per annum of the Group's Gross Asset Value (including the Group's attributable proportion of financing contracts for which it is participating in the credit risk). This was amended with effect from 1 February 2008. Under the amended terms the management fee is calculated as 2 per cent. of the Groups' Net Assets, with the minimum of £325,000 payable per annum.

The Manager is entitled to charge and retain structuring fees of a maximum of 2 per cent. of the value of the total facilities provided on any transaction or a minimum of £35,000 per transaction, whichever is the higher. In the year ending 31 January 2009, £50,000 (2008: £nil) was charged.

Administration fees

On 30 November 2007 the Group entered into an agreement with IOMA Fund and Investment Management Limited ("IOMA"), for the provision of administration, registration and secretarial services. IOMA delegated the provision of accounting services to EHM Service Providers Limited. The fee is payable at a rate of 0.15 per cent. per annum of the Group's Net Asset Value, subject to a minimum fee of £30,000 per annum.

Performance fees

The Investment Advisory Agreement above also provides for the provision of a performance fee. The fee is payable if the Total Return (taken as Net Asset Value plus dividends distributed) is equal to at least 8 per cent. per annum from the date of admission of the Company's shares to AIM, based on the funds raised through the Placing of shares and compounded annually. No performance fee has accrued for the year ended 31 January 2009 (2008: £nil).

5. Directors' fees

Directors' fees payable for the year were as follows:

	2009 £	2008 £
GO Vero (Chairman)	20,000	20,417
RBM Quayle	20,000	20,000
CL Spears	15,000	15,000
NV Wilson	20,000	20,000
	<u>75,000</u>	<u>75,417</u>

6. Taxation

Both the Company and EPIC Structured Finance Limited are Isle of Man tax residents. The companies are liable to zero per cent. income tax.

	2009 £	2008 £
UK Corporation Tax charge	–	7
Deferred (credit)/tax charge	<u>(18,189)</u>	<u>18,189</u>
	<u>(18,189)</u>	<u>18,196</u>

7. Dividends paid and proposed

During the year it was determined by Special Resolution to settle the proposed dividend in scrip in lieu of cash dividend declared earlier.

	Rate	Total £
2008 Scrip dividend settled on 23 December 2008	3.24p	972,000

No dividends are proposed for the year ended 31 January 2009.

8. Professional fees

Professional fees represent the fees paid to third party advisors for the provision of services in matters requiring their professional expertise.

9. Financial assets and liabilities

	2009		2008	
	<i>Group</i> £	<i>Company</i> £	<i>Group</i> £	<i>Company</i> £
Assets				
Financial assets at fair value through profit or loss – designated on initial recognition:				
Equity investments	750,000	750,001	2,500,000	2,500,001
Loans and receivables and cash balances	15,517,243	14,286,611	15,660,509	14,191,349
Total financial assets	<u>16,267,243</u>	<u>15,036,612</u>	<u>18,160,509</u>	<u>16,691,350</u>
Liabilities				
Financial liabilities measured at amortised cost				
	(1,829,702)	(69,677)	(2,164,747)	(177,281)
Total financial liabilities	<u>(1,829,702)</u>	<u>(69,677)</u>	<u>(2,164,747)</u>	<u>(177,281)</u>

Loans and receivables presented above represent cash balances and accrued interest and other receivables as detailed in the consolidated statement of assets and liabilities.

Financial liabilities measured at amortised cost presented above represent accrued expenses and sundry creditors, guarantees payable, provision for calls under guarantee and bank loans, as detailed in the consolidated statement of assets and liabilities.

10. Non-current assets

	2009		2008	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	£	£	£	£
Investment property	500,000	–	676,000	–
Financial assets:				
Secured loans	11,186,464	–	10,261,460	–
Unquoted equity investments	750,000	750,000	2,500,000	2,500,000
Investment in subsidiaries	–	1	–	1
	<u>12,436,464</u>	<u>750,001</u>	<u>13,437,460</u>	<u>2,500,001</u>

Investment property is stated at the Directors' considered current valuation.

The secured loans are secured by way of floating charge. The terms of secured loans, credit risk and impairment provisions are disclosed in note 19.

Unquoted equity investments comprise unrealised fair value gains of £750,000 (2008: £2,500,000), on Kemutec Powder Technologies Limited £750,000 (2008: £1,000,000) and Past Times Trading Limited £nil (2008:£1,500,000). Fair value is determined by the Directors, after reviewing a range of upside and downside valuations to come to what the Directors consider to be an appropriate median valuation. The movement in unrealised gains/(losses) is reflected in the consolidated income statement being a loss of £1,750,000 (2008: loss of 1,270,000) in the year.

11. Loan to subsidiary – EPIC Structured Finance Limited

	2009	2008
	<i>Company</i>	<i>Company</i>
	£	£
Loan to subsidiary	14,253,590	14,027,020

The loan to the subsidiary is unsecured, interest free and not subject to any fixed repayment term.

12. Cash at bank

	2009		2008	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	£	£	£	£
Current and call accounts	1,633,890	14,772	2,944,914	133,442
Term deposit	1,247,895	–	1,983,065	–
	<u>2,881,785</u>	<u>14,772</u>	<u>4,927,979</u>	<u>133,442</u>

The term deposit is charged in favour of Eurosales and Royal Bank of Scotland to support the Group's commitment under a credit risk participation agreement (see Note 23). The Group is not writing any new business under this agreement.

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

13. Bank loan

	2009 Group £	2008 Group £
Mortgage loan	500,359	508,021

The mortgage bank loan bears interest at 10.30 per cent. and is secured on investment property valued in the consolidated financial statements at £500,000. The loan expiry date is May 2029.

14. Share capital

	2009		2008	
	<i>Number</i>	£	<i>Number</i>	£
Authorised Share Capital				
Ordinary shares of 1p each	<u>50,000,000</u>	<u>500,000</u>	<u>50,000,000</u>	<u>500,000</u>
Called up, allotted and fully paid				
Ordinary shares of 1p each	<u>32,707,509</u>	<u>327,075</u>	<u>30,000,000</u>	<u>300,000</u>

A scrip dividend was paid on 23 December 2008 in lieu of a cash dividend declared earlier during the year. This increased share capital by £972,000 including share premium and increased shares in issue by 2,707,509.

The Company treats share capital, share premium and reserves as capital. The Company does not have any externally imposed capital requirements. As at 31 January 2009 the Company had capital of £14,937,541 (2008:£16,653,573).

The Company's capital is deployed to meet the Company's investment objective as set out in Note 1. The Company has no debt as at 31 January 2009, although a subsidiary has a mortgage loan of £500,359 (2008: £508,021) in relation to investment property (note 13) and certain investee companies have bank facilities.

15. Share premium

The share premium arose on the issue of the ordinary shares and represents the difference between the price at which the shares were issued (100p) and the par value (1p). Issue expenses amounting to £1,849,521 were written off against the share premium account. A scrip dividend paid on 23 December 2008 resulted in an increase of £944,925 in share premium.

16. Basic and diluted loss per share (pence)

Basic and diluted loss per share is calculated by dividing the loss for the year attributable to the ordinary shareholders of £1,716,031 (2008: £2,253,603 loss) divided by the weighted average number of shares outstanding during the year of 30,289,297 (2008: 30,000,000 shares).

17. Net asset value per share (pence)

The net asset value per share is based on the net assets as at the year-end of £14,937,541 (2008: £16,653,573) divided by 32,707,509 shares in issue at the end of the year (2008: 30,000,000 shares).

18. Note to the consolidated statement of cash flows

Reconciliation of net investment income to net cash (outflow)/inflow from operating activities:

	2009	2008
	£	£
Net investment income	439,122	1,042,447
Adjustment for loan settlement expenses	–	(13,346)
Movement in debtors and prepayments	(902,928)	40,031
Movement in accrued expenses	(8,462)	92,930
Net cash (outflow)/inflow from operating activities	(472,268)	1,162,062

19. Financial instruments

The Group's financial instruments comprise:

- Investments in unlisted companies, comprising equity and loans that are held in accordance with the Group's investment objectives;
- Cash and cash equivalents and bank loan; and
- Accrued interest and other receivables, accrued expenses and sundry creditors and provisions for calls under guarantee.

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. None of these risks are hedged. These risks are managed by the Directors in conjunction with the Investment Advisor. The Investment Advisor is responsible for day to day management.

Liquidity risk

Under the credit risk participation agreement (see Note 23), the Group is committed to funding a proportion of any credit losses on loans arranged by the Group and advanced by a third party finance company. The Group has no other significant liabilities or commitments. Therefore, the key liquidity risk facing the Group is that the Group may not have sufficient liquid resources to meet any demands made under the credit risk participation agreement. No new business has been written under this agreement since July 2005 (see Note 23). The Group's liquid assets comprise cash and cash equivalents, which are readily realisable and a term deposit account, which is partly held as security under the credit risk participation agreement (see Note 23).

Residual contractual maturities of financial liabilities:

	<i>Less than 1 month</i>	<i>1–3 months</i>	<i>3 months to 1 year</i>	<i>1–5 years</i>	<i>Over 5 years</i>	<i>No stated maturity</i>
<i>Financial liabilities</i>	£	£	£	£	£	£
31 January 2009						
Accrued expenses and other creditors	89,584	–	–	–	–	–
Provision for calls under guarantee	–	–	1,239,759	–	–	–
Bank loan	–	–	–	–	500,359	–
Total	89,584	–	1,239,759	–	500,359	–

<i>Financial liabilities</i>	<i>Less than 1 month</i> £	<i>1–3 months</i> £	<i>3 months to 1 year</i> £	<i>1–5 years</i> £	<i>Over 5 years</i> £	<i>No stated maturity</i> £
31 January 2008						
Accrued expenses and other creditors	214,820	–	–	–	–	–
Provision for calls under guarantee	–	1,460,095	–	–	–	–
Bank loan	–	–	–	–	508,021	–
Total	<u>214,820</u>	<u>1,460,095</u>	<u>–</u>	<u>–</u>	<u>508,021</u>	<u>–</u>

Credit risk

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

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

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

Included in the accrued interest is an amount of £1,158,000 (2008: £99,000) relating to the year ended 31 January 2009 for Past Times Trading Limited. The Investment Advisor views the accrued interest as deferred rather than non-recoverable and as such does not consider the non-payment to represent a material impairment to the loan. The Investment Advisor anticipates that repayment of the deferred interest will be made in the year to 31 January 2010.

In addition, under the credit risk participation agreement (see Note 23), the Group is exposed to credit risk by way of its commitment to fund any credit losses on loans arranged by the Group. No new business has been written under this agreement since July 2005. The total exposure of the Group as at 31 January 2009 under the credit risk participation agreement was £nil (2008:£134,479) net of provided loans. Under the credit risk participation agreement there were three previous investments in default at 31 January 2009 (2008: 3) in respect to some or all of their loans, for which provision has been made (see Note 23).

At the reporting date, the Group’s financial assets exposed to credit risk amounted to the following:

	<i>2009</i> £	<i>2008</i> £
Secured loans	11,186,464	10,261,460
Cash balances	2,879,314	4,927,979
Accrued interest and other receivables	1,448,994	471,070
Total	<u>15,514,772</u>	<u>15,660,509</u>
Exposure under the credit risk participation Agreement (note 23)	<u>1,247,895</u>	<u>1,983,065</u>

The impairment of loan portfolio charge in the Consolidated Income Statement includes £450,000 (2008: £341,847) in respect of impairment provisions against one secured loan during the year, Autocue Group

Limited. The Group assesses the value of equity interest and the need for impairment provisions on secured loans together by estimating the value of the Group's interest in investee companies.

As at 31 January 2009 there are secured loans to five companies (2008: four). Therefore, the Group is exposed to concentration risk relating to these loans, with particular concentration in Past Times Trading Limited with a loan of £7,750,000 (2008:£7,750,000) and accrued interest of £1,158,000 (2008: £99,000).

The Group is also subject to credit risk on lending facilities to its investee companies from third party lending institutions. The portfolio companies of the Group currently have lending facilities in place from Lloyds Banking Group plc, Cattles plc, Five Arrows Leasing Group, Alliance One International Inc and Commercial First Mortgages Limited. Given the ongoing banking crisis there can be no certainty that these financial institutions will be able to provide lending facilities on a continuing basis.

Cash balances are placed with Royal Bank of Scotland International in Jersey.

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to market price risk via its equity investments, which are stated at fair value – with gains and losses recognised in the income statement.

As at the reporting date, the Group's equity investments comprised one holding – representing an unrealised fair value gain (2008: two holdings). The Group also has equity interests in other portfolio companies, linked to lending facilities, which have not been revalued.

Market price risk sensitivity

The Group's interest in unquoted equity investments comprises 5 per cent. of net assets. A 5 per cent. increase in the value of these investments as at 31 January 2009 would have increased net assets by £37,500 (2008: £125,000); an equal change in the opposite direction would have decreased net assets by an equal but opposite amount.

Interest rate risk

The Group is exposed to significant interest rate risk, through the secured loan portfolio and cash balances. The return on the bank balances is linked to short-term deposit rates and is therefore linked closely to bank base rate changes.

The secured loans bear interest at fixed rates of between 15 per cent. and 20 per cent. and are repayable as follows:

	<i>Principal</i> £	<i>Interest Rate</i>	<i>Maturity</i>
Past Times Trading Limited	7,750,000	15%	30 April 2011
Morada Home Limited	1,088,000	15%	31 January 2011
Whittard of Chelsea (Hamsard 3146 Limited)	600,000	20%	22 December 2009
Autocue Group Limited	875,000	15%	31 December 2015
Kemutec Powder Technologies Limited	1,323,464	15%	31 December 2016

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

	<i>Less than 1 month</i> £	<i>1-3 months</i> £	<i>3 months to 1 year</i> £	<i>1-5 years</i> £	<i>Over years</i> £	<i>Non- interest bearing</i> £	<i>Total</i> £
31 January 2009							
Assets							
Designated at fair value through profit or loss							
Equities	-	-	-	-	-	750,000	750,000
Loans and receivables							
Secured loans			600,000	8,838,000	1,748,464	-	11,186,464
Accrued interest and other debtors	-	-	-	-	-	1,448,994	1,448,994
Cash	1,633,890	-	-	-	-	-	1,633,890
Committed cash	1,247,895	-	-	-	-	-	1,247,895
Total financial assets	2,881,785	-	600,000	8,838,000	1,748,464	2,198,994	16,267,243
Liabilities							
Financial liabilities measured at amortised cost							
Accrued expenses and other creditors	-	-	-	-	-	(89,584)	(89,584)
Guarantee payable							
Provision for call	-	-	-	-	-	(1,239,759)	(1,239,759)
Bank loan	-	-	-	-	(500,359)	-	(500,359)
Total financial liabilities	-	-	-	-	(500,359)	(1,329,343)	(1,829,702)
Total interest rate sensitivity gap	2,881,785	-	600,000	8,838,000	1,248,105		
31 January 2008							
Assets							
Designated at fair value through profit or loss							
Equities	-	-	-	-	-	2,500,000	2,500,000
Loans and receivables							
Secured loans	7,750,000		863,000	773,460	875,000	-	10,261,460
Accrued interest and other debtors	-	-	-	-	-	471,070	471,070
Cash	2,944,914	-	-	-	-	-	2,944,914
Committed cash	1,983,065	-	-	-	-	-	1,983,065
Total financial assets	12,677,979	-	863,000	773,460	875,000	2,971,070	18,160,509
Liabilities							
Financial liabilities measured at amortised cost							
Accrued expenses and other creditors	-	-	-	-	-	(214,820)	(214,820)
Provision for call under guarantee	-	-	-	-	-	(1,460,095)	(1,460,095)
Bank loan	-	-	-	-	(508,021)	-	(508,021)
Total financial liabilities	-	-	-	-	(508,021)	(1,674,915)	(2,182,936)
Total interest rate sensitivity gap	12,677,979	-	863,000	773,460	366,979		

Interest rate sensitivity

The Group is exposed to market interest rate risk via its bank balances. A sensitivity analysis has not been provided as it is not considered significant to Group performance.

Currency risk

The Group has no exposure to currency risk as it has no non-Sterling assets or liabilities.

Fair Values

All financial instruments are considered to be stated at fair value except for secured loans and the bank loan, which carry a fixed interest rate and are stated at amortised cost.

20. Directors' interests

None of the Directors had any interests in the shares of the Company as at 31 January 2009 (2008: £nil).

21. Related parties

Investment advisory fees amounting to £328,969 (2008: £217,685) were payable to the Manager calculated in accordance with the Investment Advisory Agreement, of which £28,704 (2008: £16,745) was outstanding as at 31 January 2009. The Investment Advisor is also entitled to structuring fees and fees on the sale of investments (see Note 4).

Mr. Geoffrey Vero is a Non-executive Director of Numis Corporation plc and a former Non-executive Director of Numis Securities Limited, the Nominated Advisors, Brokers and Placing Agent to the Company. Advisory and broker fees of £30,000 (2008: £30,000) were payable to Numis Securities Limited paid in advance half-yearly of which £9,280 (2008: £3,750) was paid in advance as at 31 January 2009.

22. Subsidiary Companies

On 21 August 2003 the Company incorporated EPIC Structured Finance Limited in the Isle of Man, with paid up share capital of £2.

On 30 December 2004 the Company incorporated EPIC Reconstruction Property Company II Limited in England and Wales, with paid up share capital of £1.

On 26 September 2005 the Company incorporated EPIC Reconstruction Property Company (IOM) Limited in Isle of Man, with paid up capital of £2.

On 7 November 2008 a limited liability partnership was formed, namely ESO Investments LLP. EPE Special Opportunities plc owns 80 per cent. of the LLP and further 20 per cent. is owned by the ESO Carry LLP.

23. Financial commitments and guarantees

Under a credit risk participation agreement signed with Eurosales, a division of RBS, a third party finance company, the Group is committed to fund a minimum of 70 per cent. and a maximum of 100 per cent. (depending on the nature of loan and amount of security) of the credit losses for loans arranged by the Group and funded by Eurosales. No new business has been written under this agreement since July 2005.

Under the terms of the credit risk participation agreement, the Group must retain a minimum amount in a security account, which is charged in favour of Eurosales. As at 31 January 2009, £1,247,895 (31 January 2008: £1,983,065) of the term deposit was charged in favour of Eurosales.

This agreement is now in run-off and no new business is written under this agreement.

The Company provides certain guarantees to Lloyds TSB Bank plc ("Lloyds") on the facilities that Lloyds provide to Past Times Limited. Such obligations are limited to a maximum of £3,000,000, and relate to the provision of facilities such as a Letter of Credit facility, customs and excise guarantees, a BACS facility and corporate credit cards.

24. Post balance sheet events

There were no significant post balance sheet events after 31 January 2009.

ANNUAL ACCOUNTS 2010

Report of the Independent Auditors KPMG Audit LLC, to the members of EPE Special Opportunities plc

We have audited the Group and Parent Company financial statements (“the financial statements”) of EPE Special Opportunities plc for the year ended 31 January 2010 which comprise the Consolidated and Parent Company Statements of Comprehensive Income, the Consolidated and Parent Company Statements of Assets and Liabilities, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company’s members, as a body, in accordance with section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s 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 and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors’ responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts 1931 to 2004. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors’ Report and any other information accompanying the financial statements and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the audited financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group’s and Company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion on the Group financial statements resulting from disagreement about accounting treatment

As stated in Note 3(a) to the financial statements, the Company has not included in the consolidated financial statements the results of the controlled portfolio companies because the Directors are of the opinion that their

inclusion would render the Company's consolidated financial statements misleading. However, the results of controlled portfolio companies are required to be included in the consolidated financial statements by International Accounting Standard 27 "Consolidated and Separate Financial Statements" and such non-inclusion constitutes a departure from the above mentioned accounting standard.

In our opinion, due to the non-inclusion of the results of controlled portfolio companies in the consolidated financial statements as referred to above, the financial statements do not show a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's affairs as at 31 January 2010 and of the Group's loss for the year then ended.

Unqualified opinion in respect of the separate financial statements of the Parent Company

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Parent Company's affairs as at 31 January 2010 and of the Parent Company's loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004.

KPMG Audit LLC

Chartered Accountants

Heritage Court

41 Athol Street

Douglas

Isle of Man

24 May 2010

Consolidated Statement of Comprehensive Income
For the year ended 31 January 2010

	Notes	31 January 2010		31 January 2009	
		Revenue	Capital	Total	Total
		£	£	£	(restated) £
Income:					
Rental income		58,484	–	58,484	46,900
Interest income	4	1,326,742	–	1,326,742	1,253,640
Total income		<u>1,385,226</u>	<u>–</u>	<u>1,385,226</u>	<u>1,300,540</u>
Expenses:					
Investment advisor's fees	5	(360,451)	–	(360,451)	(328,969)
Administration fees	5	(30,000)	–	(30,000)	(30,000)
Directors' fees	6	(90,629)	–	(90,629)	(75,000)
Directors and Officers' insurance		(10,350)	–	(10,350)	(9,531)
Professional fees		(182,860)	–	(182,860)	(154,454)
Board meeting and travel expenses		(10,623)	–	(10,623)	(2,077)
Auditors' remuneration		(29,697)	–	(29,697)	(34,457)
Interest and other charges		(29,047)	–	(29,047)	(53,901)
Irrecoverable VAT		(105,146)	–	(105,146)	(96,010)
Sundry expenses		(61,935)	–	(61,935)	(49,924)
Advisor and broker fees		(20,649)	–	(20,649)	(27,095)
Total expenses		<u>(931,387)</u>	<u>–</u>	<u>(931,387)</u>	<u>(861,418)</u>
Net investment income		453,839	–	453,839	439,122
Gains/(losses) on investments					
Net realised gains on investments at fair value through the profit or loss	10	–	–	–	202,657
Unrealised losses on investments at fair value through profit or loss	10	–	(750,000)	(750,000)	(1,750,000)
Revaluation of investment property	10	–	(14,592)	(14,592)	(176,000)
Impairment of loan portfolio	10	–	–	–	(450,000)
Profit/(loss) for the year before taxation		453,839	(764,592)	(310,753)	(1,734,221)
Taxation	7	–	–	–	18,189
Profit/(loss) for the year		453,839	(764,592)	(310,753)	(1,716,032)
Other comprehensive income		–	–	–	–
Total comprehensive income		<u>453,839</u>	<u>(764,592)</u>	<u>(310,753)</u>	<u>(1,716,032)</u>
Basic and diluted profit/(loss)					
per ordinary share (pence)	16	2.32	(3.91)	(1.59)	Notes 14, 16

The total column of this statement represents the Group income statement, prepared in accordance with IFRSs. The supplementary revenue and capital return columns are prepared in accordance with the Board of Directors' agreed principles. All items derive from continuing activities.

The notes to these financial statements, as set out on pages 99 to 113 form an integral part of these financial statements.

Company Statement of Comprehensive Income
For the year ended 31 January 2010

	Notes	31 January 2010		31 January 2009	
		Revenue	Capital	Total	Total
		£	£	£	(restated) £
Income:					
Interest income	4	2,045	–	2,045	1,074
Dividend income from subsidiaries		1,048,055	–	1,048,055	910,994
Total income		<u>1,050,100</u>	<u>–</u>	<u>1,050,100</u>	<u>912,068</u>
Expenses:					
Investment advisor's fees	5	(358,184)	–	(358,184)	(328,969)
Administration fees	5	(30,000)	–	(30,000)	(30,000)
Directors' fees	6	(80,629)	–	(80,629)	(65,000)
Directors and Officers' insurance		(10,350)	–	(10,350)	(9,531)
Professional fees		(182,860)	–	(182,860)	(155,152)
Board meeting and travel expenses		(10,623)	–	(10,623)	(2,077)
Auditors' remuneration		(22,000)	–	(22,000)	(27,200)
Interest and other charges		(321)	–	(321)	(548)
Irrecoverable VAT		(103,650)	–	(103,650)	(86,102)
Sundry expenses		(49,340)	–	(49,340)	(44,758)
Advisor and broker fees		(20,649)	–	(20,649)	(27,095)
Total expenses		<u>(868,606)</u>	<u>–</u>	<u>(868,606)</u>	<u>(776,432)</u>
Net investment income		181,494	–	181,494	135,636
Gains/(losses) on investments					
Net realised gains on investments at fair value through the profit or loss	10	–	–	–	64,648
Unrealised losses on investments at fair value through profit or loss	10	–	(750,000)	(750,000)	(1,750,000)
Unrealised gain/(loss) on investments in subsidiaries at fair value through profit or loss		–	257,753	257,753	(166,316)
Profit/(loss) for the year before taxation		181,494	(492,247)	(310,753)	(1,716,032)
Taxation	7	–	–	–	–
Profit/(loss) for the year		<u>181,494</u>	<u>(492,247)</u>	<u>(310,753)</u>	<u>(1,716,032)</u>
Other comprehensive income		–	–	–	–
Total comprehensive income		<u>181,494</u>	<u>(492,247)</u>	<u>(310,753)</u>	<u>(1,716,032)</u>
Basic and diluted profit/(loss) per ordinary share (pence)					
	16	0.92	(2.51)	(1.59)	Notes 14, 16

The total column of this statement represents the Company income statement, prepared in accordance with IFRSs. The supplementary revenue and capital return columns are prepared in accordance with the Board of Directors' agreed principles.

All items derive from continuing activities.

The notes to these financial statements, as set out on pages 99 to 113 form an integral part of these financial statements.

Consolidated Statement of Assets and Liabilities
As at 31 January 2010

	<i>Notes</i>	<i>31 January</i> <i>2010</i> £	<i>31 January</i> <i>2009</i> £
Non-current assets	9,10		
Investment property		485,408	500,000
Financial assets		14,796,452	11,936,464
		<u>15,281,860</u>	<u>12,436,464</u>
Current assets			
Cash and cash equivalents	12	3,542,388	1,633,890
Trade and other receivables		1,220,939	1,448,994
Committed cash balances	12	5,407	1,247,895
		<u>4,768,734</u>	<u>4,330,779</u>
Current liabilities			
Trade and other payables		(219,994)	(89,584)
Provision for calls under guarantee	23	–	(1,239,759)
		<u>(219,994)</u>	<u>(1,329,343)</u>
Net current assets		<u>4,548,740</u>	<u>3,001,436</u>
Non-current liabilities			
Bank loan	13	(485,408)	(500,359)
Net assets		<u>19,345,192</u>	<u>14,937,541</u>
Equity			
Share capital	14	1,327,075	327,075
Share premium	15	–	28,795,404
Capital reserve		(14,756,646)	(14,696,474)
Revenue reserve		32,774,763	511,536
Total equity		<u>19,345,192</u>	<u>14,937,541</u>
Net asset value per share before share consolidation (pence)	17	NA	45.67
Net asset value per share after share consolidation (pence)	17	72.89	Notes 14, 17

The financial statements were approved by the Board of Directors on 24 May 2010 and signed on its behalf by:

Geoffrey Vero
Chairman

Nicholas Wilson
Director

The notes to these financial statements, as set out on pages 99 to 113 form an integral part of these financial statements.

Company Statement of Assets and Liabilities
As at 31 January 2010

	<i>Notes</i>	<i>31 January 2010</i>	<i>31 January 2009 (restated)</i>
		£	£
Non-current assets	9,10		
Financial assets		–	750,000
Investment in subsidiaries at fair value through profit or loss		246,951	–
Loans to subsidiaries	11	17,262,652	14,253,590
		<u>17,509,603</u>	<u>15,003,590</u>
Current assets			
Cash and cash equivalents	12	2,051,903	14,772
Trade and other receivables		10,098	18,249
		<u>2,062,001</u>	<u>33,021</u>
Current liabilities			
Trade and other payables		(207,821)	(69,677)
		<u>(207,821)</u>	<u>(69,677)</u>
Net current assets/(liabilities)		<u>1,854,180</u>	<u>(36,656)</u>
Non-current liabilities			
Investment in subsidiaries at fair value through profit or loss		(18,591)	(29,393)
Net assets		<u>19,345,192</u>	<u>14,937,541</u>
Equity			
Share capital	14	1,327,075	327,075
Share premium	15	–	28,795,404
Capital reserve		(17,100,485)	(16,608,238)
Revenue reserve		35,118,602	2,423,300
Total equity		<u>19,345,192</u>	<u>14,937,541</u>
Net asset value per share before share consolidation (pence)	17	NA	45.67
Net asset value per share after share consolidation (pence)	17	72.89	Notes 14, 17

The financial statements were approved by the Board of Directors on 24 May 2010 and signed on its behalf by:

Geoffrey Vero
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The notes to these financial statements, as set out on pages 99 to 113 form an integral part of these financial statements.

**Consolidated Statement of Changes in Equity
For the year ended 31 January 2010**

	<i>Share Capital</i> £	<i>Share Premium</i> £	<i>Capital Reserve</i> £	<i>Revenue Reserve</i> £	<i>Total</i> £
Year ended 31 January 2010					
Balance at 1 February 2009	327,075	28,795,404	(14,696,474)	511,536	14,937,541
Total comprehensive income for the year	–	–	(764,592)	453,839	(310,753)
Contributions by and distributions to owners					
Shares issued	1,000,000	4,000,000	–	–	5,000,000
Share issue costs	–	(281,596)	–	–	(281,596)
Cancellation of share premium (note 15)	–	(32,513,808)	–	32,513,808	–
Total transactions with owners	<u>1,000,000</u>	<u>(28,795,404)</u>	<u>–</u>	<u>32,513,808</u>	<u>4,718,404</u>
Balance at 31 January 2010	<u>1,327,075</u>	<u>–</u>	<u>(15,461,066)</u>	<u>33,479,183</u>	<u>19,345,192</u>
Year ended 31 January 2009					
Balance at 1 February 2008	300,000	27,850,479	(12,541,320)	1,044,414	16,653,573
Total comprehensive income for the year	–	–	(2,155,154)	439,122	(1,716,032)
Contributions by and distributions to owners					
Scrip dividend	27,075	944,925	–	(972,000)	–
Total transactions with owners	<u>27,075</u>	<u>944,925</u>	<u>–</u>	<u>(972,000)</u>	<u>–</u>
Balance at 31 January 2009	<u>327,075</u>	<u>28,795,404</u>	<u>(14,696,474)</u>	<u>511,536</u>	<u>14,937,541</u>

The notes to these financial statements, as set out on pages 99 to 113 form an integral part of these financial statements.

**Company Statement of Changes in Equity
For the year ended 31 January 2010**

	<i>Share Capital</i> £	<i>Share Premium</i> £	<i>Capital Reserve</i> £	<i>Revenue Reserve</i> £	<i>Total</i> £
Year ended 31 January 2010					
Balance at 1 February 2009 as previously reported	327,075	28,795,404	(14,756,646)	601,102	14,966,935
Effect of change in accounting policy (note 2e)	–	–	(1,851,592)	1,822,198	(29,394)
Balance at 1 February 2009 as restated	327,075	28,795,404	(16,608,238)	2,423,300	14,937,541
Total comprehensive loss for the year	–	–	(492,247)	181,494	(310,753)
Contributions by and distributions to owners					
Shares issued	1,000,000	4,000,000	–	–	5,000,000
Share issue costs	–	(281,596)	–	–	(281,596)
Cancellation of share premium (note 15)	–	(32,513,808)	–	32,513,808	–
Total transactions with owners	<u>1,000,000</u>	<u>(28,795,404)</u>	<u>–</u>	<u>32,513,808</u>	<u>4,718,404</u>
Balance at 31 January 2010	<u>1,327,075</u>	<u>–</u>	<u>(17,100,485)</u>	<u>35,118,602</u>	<u>19,345,192</u>
Year ended 31 January 2009					
Balance at 1 February 2008 as previously reported	300,000	27,850,479	(12,759,303)	1,122,893	16,514,069
Effect of change in accounting policy (note 2e)	–	–	(1,997,267)	2,136,771	139,504
Balance at 1 February 2008 as restated	300,000	27,850,479	(14,756,570)	3,259,664	16,653,573
Total comprehensive loss for the year	–	–	(1,851,668)	135,636	(1,716,032)
Contributions by and distributions to owners					
Scrip dividend	27,075	944,925	–	(972,000)	–
Total transactions with owners	<u>27,075</u>	<u>944,925</u>	<u>–</u>	<u>(972,000)</u>	<u>–</u>
Balance at 31 January 2009	<u>327,075</u>	<u>28,795,404</u>	<u>(16,608,238)</u>	<u>2,423,300</u>	<u>14,937,541</u>

The notes to these financial statements, as set out on pages 99 to 113 form an integral part of these financial statements.

**Consolidated Statement of Cash Flows
For the year ended 31 January 2010**

	<i>Notes</i>	<i>31 January 2010 £</i>	<i>31 January 2009 £</i>
Operating activities			
Rental income received		40,964	46,900
Interest income received		157,126	337,624
Expenses paid		(753,031)	(856,792)
Net cash used in operating activities	18	<u>(554,941)</u>	<u>(472,268)</u>
Investing activities			
Purchase of equipment for sale		–	(261,893)
Receipts on disposal of equipment		17,500	175,000
Loan advances to investee companies		(3,325,000)	(1,375,000)
Receipts on repayments of loans		1,096,000	–
Payments called under the guarantee		(1,215,196)	(345,170)
Receipts from calls under guarantee		–	274,737
Payments of investments transaction costs		–	(33,938)
Transfer from committed cash		1,215,196	735,170
Net cash used in investing activities		<u>(2,211,500)</u>	<u>(831,094)</u>
Financing activities			
Loan interest paid		(28,514)	–
Part payment of loan		(14,951)	(7,662)
Share issue proceeds		5,000,000	–
Share issue costs paid		(281,596)	–
Net cash generated from/(used in) in financing activities		<u>4,674,939</u>	<u>(7,662)</u>
Increase/(decrease) in cash and cash equivalents		1,908,498	(1,311,024)
Cash and cash equivalents at start of year		<u>1,633,890</u>	<u>2,944,914</u>
Cash and cash equivalents at end of year		<u>3,542,388</u>	<u>1,633,890</u>

Supplementary information

During the year, £1,215,196 was paid out of committed cash balance to settle payments guaranteed to Eurosales. In addition, £69 bank charges were paid out of the committed cash balance and £27,223 was written-off.

The notes to these financial statements, as set out on pages 99 to 113 form an integral part of these financial statements.

**Company Statement of Cash Flows
For the year ended 31 January 2010**

	<i>Notes</i>	<i>31 January 2010</i>	<i>31 January 2009</i>
		£	£
Operating activities			
Interest income received		2,045	1,074
Expenses paid		(722,311)	(871,398)
Net cash used in operating activities	18	<u>(720,266)</u>	<u>(870,324)</u>
Investing activities			
Proceeds on disposal of subsidiary		–	64,648
Net loans (to)/repaid by subsidiaries		(1,961,007)	687,006
Net cash (used in)/generated from investing activities		<u>(1,961,007)</u>	<u>751,654</u>
Financing activities			
Share issue proceeds		5,000,000	–
Share issue costs paid		(281,596)	–
Net cash generated from financing activities		<u>4,718,404</u>	<u>–</u>
Increase/(decrease) in cash and cash equivalents		2,037,131	(118,670)
Cash and cash equivalents at start of year		14,772	133,442
Cash and cash equivalents at end of year		<u>2,051,903</u>	<u>14,772</u>

The notes to these financial statements, as set out on pages 99 to 113 form an integral part of these financial statements.

Notes to the Financial Statements
Year ended 31 January 2010

1. Operations

The Company was incorporated with limited liability in the Isle of Man with the registered number 108834C on 25 July 2003. The Company's ordinary shares are listed on the Alternative Investment Market ("AIM"). The Company raised £30 million by a placing of ordinary shares at 100 pence per share. In 2009 the Company raised an additional £5,000,000 by a placing of 100,000,000 ordinary shares at 5 pence per share.

The Company has three wholly owned subsidiaries, detailed in Note 22.

The principal activity of the Company and its subsidiaries (together "the Group") is to arrange income yielding financing for businesses emerging from distressed situations and holding the investments with a view to exiting in due course at a profit.

The consolidated financial statements comprise the results of the Company and its subsidiaries (the "Group") (see Notes 3(a) and 22).

The Company has no employees.

2. Basis of preparation

(a) *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB) except for the non-consolidation of certain companies as detailed in Note 3(a) and applicable legal and regulatory requirements of Isle of Man law and reflect the following policies, which have been adopted and applied consistently.

The consolidated financial statements were authorised for issue by the Board of Directors on 24 May 2010.

(b) *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis except for the following material items:

- financial instruments at fair value through profit or loss (FVTPL) are measured at fair value; and
- investment property is measured at fair value.

(c) *Functional and presentation currency*

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

(d) *Use of estimates and judgements*

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

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

Judgements made by Directors and the Investment Advisor in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year relate to impairment provisioning in connection with secured loans and valuations of unquoted equity investments. Due to the current market conditions, the level of estimation required in the valuation of unquoted equity investments and impairment provisions is increased due to a lack of reliable quoted market comparables and recent transaction comparables (notes 10 and 19).

(e) ***Changes in accounting policies***

The Group has applied revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

3. Significant accounting policies

(a) ***Basis of consolidation***

Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

For four portfolio companies, the equity interest of the Company is not capped. It is considered that such companies meet the definition of subsidiaries and would therefore fall to be consolidated under IAS 27. However, the Directors consider that consolidation would render the consolidated financial statements misleading, as such interests were acquired for nil consideration, as part of loan finance arranged for such companies and such interests were acquired with a view to income and capital gain.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) ***Segmental reporting***

The Directors are of the opinion that the Group is engaged in a single segment of business and geographic area being arranging financing for businesses emerging from distressed situations in the United Kingdom. Information presented to the board of directors for the purpose of decision making is based on this single segment.

(c) ***Income***

Interest income is recognised in the Company and Consolidated Statement of Comprehensive Income as it accrues. Dividend income is accounted for when the right to receive such income is established.

(d) **Expense**

All expenses are accounted for on an accruals basis.

(e) **Taxation**

Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable in respect of the previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(f) **Cash and cash equivalents**

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purposes of meeting short-term cash commitments rather than for investments or other purposes.

(g) **Investments**

(i) **Classification**

Equity and preference share investments have been designated at fair value through profit and loss.

Financial assets that are designated as loans and receivables comprise loans and accrued interest and other receivables.

(ii) **Recognition**

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

(iii) **Measurement**

Equity and preference share investments are stated at fair value. Loans and receivables are stated at amortised cost.

The Investment Advisor determines asset values for unquoted holdings using BVCA guidelines and the valuation principles of IAS 39. In accordance with BVCA guidelines and IAS 39 valuation principles, the value of unquoted holdings are estimated using 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 then seeks to determine whether holding the investment at cost is appropriate given the implied value, or whether an adjustment should be made to achieve fair value: whether this be in the form of an impairment or a write-up.

Under IFRS 7 the Company must classify its fair value measurements into a fair value hierarchy with the following levels, by reference to the observability and significance of the inputs used in making the measurements:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Amortised cost is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. Financial assets that are not carried at fair value through profit and loss are subject to an impairment test. If expected life cannot be determined reliably, then the contractual life is used.

In the Company Statement of Assets and Liabilities the investments in subsidiaries are stated at fair value, based on the net assets of the subsidiaries. In previous years these were stated at cost. The prior year figures have been restated accordingly.

(iv) *Impairment*

Financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the Company and Consolidated Statement of Comprehensive Income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the Company and Consolidated Statement of Comprehensive Income.

(v) *Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

The Company uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(h) *Financial guarantees*

Commitments under financial guarantees are provided for when an event has occurred that will result in the commitment being called (see Note 23).

(i) *Investment property*

Investment property is stated at fair value determined annually by the Directors. Any gain or loss arising from a change in fair value is recognised in the Consolidated Statement of Comprehensive Income. Rental income from investment property is accounted for on an accruals basis. Property interests held under operating leases for investment purposes are classified and accounted for as investment property.

(j) **Future changes in accounting policies**

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

New/Revised International Financial Reporting Standards (IAS/IFRS)

<i>New/Revised International Financial Reporting Standards (IAS/IFRS)</i>		<i>Effective date (accounting periods commencing after)</i>
IAS 1	Presentation of Financial Statements (Revised April 2009)*	1 January 2010
IAS 7	Statement of Cash Flows (Revised April 2009)*	1 January 2010
IAS 17	Leases (Revised April 2009)*	1 January 2010
IAS 24	Related Party Disclosures – Revised definition of related parties	1 January 2011
IAS 28	Investments in Associates – Consequential amendments resulting from amendments to IFRS 3 (2008)	1 July 2009
IAS 31	Interests in Joint Ventures – Consequential amendments resulting from amendments to IFRS 3 (2008)	1 July 2009
IAS 32	Financial Instruments: Presentation – Amendments relating to classification of rights issues	1 February 2010
IAS 36	Impairment of Assets (Revised April 2009)*	1 January 2010
IAS 38	Intangible Assets (Revised April 2009)*	1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments	30 June 2009
IAS 39	Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items	1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement (Revised April 2009)*	1 January 2010
IFRS 2	Share-based Payment – Amendments relating to group cash-settled share-based payment transactions	1 January 2010
IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method	1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Revised April 2009)*	1 January 2010
IFRS 8	Operating Segments (Revised April 2009)*	1 January 2010
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2013
IFRIC Interpretation		
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

* Amendments resulting from April 2009 Annual Improvements to IFRSs.

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

4. Interest income

	2010		2009	
	Group £	Company £	Group £	Company £
Cash balances	5,556	2,045	179,552	1,074
Secured loans	1,321,186	–	1,074,088	–
Total	<u>1,326,742</u>	<u>2,045</u>	<u>1,253,640</u>	<u>1,074</u>

5. Investment advisory, administration and performance fees

Investment advisory fees

EPE Special Opportunities PLC

The management fee is calculated as 2 per cent. of the groups' net assets, with a minimum of £325,000 payable per annum.

The Manager is entitled to charge and retain structuring fees of a maximum of 2 per cent. of the value of the total facilities provided on any transaction or a minimum of £35,000 per transaction, whichever is the higher. In the year ended 31 January 2010, £nil (2009: £50,000) was charged.

ESO Investments LLP

Under the terms of the Limited Liability Partnership Members' Agreement for the investments in ESO Investments Limited Liability Partnership (ESO Investments LLP) dated 20 November 2008 EPE was appointed investment advisor to the Partnership.

The Investment Advisor of ESO Investments LLP is entitled to receive a fee which shall be an amount equal to 2 per cent. (2009: 2 per cent.) per annum of the net assets of the partnership. The partnership own one investment in the portfolio: Whittard of Chelsea (2009: none).

Administration fees

On 30 November 2007 the Group entered into an agreement with IOMA Fund and Investment Management Limited ("IOMA"), for the provision of administration, registration and secretarial services. IOMA delegated the provision of accounting services to EHM International Limited (formerly EHM Service Providers). The fee is payable at a rate of 0.15 per cent. per annum of the Group's Net Assets Value, subject to a minimum fee of £30,000 per annum.

Performance fees

EPE Special Opportunities PLC

The Investment Advisory Agreement above also provides for the provision of a performance fee. The fee is payable if the Total Return (taken as Net Asset Value plus dividends distributed) is equal to at least 8 per cent. per annum from the date of admission of the Company's shares to AIM, based on the funds raised through the Placing of shares and compounded annually. No performance fee has accrued for the year ended 31 January 2010 (2009: £nil).

ESO Investments LLP

As disclosed in the Members' Agreement the Net Income, Net Income Losses, the Capital Gains and the Capital Losses shall be allocated between the Members' respective Profit Accounts as follows:

- (a) Prior to the NAV Condition Date and the Hurdle Payment Date, being the date when the loan from ESO PLC and a hurdle calculated at 8 per cent. per annum of the members loans has been repaid, all Relevant Sums shall be allocated to the Equity Members in the following Proportions:

EPIC PLC	100 per cent.
EPIC Carry LLP	0.00 per cent.

- (b) On the hurdle payment date 20 per cent. of the Non-Mezzanine Relevant Sums previously allocated to ESO PLC will be transferred to ESO Carry LLP.

- (c) After the Hurdle Payment Date and NAV Condition Date, Relevant Sums shall be allocated to the Equity Members in the following proportions:

EPIC PLC	80 per cent.
EPIC Carry LLP	20 per cent.

6. Directors' fees

Directors' fees payable for the year were as follows:

	2010		2009	
	Group £	Company £	Group £	Company £
GO Vero (Chairman)	22,917	22,917	20,000	20,000
RBM Quayle	22,917	17,917	20,000	15,000
CL Spears	21,878	21,878	15,000	15,000
NV Wilson	22,917	17,917	20,000	15,000
	<u>90,629</u>	<u>80,629</u>	<u>75,000</u>	<u>65,000</u>

7. Taxation

Both the Company and EPIC Structured Finance Limited are Isle of Man tax resident. The companies are liable to zero per cent. income tax.

	2010		2009	
	Group £	Company £	Group £	Company £
Deferred tax credit	–	–	(18,189)	–
	<u>–</u>	<u>–</u>	<u>(18,189)</u>	<u>–</u>

8. Dividends paid and proposed

No dividends are proposed for the year ended 31 January 2010 (2009: £nil).

9. Financial assets and liabilities

	2010		2009	
	Group £	Company £	Group £	Company £
Assets				
Financial assets at fair value through profit or loss – designated on initial recognition:				
Equity investments	212,118	–	750,000	750,000
Investments in subsidiaries at fair value	–	246,951	–	–
Financial assets at amortised cost				
Loans and receivables and cash balances	19,353,068	19,324,653	15,517,243	14,286,611
Total financial assets	<u>19,565,186</u>	<u>19,571,604</u>	<u>16,267,243</u>	<u>15,036,611</u>
Liabilities				
Financial liabilities measured at amortised cost	(705,402)	(207,821)	(1,829,702)	(69,677)
Financial liabilities at fair value through profit or loss – designated on initial recognition:				
Investments in subsidiaries at fair value	–	(18,591)	–	(29,393)
Total financial liabilities	<u>(705,402)</u>	<u>(226,412)</u>	<u>(1,829,702)</u>	<u>(99,070)</u>

Loans and receivables presented above represents secured loan, cash balances and accrued interest and other receivables as detailed in the Statement of Assets and Liabilities.

Financial liabilities measured at amortised cost presented above represents accrued expenses and sundry creditors, guarantee payable, provision for calls under guarantee and bank loan, as detailed in the Statement of Assets and Liabilities.

10. Non-current assets

	2010		2009	
	Group £	Company £	Group £	Company £
Investment property	485,408	–	500,000	–
Financial assets:				
Secured loans	14,584,334	–	11,186,464	–
Unquoted equity investments	212,118	–	750,000	750,000
Investment in subsidiaries	–	246,951	–	–
Loans to subsidiaries (note 11)	–	17,262,652	–	14,253,590
	<u>15,281,860</u>	<u>17,509,603</u>	<u>12,436,464</u>	<u>15,003,590</u>

Investment property is stated at the Directors' considered current valuation.

The secured loans are secured by way of floating charge. The terms of secured loans, credit risk and impairment provisions are disclosed in note 19.

Unquoted equity investments for 2010 comprise deferred shares of £212,118 in Past Times Limited. For 2009, the unquoted equity investments comprised an unrealised fair value gain on Kemutec Powder Technologies Limited of £750,000. This fair value gain was written-down to nil in the year.

For the year ended 31 January 2010 the Investment Advisor has applied appropriate valuation methods with reference to BVCA guidelines and the valuation principles of IAS 39 and has determined that holding the investments at cost as at year end provides fair value.

In accordance with IFRS 7, unquoted equity investments are classified as level 3 investments (see note 3g(iii)). The following shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	£
Unquoted equity investments	
Opening balance	750,000
Additions during the year	212,118
Unrealised write-down in profit or loss	<u>(750,000)</u>
Closing balance	<u>212,118</u>

11. Loans to subsidiaries

	2010 £	2009 £
EPIC Structured Finance Limited	14,672,854	14,253,590
EPIC Reconstruction Property Company II Limited	3,531	–
ESO Investments LLP	2,586,267	–
	<u>17,262,652</u>	<u>14,253,590</u>

The loan to the subsidiaries are unsecured, interest free and not subject to any fixed repayment term.

12. Cash and cash equivalents

	2010		2009	
	Group £	Company £	Group £	Company £
Current and call accounts	3,542,388	2,051,903	1,633,890	14,772
Term deposit	5,407	–	1,247,895	–
	<u>3,547,795</u>	<u>2,051,903</u>	<u>2,881,785</u>	<u>14,772</u>

The term deposit is charged in favour of Eurosales and Royal Bank of Scotland to support the Group's commitment under a credit risk participation agreement (see Note 23). The Group is not writing any new business under this agreement and is seeking return of any residual funds owed.

The current and call accounts and money market fund have been classified as cash and cash equivalents in the Company and Consolidated Statement of Cash Flows together with the uncharged part of the term deposit.

13. Bank loan

	2010 £	2009 £
Mortgage loan	485,408	500,359

The mortgage bank loan bears interest at LIBOR plus 4.5 per cent. margin per annum calculated on a daily basis subject to a maximum of 12.90 per cent. per annum. The loan is secured on investment property valued in the financial statements at £485,408 (2009: £500,000). The loan expiry date is May 2029.

14. Share capital

	2010		2009	
	Number	£	Number	£
Authorised Share Capital				
Ordinary shares of 1p each	<u>33,000,000</u>	<u>1,650,000</u>	<u>50,000,000</u>	<u>500,000</u>
Called up, allotted and fully paid				
Ordinary shares of 1p each	<u>26,541,501</u>	<u>1,327,075</u>	<u>32,707,509</u>	<u>327,075</u>

On 8 June 2009, a resolution was passed to increase the authorised share capital of the Company from £500,000 to £1,650,000 by the creation of 115,000,000 new ordinary shares of 1 pence each ranking *pari passu* in all respects with the existing ordinary shares.

During the period the Company issued 100,000,000 ordinary shares of 1 pence each giving a total number of shares in issue of 132,707,509.

On 15 June 2009, each five existing, issued and unissued, shares of 1 pence each in the capital of the Company were consolidated into one ordinary share of 5 pence each with the same rights attached to them in the Articles of Association of the Company. The authorised share capital of the Company became £1,605,000 comprising 33,000,000 ordinary shares of 5 pence each. The consolidation took outstanding shares at full subscription of the Offer Shares under the placing of 132,707,509 to an after share consolidation total of 26,541,501.

15. Share premium

On 28 August 2009, the Chancery Division of the High Court of Justice of the Isle of Man approved a reclassification of an amount of £32,513,808 standing to the credit of the share premium account to distributable reserves.

16. Basic and diluted loss per share (pence)

Basic and diluted loss per share is calculated by dividing the loss for the Group and Company for year attributable to the ordinary shareholders of £310,753 divided by the weighted average number of shares outstanding during the year of 19,582,597.

For 2009, the basic loss per share as restated after share consolidation would equate to 28.32p on the basis of the loss attributable to the ordinary shareholders of £1,716,032 divided by the restated weighted average number of shares outstanding during the year of 6,057,859. Owing to the multiplier effect of the share consolidation outlined in Note 14 above, the Directors regard the inclusion of this figure as inappropriate for the purposes of comparison.

17. Net asset value per share (pence)

The Group and Company net asset value per share after share consolidation is based on the net assets of the Group and Company as at the year-end of £19,345,192 divided by shares in issue at the end of the year 26,541,501 (shares as restated after share consolidation).

For 2009 the stated net asset value per share (pre- share consolidation of 45.67p) is based on the net assets of the Group and Company as at 31 January 2009 of £19,345,192 divided by shares in issue of 32,707,509.

The net asset value per share as restated after share consolidation would equate to 228.35p on the basis of net assets of £14,397,192 divided by shares of 6,541,502. Owing to the multiplier effect of the share consolidation outlined in Note 14 above, the Directors regard the inclusion of this figure as inappropriate for the purposes of comparison.

18. Net cash used in operating activities

Reconciliation of net investment income to net cash used in operating activities:

	2010		2009	
	Group £	Company £	Group £	Company £
Net investment income	437,835	192,782	439,122	135,636
Movement in trade and other receivables	63,496	(1,051,192)	(902,928)	(898,356)
Movement in trade and other payables	(1,056,272)	138,144	(8,462)	(107,604)
Net cash used in operating activities	<u>(554,941)</u>	<u>(720,266)</u>	<u>(472,268)</u>	<u>(870,324)</u>

19. Financial instruments

The Group's financial instruments comprise:

- Investments in unlisted companies, comprising equity and loans that are held in accordance with the Group's investment objectives;
- Cash and cash equivalents and bank loan; and
- Accrued interest and other receivables, accrued expenses and sundry creditors and provisions for calls under guarantee.

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. None of these risks are hedged. These risks are managed by the Directors in conjunction with the Investment Adviser. The Investment Adviser is responsible for day to day management.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's liquid assets comprise cash and cash equivalents, which are readily realisable and a term deposit account.

Residual contractual maturities of financial liabilities:

<i>Financial liabilities</i>	<i>Less than 1 month</i> £	<i>1–3 months</i> £	<i>3 months to 1 year</i> £	<i>1–5 years</i> £	<i>Over 5 years</i> £	<i>No stated maturity</i> £
31 January 2010						
Trade and other payables	219,994	–	–	–	–	–
Provision for calls under guarantee	–	–	–	–	–	–
Bank loan	–	–	–	–	485,408	–
Total	219,994	–	–	–	485,408	–
31 January 2009						
Trade and other payables	89,584	–	–	–	–	–
Provision for calls under guarantee	–	–	1,239,759	–	–	–
Bank loan	–	–	–	–	500,359	–
Total	89,584	–	1,239,759	–	500,359	–

Credit risk

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

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

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

Included in the accrued interest is an amount of £861,968 (2009: £1,158,000) relating to the year ended 31 January 2010 for Past Times Trading Limited. The Investment Advisor views the non-payment of the interest as a deferral rather than non-recoverable and as such does not consider the non-payment to represent a material impairment to the loan. The Investment Advisor anticipates that repayment of the deferred interest will be made in the year to 31 January 2011. During the year ended 31 January 2010 £1,381,588 of accrued interest was capitalised into £1,168,870 in new bonds and £212,718 in deferred shares.

At the reporting date, the Group's financial assets exposed to credit risk amounted to the following:

	2010	2009
	£	£
Secured loans	14,584,334	11,186,464
Cash balances	3,547,795	2,881,785
Trade and other receivables	1,220,939	1,448,994
Total	<u>19,353,068</u>	<u>15,517,243</u>
Exposure under the credit risk participation Agreement (note 23)	<u>5,407</u>	<u>1,247,895</u>

The impairment of loan portfolio charge in the Statement of Comprehensive Income in 2009 was in respect of impairment provision against Autocue Group Limited. The Group assesses the value of equity interest and the need for impairment provisions on secured loans together by estimating the value of the Group's interest in investee companies.

As at 31 January 2010 there are secured loans to five companies (2009: five). Therefore, the Group is exposed to concentration risk relating to these loans, with particular concentration in Past Times Trading Limited with a loan of £8,918,870 (2009: £7,750,000) and an accrued interest of £861,968 (2009: £1,158,000). During the year £1,168,870 of interest was capitalised into new bonds.

The Group is also subject to credit risk on lending facilities to its investee companies from third party lending institutions. The portfolio companies of the Group currently have lending facilities in place from Lloyds Banking Group plc, Cattles plc, Five Arrows Leasing Group, Alliance One International Inc and Commercial First Mortgages Limited. Given the ongoing credit constraints there is often a lack of certainty with these financial institutions as to applicable terms and availability of lending facilities and the Investment Advisor monitors the situation on availability of third party credit with investee companies closely.

Cash balances are placed with Royal Bank of Scotland International in Jersey and Barclays Bank Plc.

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to a market price risk via its equity investments, which are stated at fair value – with gains and losses recognised in the Statement of Comprehensive Income.

Market price risk sensitivity

The Group's interest in unquoted equity investments comprises 1 per cent. (2009: 5 per cent.) of net assets. A 5 per cent. increase in the value of these investments as at 31 January 2010 would have increased net assets by £10,606 (2009: £37,500); an equal change in the opposite direction would have decreased net assets by an equal but opposite amount.

Interest rate risk

The Group is exposed to significant interest rate risk, through the secured loan portfolio and cash balances. The return on the bank balances is linked to short-term deposit rates and is therefore linked closely to bank base rate changes.

The secured loans bear interest at fixed rates of between 15 per cent. and 20 per cent. and are repayable as follows:

	<i>Principal</i> £	<i>Interest</i> Rate	<i>Maturity</i>
31 January 2010			
Past Times Trading Limited	7,750,000	15%	30 April 2011
Past Times Trading Limited	1,168,870	15%	31 December 2012
Morada Home Limited	1,058,000	15%	31 January 2011
Whittard of Chelsea	2,734,000	20%	22 December 2010
Autocue Group Limited	900,000	15%	30 April 2013
Process Components Limited (formerly Kemutec Powder Technologies Limited)	1,423,464	15%	30 June 2010
31 January 2009			
Past Times Trading Limited	7,750,000	15%	30 April 2011
Morada Home Limited	1,088,000	15%	31 January 2011
Whittard of Chelsea	600,000	20%	22 December 2009
Autocue Group Limited	875,000	15%	30 April 2013
Kemutec Powder Technologies Limited	1,323,464	15%	30 June 2010

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

	<i>Less than</i> <i>1 month</i> £	<i>1-3</i> <i>months</i> £	<i>3 months</i> <i>to 1 year</i> £	<i>1-5 years</i> £	<i>Over</i> <i>5 years</i> £	<i>Non-</i> <i>interest</i> <i>bearing</i> £	<i>Total</i> £
31 January 2010							
Assets							
Designated at fair value through profit or loss							
Equities	-	-	-	-	-	212,118	212,118
Loans and receivables							
Secured loans	-	-	4,157,464	10,426,870	-	-	14,584,334
Trade and other receivables	-	-	-	-	-	1,220,939	1,220,939
Cash and cash equivalents	3,542,388	-	-	-	-	-	3,542,388
Committed cash	5,407	-	-	-	-	-	5,407
Total financial assets	<u>3,547,795</u>	<u>-</u>	<u>4,157,464</u>	<u>10,426,870</u>	<u>-</u>	<u>1,433,057</u>	<u>19,565,186</u>
Liabilities							
Financial liabilities measured at amortised cost							
Trade and other payables	-	-	-	-	-	(219,994)	(219,994)
Bank loan	-	-	-	-	(485,408)	-	(485,408)
Total financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(485,408)</u>	<u>(219,994)</u>	<u>(705,402)</u>
Total interest rate sensitivity gap	<u>3,547,795</u>	<u>-</u>	<u>4,157,464</u>	<u>10,426,870</u>	<u>(485,408)</u>		

	<i>Less than 1 month £</i>	<i>1–3 months £</i>	<i>3 months to 1 year £</i>	<i>1–5 years £</i>	<i>Over 5 years £</i>	<i>Non- interest bearing £</i>	<i>Total £</i>
31 January 2009							
Assets							
Designated at fair value through profit or loss							
Equities	–	–	–	–	–	750,000	750,000
Loans and receivables							
Secured loans	–	–	600,000	8,838,000	1,748,464	–	11,186,464
Trade and other receivables	–	–	–	–	–	1,448,994	1,448,994
Cash and cash equivalents	1,633,890	–	–	–	–	–	1,633,890
Committed cash	1,247,895	–	–	–	–	–	1,247,895
Total financial assets	<u>2,881,785</u>	<u>–</u>	<u>600,000</u>	<u>8,838,000</u>	<u>1,748,464</u>	<u>2,198,994</u>	<u>16,267,243</u>
Liabilities							
Financial liabilities measured at amortised cost							
Trade and other payables	–	–	–	–	–	(89,584)	(89,584)
Provision for calls under guarantee	–	–	–	–	–	(1,239,759)	(1,239,759)
Bank loan	–	–	–	–	(500,359)	–	(500,359)
Total financial liabilities	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(500,359)</u>	<u>(1,329,343)</u>	<u>(1,829,702)</u>
Total interest rate sensitivity gap	<u>2,881,785</u>	<u>–</u>	<u>600,000</u>	<u>8,838,000</u>	<u>1,248,105</u>		

Interest rate sensitivity

The Group is exposed to market interest rate risk via its bank balances. A sensitivity analysis has not been provided as it is not considered significant to Group performance.

Currency risk

The Group has no exposure to currency risk as it has no non-sterling assets or liabilities.

Fair Values

All financial instruments are considered to be stated at fair value except for secured loans and the bank loan, which carry a fixed interest rate and are stated at amortised cost.

20. Directors' interests

Two of the Directors had an interest in the shares of the Company as at 31 January 2010 (2009: none). Geoffrey Vero – 10,000 ordinary shares and Nicholas Wilson 20,000 ordinary shares.

21. Related parties

Investment advisory fees amounting to £359,860 (2009: £328,969) were payable to the Manager calculated in accordance with the Investment Advisory Agreement, of which £37,342 (2009: £28,704) was outstanding as at 31 January 2010. The Investment Advisor is also entitled to structuring fees and fees on the sale of investments (see Note 5).

Mr. Geoffrey Vero is a Non-executive Director of Numis Corporation plc and a former Non-executive Director of Numis Securities Limited, the Nominated Advisors, Brokers and Placing Agent to the Company. Advisory and broker fees of £30,000 (2009: £30,000) were payable to Numis Securities Limited, paid in advance half-yearly of which £3,647 (2009: £9,280) was paid in advance as at 31 January 2010. Additional fees of £25,000 (2009: £nil) were paid to Numis Securities Limited in respect of corporate finance work relating to the open offer and placing.

Giles Brand, a Partner in the Investment Advisor EPIC Private Equity LLP owns 9.1 per cent. of the ordinary share capital in the Company.

Jim Weight, a Consultant to the Investment Advisor EPIC Private Equity LLP during the year ended 31 January 2010 owns 9.0 per cent. of the ordinary share capital in the Company. Jim Weight's Consultancy agreement with EPIC Private Equity LLP ended during January 2010.

The Principals of EPIC Private Equity LLP co-invest in certain portfolio companies invested by Group Companies.

22. Subsidiary Companies

On 21 August 2003 the Company incorporated EPIC Structured Finance Limited in the Isle of Man, with paid up share capital of £2.

On 30 December 2004 the Company incorporated EPIC Reconstruction Property Company II Limited in England and Wales, with paid up share capital of £1.

On 7 November 2008 a limited liability partnership was formed, namely ESO Investments LLP.

EPE Special Opportunities plc owns 80 per cent. of the LLP and further 20 per cent. is owned by the ESO Carry LLP.

23. Financial commitments and guarantees

A credit risk participation agreement was signed with Eurosales, a division of RBS on 15 October 2003. Under the terms of this agreement, the Group must retain a minimum amount in a security account, which is charged in favour of Eurosales. As at 31 January 2010, £5,407 (31 January 2009: £1,247,895) of the term deposit was charged in favour of Eurosales. This agreement is now in run-off and no new business is written under the agreement since 2005. The return of any residual funds under this arrangement is currently being pursued.

The Company provides certain guarantees to Lloyds TSB Bank plc ("Lloyds") on the facilities that Lloyds provide to Past Times Trading Limited. Such obligations are limited to a maximum of £3,000,000, and relate to the provision of facilities such as a Letter of Credit facility, customs and excise guarantees, a BACS facility and corporate credit cards.

24. Post balance sheet events

The Company successfully concluded the sale of Autocue Group Limited on 8 April 2010, receiving a total cash consideration of £400,000 for its entire interest in the asset. At 31 January 2010 the asset was valued at £450,000 by the Investment Advisor. As a result, the Company no longer has any form of exposure to Autocue Group Limited.

PART XI

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

Set out below is the unaudited pro forma balance sheet of the Enlarged Group illustrating the effect of the Acquisition and Reorganisation. The unaudited *pro forma* balance sheet has been prepared to illustrate how the Acquisition and Reorganisation might have affected the Enlarged Group's balance sheet had it been effected as at 30 June 2010 and is based on the management accounts balance sheet of the Group as at 30 June 2010. It has been prepared on the basis described in the notes set out in the notes below and after making the adjustments described in those notes.

This unaudited *pro forma* balance sheet has been prepared for illustrative purposes only and is intended to demonstrate the means by which the Directors believe that the Company would account for its holding in the Fund following Completion. By its nature, this *pro forma* balance sheet addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

	<i>Purchase of LLPs by Fund</i>						
	<i>30 June 2010 Consolidated ESO Pre Acquisition £ Note 1</i>	<i>Creation of Fund £ Note 2</i>	<i>Consideration £ Note 3</i>	<i>EPE Shares Note 4</i>	<i>EPIC Investments LLP £ Note 5</i>	<i>EPIC Investments 2 LLP £ Note 5</i>	<i>30 June 2010 Consolidated ESO Post Acquisition £ Note 6</i>
Investments	14,588,860	–	–	–	20,012,623	2,053,394	36,654,877
Cash and cash equivalents	3,977,284	10,000,000	(10,000,000)	–	–	–	3,977,284
Trade and other receivables	1,773,116	–	–	–	–	–	1,773,116
Total Assets	20,339,260	10,000,000	(10,000,000)	–	20,012,623	2,053,394	42,405,277
Trade and other payables	(281,682)	–	–	–	(60,857)	(5,160)	(347,699)
Non-current liabilities	(485,408)	–	(10,000,000)	–	–	–	(10,485,408)
Total Liabilities	(767,090)	–	(10,000,000)	–	(60,857)	(5,160)	(10,833,107)
Net Assets	19,572,170	10,000,000	(20,000,000)	–	19,951,766	2,048,235	31,572,170
Minority Interest		10,000,000	–	–	–	–	10,000,000
Share premium		–	1,821,001	391,515	–	–	2,212,516
Share capital	1,327,074	–	178,999	38,485	–	–	1,544,558
Reserves	18,245,096	–	–	(430,000)	–	–	17,815,096
Shareholders' equity	19,572,170	10,000,000	2,000,000	–	–	–	31,572,170
Equity attributable to shareholder of the parent	19,572,170	–	2,000,000	–	–	–	21,572,170
NAV per share (pence)	73.74	–	55.86	–	–	–	69.83

NOTES:

- The figures for the column 'Consolidated ESO Pre Acquisition' have been extracted from the management accounts used to prepare the NAV announcements. The figures are unaudited.
- The column 'Creation of the Fund', represents the creation of a minority interest representing ESD's share of the Fund for its contribution of £10 million of cash in the Fund.
- Consideration for the Acquisition comprises £10 million in cash, £10 million in Convertible Loan Notes and £2 million in Ordinary Shares to be issued to EPIC. Ordinary Shares have been assumed to be issued at 55.86 pence per share.
- The column "EPE Shares" represents the issue of 769,781 new Ordinary Shares to EPE at a price of 55.86 pence per share.
- The fair value of the assets and liabilities acquired in EPIC 1 and EPIC 2 has been estimated to be £22 million, the fair value of the consideration.
- The column 'Consolidated ESO Post Acquisition' comprises the sum of the preceding columns. For the purposes of the *pro forma* balance sheet, ESO has consolidated the whole of the Fund on the basis that it has primary control given its 72 per cent. interest in the Fund.

In the opinion of the Directors, the *pro forma* information provided has been properly compiled on the basis stated and this basis is consistent with the current accounting policies of the Company.

PART XII

ADDITIONAL INFORMATION

1. The Company

The Company was incorporated with limited liability in the Isle of Man as a public company limited by shares under the Act with registered number 108834C on 25 July 2003. On incorporation the name of the Company was EPIC Reconstruction plc, which was changed to EPE Special Opportunities plc on 17 September 2008.

Under the Act, the Company has the capacity, rights, powers and privileges of an individual. It is not required to have an objects clause in its Memorandum of Association.

2. Share Capital

The Company was incorporated with an authorised share capital of £2,000 divided into ordinary shares of £1.00 each. At incorporation, two ordinary shares were subscribed, nil paid, by the subscribers to the Memorandum of Association. By special resolution of the Company dated 10 September 2003, each of the existing ordinary shares was subdivided into 100 ordinary shares of 1 penny each and the authorised share capital was increased to £500,000 by the creation of a further 49,800,000 Ordinary Shares.

By ordinary resolutions dated 8 June 2009, with effect from 15 June 2009, every 5 of the existing ordinary shares of 1 penny each were consolidated to form one ordinary share of 5 pence and the authorised share capital was increased to £1,650,000.

On 9 June 2009, the Company issued 100,000,000 Ordinary Shares by way of a Placing and Open Offer, thereby increasing the issued share capital of the Company to 132,707,509 Ordinary Shares. The subsequent consolidation reduced the outstanding Ordinary Shares to a total of 26,541,501 Ordinary Shares.

Save pursuant to the Proposals and the Placing and Open Offer, since the date of incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration.

The authorised share capital and the issued share capital of the Company (all of which will be fully paid-up) immediately following the implementation of the Proposals will be as follows:

	<i>Authorised</i>		<i>Issued</i>	
	<i>No. of Shares £</i>	<i>Nominal</i>	<i>No. of Shares £</i>	<i>Nominal</i>
Ordinary Shares	45,000,000	2,250,000	30,891,661	1,554,583

No commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.

No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

The New Ordinary Shares and Convertible Loan Notes to be issued pursuant to the Acquisition will be issued pursuant to a resolution of a committee of the Board on 27 August 2010, conditional upon admission of the New Ordinary Shares and Existing Ordinary Shares to trading on AIM.

The Articles authorise the Directors to allot shares up to the authorised share capital.

By a special resolution of the Company dated 8 June 2009 expiring on 8 December 2010, the Company was granted authority to make market purchases of up to 25 per cent., of the number of issued Ordinary Shares at a price of not more than £5 per share.

Neither the Articles nor Isle of Man companies legislation confer on shareholders any rights of pre-emption in respect of the allotment of equity securities.

The Company's share capital does not include any founders, management or deferred shares.

3. Directors' and other Interests

- (a) The aggregate of the remuneration to be paid to the Directors by the Company for the financial period ending 31 January 2011 is not expected to exceed £120,000 (excluding any applicable VAT) and the annual aggregate amount permitted to be paid by way of Directors' fees under the Articles cannot exceed £120,000. The Chairman will receive £20,000 per annum (plus any applicable VAT) and the other Directors will receive £20,000 per annum (plus any applicable VAT).
- (b) In addition, it is proposed that an additional £5,000 be payable to each Director as a one-time special payment in recognition of the substantial additional work and responsibility involved in considering the Proposals.
- (c) There are no existing or proposed service contracts between any of the Directors and the Company. Pursuant to letters of appointment, each of the Directors acts as a non-executive director of the Company. The appointments are terminable by either party on 3 months' prior written notice.
- (d) No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.
- (e) Save as disclosed in this paragraph 3 no Director has any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company and which have been effected by the Company since incorporation or have been effected by the Company since incorporation and remain in any way outstanding or unperformed.
- (f) Geoffrey Vero is a non-executive director of Numis Corporation plc, the parent company of Numis.
- (g) As at the date of this document no Director:
 - (i) has any unspent convictions in relation to any indictable offences;
 - (ii) save as disclosed in paragraphs 3(l) and 3(m) of this Part XII, has been a director of any company or a partner of any firm which, at the time of or within 12 months after his ceasing to be a director or a partner (as the case may be), had any receiver appointed or went into compulsory liquidation, or creditors voluntary liquidation or went into administration, or entered into company or partnership voluntary arrangements, or made any composition or arrangement with its creditors generally or any class of the creditors of such company;
 - (iii) has become bankrupt or had any bankruptcy order served upon him or entered into any individual voluntary arrangement or had a receiver appointed over any of his assets;
 - (iv) has had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- (h) Save as disclosed in the table below, no Director has any interest in the share capital of the Company nor has any person connected with any Director (so far as is known by, or who could with reasonable diligence be ascertained by, each Director) any interest in the share capital of the Company whether or not held through another party or any options in respect of such capital.

<i>Name</i>	<i>No. of Ordinary Shares</i>
Geoffrey Vero	40,000
Nicholas Wilson	20,000

- (i) Save as disclosed in the table below, the Company is not aware, at the date of this document, of any person who, directly or indirectly, is interested in 3 per cent. or more of the issued share capital of the Company.

<i>Shareholder</i>	<i>Holding of Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares as at the date of this document (%)</i>
Brit Insurance Holdings	4,090,250	15.4
RBS as Trustees of Jupiter Income Trust	2,654,149	10.0
EPIC	2,612,718	9.8
Bank of New York (Nominees) ¹	2,473,778	9.3
Giles Brand	2,400,000	9.0
Telection Overseas Inc	1,812,760	6.8
Miton Asset Management	1,440,000	5.4
Renaissance Capital Partners Ltd	1,000,000	3.8
Close Summit Trust Company	960,000	3.6
Harewood Nominees	923,921	3.5
Total	<u>20,367,576</u>	<u>76.7</u>

¹ The beneficial owner of these shares is Lehman Brothers as principal

- (j) There is no one (or no corporation) who, directly or indirectly, jointly or severally, exercises control over the Company.
- (k) The Company has purchased directors' and officers' liability insurance for the benefit of the Directors.
- (l) The names of the companies and partnerships of which the Directors have been directors or partners in the last five years or of which they continue to be directors or partners, are as follows:

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Past directorships and partnerships</i>
Robert Quayle	Aegis Motor Insurance Ltd	Abthorpe Limited (<i>dissolved</i>)
	ATIM Limited	Altargate Limited
	Avis Europe International Reinsurance Limited	Aramis Ltd
	AXA Isle of Man Administration Limited	AXA Isle of Man Insurance Ltd
	AXA Isle of Man Limited	Bohola Limited
	AXA Isle of Man Insurance Management Ltd	Bradford & Bingley Insurance Limited
	Ballinrobe Limited	Bradford & Bingley International Limited
	BBA Group Insurance Limited	BlackRock (Isle of Man) Holdings Ltd
	Belmullet Limited	BlackRock Isle of Man Holdings Ltd
	Blackrock Fund Managers (Isle of Man) Ltd	BT One Investment Limited
	Blackrock (Isle of Man) Ltd.	Dundrod Limited
	Communicator Insurance Company Limited	Ferbro Realisations Limited
	Communicator Limited	Ferbro Tenerife Limited (<i>dissolved</i>)
	Enpet Insurance Limited	Forres Limited
	EPE Special Opportunities PLC	Isle of Man Steam Packet (Holdings) Limited
	EPIC Structured Finance Limited	Monksgate Limited
	Friend of Manx National Heritage	Monkton Combe School
	General Nominees (Isle of Man) Limited	Monkton Enterprises Ltd
		Navigate Limited
		Neville James International Funds
		PCC plc
		Nunsgate Limited

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Past directorships and partnerships</i>
Robert Quayle <i>(continued)</i>	Hellenic Mutual War Risks Association (IOM) Ltd. International P&I Reinsurance Company Limited Ipsley Insurance Limited Isle of Man Steam Packet Company Limited Lawnet Insurance Limited Meridies Insurance Limited MIOM Ltd Neville James International Funds PCC plc Northern Lighthouse Trust Priestgate Limited Ridings Insurance Limited Swift Textiles Ltd Neville James Zero Preference Fund plc The Quaerere Academy Trust Total Isle of Man Limited VAU Marketing Ltd Viridian Insurance Limited	Prestige Investment Portfolio PLC Priorygate Limited Queecnsgate Limited Romeo Limited Sea Containers Isle of Man Limited Tapton Insurance Limited The Golden Jubilee Trust The Neville James Secure Capital Growth Fund plc Transceptgate Limited
Clive Spears	EPE Special Opportunities plc GCP Infrastructure Fund Limited Jersey Finance Limited Gorey Investments Limited Lema Fund Limited Meridian Asset Management (C.I.) Limited Moor Park Real Estate Fund III G..P. Nomura Fund of Funds GP Limited Nomura European Mezzanine Fund GP 1 Limited Nordic Capital Limited Nordic Capital III Limited Nordic Capital IV Limited Nordic Capital V Limited Nordic Capital VI Limited Nordic Capital VII Limited Warner Advisors Limited Warner AIF Limited Warner GLO Limited	Bath Street Nominees Limited Brewin Dolphin Portfolios Limited Brinat Nominees Limited Burrage Funds Limited Corinthian Portfolio Selection Funds Diversified Portfolios Fund Limited EPIC 2007 NO.1 Single Property Real Estate Company Limited Jersey Post International Limited Kamao Investments Limited Lowe's Personal Choice Portfolios Limited Mulcaster Street Nominees Limited RBSI Custody Bank Limited RBSI Fund Administration Limited RBSI Securities Services (Holdings) Limited Royscot Jersey Limited The National Bank Branch Office nominees Ltd The Royal Bank of Scotland Fund Managers (CI) Limited The Royal Bank of Scotland Fund Managers (Jersey) Limited The Royal Bank of Scotland International Money Market Funds Limited Unat Nominees Warner Funds Limited Wilstock Nominees Limited Zero Dividend Recovery Fund Limited

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Past directorships and partnerships</i>
Geoffrey Vero FCA	Govern Finance Limited Numis Corporation plc EPE Special Opportunities plc Crown Place VCT plc Albion Development VCT plc Nomina 206 LLP	Akers BioSciences Inc Mill Hill School Foundation Limited Mill Hill School Enterprises Limited Westcane Limited
Nicholas Wilson	Alternative Investment Strategies Limited Armagid Commodities Trading Fund Plc Beresford Gabler Securities Limited EPE Special Opportunities Plc Epicure Japan Property Opportunities Limited Epicure Qatar Equity Opportunities Plc Epicure Qatar Opportunities Holdings Limited Epic Reconstruction Property Company (IOM) Limited Epic Structured Finance Limited Neville James International Funds PCC plc RAB Special Situations Company Limited	Blue Chip Value and Income Fund Limited Blue Chip ZDP Limited World Web Writers.com Limited

- (m) In the ordinary course of his duties as an investment executive of Causeway Capital Limited, Mr. Geoffrey Vero served as an institutional non-executive director of the following portfolio companies which became insolvent, during the recession of 1991–1992, either during the period of his non-executive directorship or within 12 months of him ceasing to be a director: Regional Business Services Limited, Keeling Lamont Group Limited, Linereserve Limited and Shogun Jewellery Limited. Mr. Nicholas Wilson was a non-executive director of Unit Furniture Limited, which went into liquidation in 1981 and Island Holdings Limited, which went into liquidation in 1982.
- (n) Mr. Robert Quayle is a director of the Neville James Zero Preference Fund plc which holds a number of ZDPs in its portfolio. Mr. Quayle plays no role in the selection of its investments.
- (o) Save as disclosed in this Part, no person (other than a professional adviser referred to in this document or trade supplier dealing with the Company) has:
- (i) received, directly or indirectly, from the Company within the 12 months preceding the Company's application for Admission; or
 - (ii) entered into any contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
 - (a) fees totalling £10,000 or more;
 - (b) securities in the Company with a value of £10,000 or more; or
 - (c) any other benefit with the value of £10,000 or more at the date of Admission.

4. Irrevocable undertakings

Irrevocable undertakings to vote in favour of the Resolutions have been received in respect of 15,013,208 Ordinary Shares, representing, in aggregate, approximately 56.6 per cent. of the Company's Existing Ordinary Shares. Further details of such irrevocable undertakings are as follows:

<i>Shareholder</i>	<i>Holding of Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares as at the date of this document (%)</i>
Brit Insurance Ltd	4,090,250	15.4
RBS as Trustees of Jupiter Income Trust	2,654,149	10.0
EPIC – Securities Services Nominees Ltd	2,612,718	9.8
Mr Giles Robert Brand	2,400,000	9.0
Telection Overseas Inc	1,812,760	6.8
Renaissance Capital Partners Ltd	1,000,000	3.8
Corporate Services (TD Waterhouse) Nominees Ltd	374,000	1.4
Numis Securities Ltd	69,331	0.3
Total	<u>15,013,208</u>	<u>56.6</u>

5. Articles of Association

The Articles of the Company contain provisions, *inter alia*, to the following effect:

(a) ***Notice of a general meeting***

Under the Articles, the Board may determine the time and place for a general meeting of the Shareholders. The Directors are obliged to duly convene an extraordinary general meeting upon receipt of a requisition notice from Shareholders holding not less than one-tenth of the paid-up capital of the Company and having the ability to requisition an extraordinary general meeting of the Company.

Any general meeting or extraordinary general meeting which is to consider a special resolution must be convened by not less than 21 clear days' notice in writing. Other general meetings are to be convened by 14 clear days' notice in writing.

(b) ***Proceedings***

Quorum: Two persons entitled to attend and vote on the business to be transacted constitutes a quorum for a general meeting:

Chairman: The Chairman of the Board has the authority to preside over any general meeting of the Company.

Voting: At any general meeting a resolution put to a vote of the meeting shall be decided on a show of hands, unless, before declaration of the results of the show of hands, a poll is duly demanded. A poll may be demanded by, among others, the Chairman, at least five Shareholders present in person or by proxy and entitled to vote at the meeting or members holding ordinary shares comprising of, in aggregate, one-tenth of the total sum paid up capital on all Ordinary Shares.

On an equality of votes, the Chairman of the meeting at which the show of hands takes place or at which the poll was demanded is entitled to a second or casting vote in addition to any other vote that he may have.

(c) ***Votes of Members***

The Shareholders have the right to receive notice of, and to attend, general meetings of the Company. Subject to the restrictions referred to below and subject to any special rights or restrictions for the time being attached to any class of shares, every holder of Ordinary Shares who is present in person (or,

being a corporation, by representative) at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person (or, being a corporation, by representative) or by proxy has one vote in respect of each Ordinary Share held.

(d) ***Restrictions on Voting***

- (i) A member of the Company shall not be entitled in respect of any share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company unless all amounts payable by him in respect of that share have been paid.
- (ii) A member of the Company shall not, if the Directors so determine, be entitled in respect of any share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company or to exercise any other right conferred by membership in relation to any such meeting if he or any other person appearing to be interested in such shares has failed to comply with a notice requiring the disclosure of shareholder interests and given under Article 85 of the Articles (see (h) below) within such reasonable time as may be specified in such notice. The restrictions will continue until the information required by the notice is supplied to the Company or until the shares in question are transferred or sold in circumstances specified for this purpose in the Articles.

(e) ***Variation of Rights***

The special rights attached to any class of shares may (unless otherwise provided by the terms of the issue) be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of such shares. The necessary quorum shall be two persons at least holding or representing by proxy one third in nominal amount of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present one Shareholder who is present in person (or by proxy) shall be the quorum). Every holder of shares of the class concerned shall be entitled at such meeting to one vote for every share held by him on a poll. The special rights conferred upon the holders of any shares or class of shares issued shall not be deemed to be varied by the creation of or issue of further shares ranking *pari passu* therewith (save as to the date from which such new shares shall rank for dividend) or the exercise of any power under the disclosure provisions requiring shareholders to disclose an interest in the Company's shares as set out in the Articles or by the reduction of capital paid up on such shares or by the purchase or redemption by the Company of its own shares in accordance with the Act and the Articles.

(f) ***Capital entitlement***

On a winding up, the holders of the Ordinary Shares shall be entitled, *pro rata* to their holdings, to all the assets of the Company available for distribution to shareholders.

(g) ***Issue of shares***

- (i) Subject to the provisions of the Articles and without prejudice to any special rights conferred on the holders of any class of shares, any share in the Company may be issued with or have attached thereto such preferred, deferred or other special rights, or such restrictions whether in regard to dividend, return of capital, voting or otherwise as the Company may from time to time by ordinary resolution determine and, subject to and in default of such resolution, as the Board may determine.
- (ii) Subject to the Articles, the unissued shares shall be at the disposal of the Directors, and they may allot, grant options over, issue warrants in respect of or otherwise dispose of them to such persons, at such times and generally on such terms and conditions as they determine.
- (iii) The Company may on any issue of shares pay such brokerages and/or commissions as may be fixed by the Board and is in accordance with the Act.

(iv) No person shall be recognised by the Company as holding any shares upon any interest other than an absolute right of the registered holder to the entirety of a share.

(h) ***Notice requiring disclosure of interest in shares***

The Directors may serve notice on any Shareholder requiring that Shareholder to disclose to the Company the identity of any person (other than the member) who has an interest in the shares held by the Shareholder. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors may determine. If any Shareholder is in default in supplying to the Company the information required by the Company within the prescribed period, unless the Board determines otherwise, the Shareholder shall not be entitled to vote in general meetings or class meetings. Where the default shares represent at least 0.25 per cent., of the class of shares concerned any dividends payable on such shares will be retained by the Company (without interest) and no transfer of the shares (other than a transfer authorised under the Articles) shall be registered until the default is rectified.

(i) ***Uncertificated shares***

The Articles are consistent with CREST membership and, *inter alia*, allow for the holding and transfer of shares in uncertificated form.

(j) ***Transfer of shares***

If the Directors determine that the shares may be held in certificated form, the following shall apply to the transfer of shares held in such form: subject as provided below, any member may transfer all or any of his shares by instrument of transfer in any form which the Directors may approve. The instrument of transfer of a share shall be signed by or on behalf of the transferor. The Directors may refuse to register any transfer of shares unless the instrument of transfer is lodged at the registered office accompanied by the relevant share certificate(s) and such other evidence and documents as the Directors may reasonably require to show the right of the transferor to make the transfer and to comply with money laundering compliance and similar matters. The Directors may refuse to register a transfer of any share which is not fully paid up or on which the Company has a lien, provided that this would not prevent dealings from taking place on an open and proper basis.

The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine provided that such suspension shall not be for more than 30 days in any year.

(k) ***Compulsory transfer of shares***

In respect of Ordinary Shares held in certificated form (and in respect of Ordinary Shares held in uncertificated form to the extent compatible with the CREST regulations), the Board may refuse to register any transfer of Ordinary Shares, or may require the transfer of Ordinary Shares owned or which appear to be owned directly by any person who, by virtue of his holding, may in the opinion of the Directors cause or be likely to cause the Company or shareholders of the Company some legal, pecuniary or material disadvantage.

(l) ***Alteration of capital and purchase of shares***

The Company may from time to time by ordinary resolution increase its authorised share capital by such sum to be divided into shares of such amount as the resolution may prescribe.

The Company may from time to time, subject to the provisions of the Act, purchase its own shares (including any redeemable shares) in any manner authorised by the Act.

The Company may by ordinary resolution consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; subdivide all or any of its shares into shares of a smaller amount than is fixed by the Memorandum of Association; and cancel any shares which at the

date of the resolution have not been taken or agreed to be taken and diminish its authorised share capital accordingly.

The Company may by special resolution reduce its share capital, any redemption reserve or any share premium account in any manner permitted by and with and subject to the provisions of the Act.

(m) ***Interests of Directors***

- (i) Save as mentioned below, a Director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material interest (other than by virtue of his interest, directly or indirectly, in shares or debentures or other securities of the Company).
- (ii) A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
 - (1) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the Company or any of its subsidiaries;
 - (2) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
 - (3) a contract, arrangement, transaction or proposal concerning or the offer of shares, debentures or other securities of the Company or its subsidiaries in which offer he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to or may participate;
 - (4) any proposal concerning any other company in which he is interested, directly or indirectly, as an officer, creditor or shareholder or otherwise, provided that he, together with persons connected with him, is not to his knowledge the holder of or beneficially interested in one per cent., or more of any class of the equity share capital of any such company (or of any third company through which his interest is derived) or of the voting rights of such company;
 - (5) any arrangement for the benefit of employees of the Company or any of its subsidiaries which accords to the Director only such privileges and advantages as are generally accorded to the employees to whom the arrangement relates; or
 - (6) any proposal for the purchase or maintenance of insurance for the benefit of the Directors or persons including the Directors.
- (iii) Any Director may act by himself or by his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (iv) Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him.

(n) ***Remuneration and Appointment of Directors***

- (i) The Directors shall be remunerated for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees shall not exceed £120,000 per annum (or such sum as the Company in general meeting shall from time to time determine).

The Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.

- (ii) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with the office of Director on such terms as to tenure of office and otherwise as the Directors may determine.
 - (iii) The Directors may at any time appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall be eligible for re-election at the next annual general meeting following his appointment. Without prejudice to those powers, the Company in general meeting may appoint any person to be a Director either to fill a casual vacancy or as an additional Director. The Directors may from time to time appoint one or more of their body to the office of managing director or to any other office for such term and at such remuneration and upon such terms as they determine.
 - (iv) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting where he or any other Director is appointed to hold any such office or place of profit under the Company, or where the terms of appointment are arranged or any contract in which he is interested is considered and he may vote on any such appointment or arrangement other than his own appointment or the terms thereof.
- (o) ***Retirement, Disqualification and Removal of Directors***
- (i) There is no obligation on the Directors to retire by rotation.
 - (ii) A Director shall not be required to hold any qualification shares.
 - (iii) There is no age limit at which a Director is required to retire.
 - (iv) The office of Director shall be vacated if the Director resigns his office by written notice, if he shall have absented himself from meetings of the Board for three consecutive Board meetings and the Board resolves that his office shall be vacated, if he becomes of unsound mind or incapable, if he becomes insolvent, suspends payment or compounds with his creditors, if he is requested to resign by written notice signed by all his co-Directors, if the Company in general meeting shall declare that he shall cease to be a director, or if he becomes resident in the United Kingdom and, as a result, a majority of the Directors are resident in the United Kingdom.
- (p) ***Dividends***
- (i) Subject to the rights of persons entitled to shares with special rights as to dividends, the Company in general meeting may declare a dividend but no dividend shall exceed the amount recommended by the Directors.
 - (ii) The Directors may if they think fit from time to time pay the members such interim dividends as appear to be justified by the profits of the Company.
 - (iii) All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee thereof. No dividends shall bear interest against the Company. Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend shall (if the Board so resolves) be forfeited and shall revert to the Company.
 - (iv) The Directors are also empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to distribute.

(q) ***Borrowing Restrictions***

The Board may exercise all the powers of the Company to borrow money and to give guarantees, mortgage, hypothecate, pledge or charge all or part of its undertaking, property or assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any liability or obligation of the Company or of any third party.

(r) ***Register of Shareholders***

The register of Shareholders is kept in the Isle of Man pursuant to the Act.

6. Overseas Investors

No action has been taken to permit the distribution of this document in any jurisdiction outside the United Kingdom and, where such action is required to be taken, the Isle of Man. This document may not therefore be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Accordingly, no person receiving a copy of this document in any territory other than the United Kingdom, may treat the same as constituting an offer or invitation to him to acquire, subscribe for or purchase Ordinary Shares nor should he in any event acquire, subscribe for or purchase Ordinary Shares unless such an invitation, acquisition, subscription or purchase complies with any registration or other legal requirements in the relevant territory. Any person outside the United Kingdom wishing to acquire, subscribe for or purchase Ordinary Shares should satisfy himself that, in doing so, he complies with the laws of any relevant territory, and that he obtains any requisite governmental or other consents and observes any other applicable formalities.

The Company is not registered with the US Securities Exchange Commission under the US Investment Company Act of 1940, as amended (the “1940 Act”). In addition, the Ordinary Shares are not registered under the US Securities Act of 1933, as amended (the “1933 Act”). Therefore, the Ordinary Shares may not be publicly offered or sold in the US or directly or indirectly to or for the benefit of a “US Person” as defined herein. A “US Person” as used herein means a “US Person” as defined under Regulations of the 1933 Act, as well as the following (1) a citizen or resident of the US; (2) a partnership or corporation organised or incorporated under the laws of any state, territory or possession of the US; (3) any estate or trust, other than an estate or trust which is not subject to US income tax on its income derived from sources outside the US and not effectively connected with the conduct of a trade or business within the US; or (4) any estate or trust which has a US person as its executor, administrator, or trustee. No transfer or sale of Ordinary Shares shall be made in the US or to a US Person unless, among other things, such transfer or sale is exempt from the registration requirements of the 1933 Act, the 1940 Act, and any applicable state securities laws or is made pursuant to an effective registration statement under the 1933 Act, the 1940 Act, and such state securities laws.

The Articles contain provisions designed to exclude the holding of Ordinary Shares by Isle of Man residents (unless exempt from taxation in the Isle of Man) and to restrict the holding of Ordinary Shares by persons, including US Persons, where in the opinion of the Directors such a holding could cause or be likely to cause the Company some legal, regulatory, pecuniary, tax or material administrative disadvantage.

7. Conflicts of Interest

The Investment Adviser may provide investment advisory, management and other services to other clients (including investment companies), including clients which may invest in assets in which the Company may invest, and, in providing such services, may use information obtained by it which it uses in advising on the Company’s investments. In the event of a conflict of interest arising, the Investment Adviser will ensure that it is resolved fairly in the best interests of the Shareholders and that investment opportunities shall be fairly allocated to its clients. Furthermore, the activities of the Investment Adviser in its capacity as the Company’s investment adviser are subject to the overall direction and review of the Directors. Under the terms of the Investment Advisory Agreement between the Investment Adviser and the Company, the Investment Adviser may effect transactions which involve a potential conflict with its duty to the Company, subject to the overriding principles of suitability and with the prior consent of the Directors. The Investment Adviser is

obliged to disclose to the Company details of all transactions intended to be effected where there is such a potential conflict of interest.

8. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material, and there are no other contracts entered into by the Company which include an obligation or entitlement which is material to the Company at the date of this document.

- (a) An investment advisory agreement dated 20 November 2008 between the Company and the Investment Adviser, whereby the Company appointed the Investment Adviser to advise in relation to the portfolio of investments in its fund (the “**Investment Advisory Agreement**”). Such advice includes opportunities for acquiring and disposing of assets, assistance with the negotiations of such acquisitions and disposals and the preparation of a quarterly report to the Board.

The Investment Advisory Agreement took effect from 1 February 2008. Either party may terminate the Investment Advisory Agreement and the appointment of the Investment Adviser thereunder by giving the other party twelve months’ prior written notice, subject to earlier termination by either party by notice in writing within one month in the event of, *inter alia*, a party becoming insolvent, having a receiver, liquidator or administrator appointed, or committing a material breach of the Investment Advisory Agreement, or immediately if the Investment Adviser is not, or ceases to be, authorised under FSMA. The Investment Advisory Agreement shall terminate immediately, without compensation becoming payable to the Investment Adviser, upon the passing of a resolution for the winding up of the Company. On termination, the Company will pay the fees and expenses of the Investment Adviser up to and including the date of termination as well as any accrued performance fee.

The Investment Adviser is entitled to receive a periodic fee for services provided under the Investment Advisory Agreement which accrues quarterly on 31 January, 30 April, 31 July and 31 October in each year in respect of the quarterly periods ending on those dates and on the date of termination of the Agreement. The rate of the periodic fee is 2 per cent. of the NAV, being the net asset value of the Company calculated in accordance with existing accounting policies of the Company (plus VAT if applicable) valued at the close of business on the last business day of each quarter, subject to a minimum annual payment of £325,000 (plus VAT if applicable) per annum. The periodic fee will be reduced by the amount of any distribution of profit and any drawing on account of profits paid to the Investment Adviser by any limited liability partnership investment vehicle established for the purpose of making new investments by the Company.

The Investment Adviser is also entitled to a cumulative performance fee (plus VAT if applicable) equal to 20 per cent. of the Total Return, being an increase in the net asset value plus dividends distributed since the inception of the Company, if the NAV Condition is met and subject to the availability of sufficient cash or cash equivalent assets from the proceeds of a realisations of assets by the Company. The NAV Condition is currently calculated on a per share basis, being the net asset value of the Company plus the aggregate gross dividend and other distributions or repayments of capital paid by the Company to shareholders since its admission to AIM, divided by the number of ordinary shares in issue, being equal to or exceeding 93.8 pence per Ordinary Share. The NAV Condition will be adjusted to reflect the scrip dividend effected in January 2009. It will then become the net asset value of the Company plus the aggregate gross cash dividends and other cash distributions or repayments of capital paid by the Company to shareholders since its admission to AIM being equal to or exceeding £28.1 million (being the net proceeds of the initial issue of Ordinary Shares).

The Investment Adviser is also entitled to charge corporate finance fees to the Company up to an amount not exceeding 2 per cent. of the transaction value and will be reimbursed all expenses incurred.

- (b) An investment advisory agreement dated 4 August 2010 between the Company and the Investment Adviser amends and restates the Investment Advisory Agreement described in (a) above (the “**Revised Investment Advisory Agreement**”). It sets out the terms relating to investment advisory services to be provided by the Investment Adviser to the Company following Completion. Such advice will include opportunities for acquiring and disposing of assets, assistance with negotiations of such acquisitions and disposals and preparation of reports for the Board.

Either party may terminate the Revised Investment Advisory Agreement and the appointment of the Investment Adviser thereunder by giving the other party twelve months’ prior written notice, subject to earlier termination by either party by notice in writing within one month in the event of, *inter alia*, a party becoming insolvent, having a receiver, liquidator or administrator appointed, or committing a material breach of the Revised Investment Advisory Agreement or with immediate effect if the Investment Adviser is not, or ceases to be, authorised under FSMA. Additionally, the Revised Investment Advisory Agreement will terminate without compensation becoming payable to the Investment Adviser on the winding up of the Company following the passing of a winding-up resolution. On termination, the Company will pay the fees and expenses of the Investment Adviser up to and including the date of termination as well as any accrued performance fee.

Details of the Investment Adviser’s fees for its investment advisory services under the Revised Investment Advisory Agreement are set out in Part IX.

- (c) The ESO Investments LLP Members’ Agreement dated 20 November 2008, between the Company, ESO Carry LLP (“**Carry LLP**”) and the Investment Adviser, who are members of ESO Investments LLP (the “**LLP**”) (the “Members Agreement”). The Members’ Agreement sets out the basis on which the LLP is to be organised and the rights and liabilities of the members.

The initial capital of the LLP was £101, with the Company contributing £80, Carry LLP contributing £20 and the Investment Adviser £1. Votes are based on capital owned. Resolutions at meetings of the Members of the LLP require unanimous approval. The Investment Adviser and Carry LLP are the first designated members of the LLP.

Provisions relating to the Investment Adviser’s appointment as investment adviser to the LLP are contained in a schedule to this Agreement. Under the Members’ Agreement, the Investment Adviser, acting as an investment adviser, will provide certain advisory services to the LLP. Such services include advice in connection with potential private equity investments which could be made by the LLP. In addition, EPE shall provide the Services, being those to be provided by the Investment Adviser to the Company pursuant to the Investment Advisory Agreement, to the LLP.

The Investment Adviser is entitled to the EPE Share, that is 2 per cent. of the net assets of the LLP (plus VAT if applicable), valued at the close of business on the last business day of each quarter. The Investment Adviser is also entitled to be reimbursed all costs and expenses.

Either the Company (on behalf of the LLP) or the Investment Adviser may terminate the requirement for the Investment Adviser to provide services to the LLP by giving the other 12 months’ prior written notice subject to earlier termination by either party by notice in writing within one month in the event of, *inter alia*, a party becoming insolvent, having a receiver, liquidator or administrator, or committing a material breach of the Investment Advisory Agreement, or if the Investment Adviser is not, or ceases to be, authorised under the FSMA. On termination the LLP will pay the EPE Share up to and including the date of termination, expenses properly incurred by the Investment Adviser prior to the date of termination and any additional expenses realised in concluding outstanding obligations.

- (d) An Introduction Agreement (the “Introduction Agreement”) entered into on 4 August 2010 between the Company, Numis, the Directors and the Investment Adviser relating to the application to be made for Admission. The terms of the Introduction Agreement are, *inter alia*, as follows:

- (i) the Company has agreed upon Admission to pay a fee to Numis of £400,000 (plus VAT where applicable) and the Company has agreed to pay all costs, charges and expenses of, or incidental to, the matters contemplated by the Introduction Agreement;

- (ii) the Company has given certain customary warranties and indemnities including warranties as to the information in this document and as to other matters in relation to the Company and Admission;
- (iii) each of the Company and the Investment Adviser has also given certain limited warranties in relation to the companies comprised in the EPIC Private Equity Portfolio and the ESO Portfolio.

The terms of the Introduction Agreement are conditional, *inter alia*, on:

- (i) the Contribution Agreement as described in paragraph (g) below and the Acquisition Agreement becoming unconditional (subject only to any condition as regards completion of the Introduction Agreement and Admission) and having completed (subject only to Admission);
- (ii) the obligations of ESD to make the ESD Investment being binding and enforceable against ESD;
- (iii) the passing of the resolutions to approve the Acquisition at the extraordinary general meeting of EPIC to be held on 27 August 2010 without amendment;
- (iv) the passing of the Resolutions at the Extraordinary General Meeting without amendment; and
- (v) Admission occurring by no later than 8.00 a.m. on 31 August 2010 (or such later date as Numis and the Company may agree, being no later than 30 September 2010).

Numis may terminate the Introduction Agreement prior to Admission in certain specific circumstances customary for a transaction of this nature upon which the fee referred to above may become payable by the Company to Numis.

- (e) The Acquisition Agreement, details of which are set out in Part VI.
- (f) The Deed Poll, details of which are set out in Part VII.
- (g) Fund Agreement, details of which are set out in Part VIII.
- (h) A Contribution Agreement entered into on 4 August 2010 between (1) the Company (2) ESO Carry LLP (3) EPE (the Company, ESO Carry LLP and EPE are collectively referred to in this summary as the “Vendors”) (4) the Fund and (5) EPE GP Limited (“Fund GP”) (the Fund and Fund GP are collectively referred to in this summary as the “Purchasers”). Under the Contribution Agreement, at completion, the Company will contribute to the Fund its interests in ESO Investments LLP, certain of the equity securities in the ESO Portfolio (“Equity Securities”), the entire issued share capital of EPIC Structured Finance Limited (“ESFL”) and the right, title, benefit and interest in and to the entire amount owing at completion under an interest free loan made on or around 12 November 2003 by the Company (as lender) to ESFL (as borrower) (“ESFL Receivable”) all of which contributions shall be in consideration of the rights of the Company under the Limited Partnership Agreement; and ESO Carry LP and EPE will sell to Fund GP their interests in ESO Investments LLP for nominal consideration (the “Contribution”).

Completion of the Contribution Agreement is conditional upon the due passing without amendment of the Resolutions and the approval of the Acquisition Agreement by the shareholders of EPIC in general meeting. If the conditions are satisfied, completion of the Contribution Agreement will take place immediately prior to Re-Admission.

If the above conditions are not satisfied by 30 September 2010 (or such later date as the Vendors (acting jointly) and the Purchasers (acting jointly) shall determine), the Contribution Agreement will terminate and the Contribution will not proceed.

The Contribution Agreement contains undertakings given by the Vendors not to undertake or to permit certain actions in relation to their interests in ESO Investments LLP, the ESFL Receivable, the shares

in ESFL and the Equity Securities between the date of the Contribution Agreement and completion of the Contribution.

The Contribution Agreement contains warranties given by the Vendors which are limited to title and capacity to enter into the Contribution Agreement.

The Contribution Agreement may be terminated by the Purchasers if there is a material breach of the warranties given by the Vendors or if there is a material breach of the undertakings given by the Vendors in relation to the period between the date of the Contribution Agreement and completion of the Contribution; which in each case is incapable of remedy or, if capable of remedy, is not remedied.

The Contribution Agreement is governed by the laws of England and Wales.

- (i) Pursuant to an agreement entered into on 4 August 2010 between Numis, EPE, the Company and EPIC, EPIC has agreed, conditionally on the Introduction Agreement becoming unconditional, not to dispose of, except in limited circumstances, any interest in the Consideration Shares (or any other Ordinary Shares or interest in Ordinary Shares from time to time acquired by or issued to EPIC in connection with the Consideration Shares) prior to 31 July 2011. Pursuant to the terms of the agreement, EPE has agreed, conditionally on the Introduction Agreement becoming unconditional, to retain and not dispose of, except in limited circumstances, its interest in the EPE Shares (or any other Ordinary Shares or interest in Ordinary Shares from time to time acquired by or issued to EPE in connection with the EPE Shares) prior to 31 July 2011. The agreement also contains orderly market provisions which apply for a further period of 12 months after expiry of the lock-in period. The lock-in and orderly market provisions will not apply to each party, as the case may be, in certain limited circumstances including the distribution *in specie* pursuant to the termination of EPIC anticipated to occur on or around 31 July 2011.

9. Working Capital

The Directors are of the opinion (having made due and careful enquiry) that the working capital available to the Enlarged Group will, from the time of Admission, be sufficient for the present requirements of the Enlarged Group, that is for at least 12 months following Admission.

10. Taxation

The Directors are of the opinion that the Isle of Man taxation status of the Enlarged Group will remain unchanged as a result of the Proposals, that is to say that a zero rate of tax will apply to the Enlarged Group in the Isle of Man.

11. Miscellaneous

- (a) The Ordinary Shares may be issued in certificated form or uncertificated form and settled through CREST. Definitive share certificates in respect of the New Ordinary Shares are expected to be despatched on or before 31 August 2010. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited on 31 August 2010.
- (b) The total cost and expenses payable by the Company in connection with the Acquisition (including professional fees, commissions, the cost of printing and the fees payable to the Registrars) are estimated to amount to up to £750,000 (excluding VAT).
- (c) A third-party tax adviser has confirmed to the Board that there should be no significant tax liabilities for the Company arising out of the Acquisition and Reorganisation.
- (d) The Enlarged Group is not involved in any governmental, legal or arbitration proceedings which are having, may have or have had, in the previous 12 months, a significant effect on its financial position and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company.

- (e) Save as disclosed in this document and save as announced through the London Stock Exchange there has been no significant adverse change in the financial or trading position of the Group since 31 January 2010, the date to which the most recent audited accounts have been drawn up.
- (f) Numis has given and has not withdrawn its written consent to the issue of this document and the references to itself in the form and context in which such references appear.
- (g) The Investment Adviser has given and has not withdrawn its written consent to the issue of this document and the references to itself in the form and context in which such references appear.
- (h) KPMG Audit LLC has given and has not withdrawn its written consent to the references to itself in the form and context in which such references appear.

12. Documents Available for Inspection

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Latham & Watkins at 99 Bishopsgate, London EC2M 3XF during business hours on any weekday for a period of one month following Admission (Saturdays and public holidays excepted):

- (i) the Memorandum of Association of the Company;
- (ii) the irrevocable undertakings to vote in favour of the Resolutions referred to paragraph 4 above;
- (iii) the material contracts referred to in paragraph 8 above;
- (iv) the written consents referred to in paragraph 10 above; and
- (v) this document.

The date of this document is 4 August 2010.

NOTICE OF EXTRAORDINARY GENERAL MEETING

EPE Special Opportunities plc

(a company incorporated in the Isle of Man with registered number 108834C)

NOTICE IS HEREBY GIVEN THAT an EXTRAORDINARY GENERAL MEETING of EPE Special Opportunities plc (the “**Company**”) will be held at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP at 10.00 a.m. on 27 August 2010 to consider and, if thought fit, to pass the following resolutions which will be proposed as to numbers 1 and 2 as ordinary resolutions and as to numbers 3 and 4 as special resolutions:

ORDINARY RESOLUTIONS

1. THAT the Proposals (as defined and described in the Admission Document relating to the Company dated 4 August 2010) (including the acquisition by the Fund of the EPIC Private Equity Portfolio from EPIC on the terms of the Acquisition Agreement, Reorganisation, the ESD Investment and issue of New Ordinary Shares and Convertible Loan Notes) be and are hereby approved, subject to such minor amendments as may be approved by the Directors.
2. Conditional upon the passing of Resolution 1, THAT the authorised share capital of the Company be and is hereby increased with immediate effect from £1,650,000 to £2,250,000 by the creation of 600,000 new Ordinary Shares of 5p each ranking *pari passu* in all respects with the existing Ordinary Shares.

SPECIAL RESOLUTIONS

3. Conditional upon the passing of Resolutions 1 and 2 and in substitution for prior authorisations, THAT the Company generally be and is hereby authorised for the purposes of Section 13 of the Isle of Man Companies Act 1992 to make market purchases (as defined in the aforementioned section) of up to 7,722,915 Ordinary Shares of 5p each in the capital of the Company (“**Ordinary Shares**”) provided that:
 - (i) the maximum number of Ordinary Shares hereby authorised to be purchased is 25 per cent. of the issued share capital following the issue of the New Ordinary Shares (as defined and described in the Admission Document issued by the Company dated 4 August 2010);
 - (ii) the minimum price which may be paid for such shares is 5p per Ordinary Share;
 - (iii) the maximum price (exclusive of expenses) which may be paid for such shares shall be £5 per Ordinary Share;
 - (iv) the authority hereby conferred shall (unless previously varied, revoked or renewed) expire 18 months after the date of this resolution; and
 - (v) under the authority hereby conferred and prior to the expiry or revocation of such authority, the Company may make a contract to purchase its own shares which will or may be executed wholly or partly after the revocation of such authority and, pursuant to the contract, the Company may make such purchase after the authority has expired.
4. Conditional upon the passing of Resolutions 1, 2 and 3, THAT, pursuant to Section 56 of the Isle of Man Companies Act 1931, subject to confirmation by the Isle of Man High Court, the capital of the Company be reduced by cancelling all amounts standing to the credit of the share premium account of the Company following the issue of the New Ordinary Shares (as defined and described in the Admission Document relating to the Company dated 4 August 2010) and reclassifying such amounts as a distributable reserve of the Company.

By order of the Board
Philip Scales

Registered Office:
IOMA House
Hope Street
Douglas
Isle of Man
IM1 1AP

Date: 4 August 2010

Notes:

1. Only shareholders of EPE Special Opportunities plc are entitled to attend and vote at this meeting. Any such shareholder is entitled to appoint a proxy (or proxies) to attend and, on a poll, vote instead of him. A proxy need not be a shareholder of the Company.
2. Completion and return of a form of proxy will not prevent a shareholder from subsequently attending the Extraordinary General Meeting and voting in person if he/she so wishes.
3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrars, not less than 48 hours before the time for holding the meeting or adjourned meeting.