EPE Special Opportunities plc

Report & Accounts | **January 2016**

Audited Report and Accounts for
the Year Ended 31 January 2016

Contents

Biographies of the Directors

Geoffrey Vero FCA

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

Robert Quayle

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

Clive Spears

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

Nicholas Wilson

Nicholas Wilson has over 40 years of experience in hedge funds, derivatives and global asset management. He has run offshore branch operations for Mees Pierson Derivatives Limited, ADM Investor Services International Limited and several other London based financial services companies. He is Chairman of Qatar Investment Fund Plc, a premium listed company, and, until recently, was chairman of Alternative Investment Strategies Limited. He sits on the board of another public company, where he chairs the audit committee. He is a resident of the Isle of Man.

Profile of Investment Advisor

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

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

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

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

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

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

Chairman's Statement

The recovery in the UK economy continued in 2015, despite international headwinds. The UK's GDP grew 2.2% in 2015 and is forecast to grow at 1.9% in 2016. Positive signs of a recovery are found in falling levels of unemployment and increasing levels of inflation. However, international instability, with the ongoing collapse in commodity prices (specifically oil), the risk of a slowdown in the Chinese economy and instability generated by a potential exit by Great Britain from the European Union, all pose a risk to the UK economy. The Board will continue to monitor these developments and their impact upon EPE Special Opportunities plc's ("ESO plc" or the "Company") investment portfolio in 2016.

The 31 January 2016 Net Asset Value ("NAV") of 160.00 pence per share represents an increase of 12.6% on the NAV per share of 142.13 pence as at 31 January 2015. The share price as at 31 January 2016 for the Company was 124.50 pence, representing a increase of 9.2% on the share price of 114.00 pence as at 31 January 2015.

The year has proved encouraging for the Company's largest asset, Nexus Industries ("Nexus"), which has continued its strong growth trajectory and outperformed budget, driven by increased international sales and continuing growth in sales of their LED lighting range. Whittard of Chelsea had a weak final quarter of 2015 with disappointing high street and web sales. However the business has invested in initiatives targeting substantial returns, including investment in the brand offering with the relaunch of their tea range in September 2015 and the launch of a new website during the same period.

On 24 July 2015, the Company bought out the minority interest held by DES Holdings ("ESD") in ESO Investments 1 LP ("ESO 1 LP"), thereby securing 100% control of the overall structure. The consideration of €12.2 million, payable in euros, represented ESD's audited NAV in ESO 1 LP as at 31 January 2015 at a fixed sterling to euro exchange rate of 1:1.35. After currency exchange gains, the Company paid £8.6 million for the minority interest, a 16.3% discount to the implied 31 January 2016 ESD holding value. The buyout will enhance the value generated by future growth of the Company's core assets, Whittard and Nexus.

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

Since first issuance of the ULNs, the Company refinanced a total of £3.0 million in principal amount of the existing Convertible Loan Notes ("CLNs") by the issue of new notes for the same principal amount under the new ULNs. In addition to the notes, CLN holders participating in the refinancing have received warrants over Ordinary shares on a 1 for 5 basis, exercisable upon payment in cash of 170 pence after 31 July 2018. Further, the Company has raised £0.5 million through the issuance of ULNs to new investors. At 31 January 2016 the Company had issued ULNs of £8.0 million in principal amount, which were admitted to trading on the ISDX Growth Market on 29 January 2016.

The Board is pleased that the Company has worked to enhance the growth of existing assets and restructure the Company's capital. The Company did not complete any new acquisitions in the period, though the Company continues to actively source and review new investment opportunities. In the next year the Company will work to grow the asset base through organic growth of existing portfolio companies whilst actively pursuing bolt-on and new acquisition opportunities.

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

Geoffrey Vero
Chairman
24 May 2016

Investment Advisor's Report

In the year to 31 January 2016 the Investment Advisor has focused on maintaining and creating value from within the existing portfolio held by the Company. The Investment Advisor continues to undertake cost saving and revenue growth measures in portfolio companies to increase the value of the current assets. At the same time, the Investment Advisor has endeavoured to find new opportunities by way of platform or bolt-on investment opportunities. All new investments will be made via ESO Investments 2 LP ("ESO 2 LP"), in which the Company is the sole investor.

During 2015 the UK economic recovery continued, with GDP growth of 2.2% benefitting the Company's portfolio. However, the Investment Advisor will continue to monitor carefully the health of international markets as fears of deflation, geopolitical turmoil and a slowdown in China remain key issues going into 2016.

Nexus finished the year ahead of budget, driven by very strong performance in the UK trade and European retail channels, bolstered by strong demand for the Luceco LED lighting range and its USB socket range. Work has also commenced on an expansion of the company's Chinese manufacturing facility which should be completed in May 2016.

Whittard of Chelsea suffered a weak end to 2015, driven by lower-than-expected high street sales in the last three months of the year and flat growth in its online sales. However, the business continues to upgrade its London portfolio and invest in the brand offering, including the relaunch of their tea range in September 2015 and the launch of their new website during the same period. Together, Nexus and Whittard represent 74.6% of the Company's Gross Asset Value ("GAV").

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

Pharmacy2U finished the year to 31 March 2015 slightly behind budget but ahead of 2014, with dispensing costs expected to fall in the coming months, in part, as a result of the new facility opened in December 2015. Recent trading has been below budget due to operational issues surrounding the opening of the new facility which have now been resolved.

On 24 July 2015, ESO plc acquired the minority interest held by ESD in ESO 1 LP. The consideration of €12.2 million, payable in euros, represented ESD's audited NAV in ESO 1 LP as at 31 January 2015 at a fixed sterling to euro exchange rate of 1:1.35. After currency exchange gains, the Company paid £8.6 million for the minority interest, a 16.3% discount to the implied 31 January 2016 ESD holding value. The Company purchased the interest at an implied weighted average Enterprise Value equating to an EBITDA multiple for the underlying portfolio of 5.3x at the point of acquisition and 4.5x today. These metrics compare favourably to listed European Private Equity comparables' weighted average Enterprise Value to EBITDA multiple of 10.0x[1]. The acquisition continued the stated objective of buying out minority interests and participants in all assets where the Investment Advisor believes it represents value.

Concurrent with the acquisition of ESD's interest in ESO 1 LP, the Company raised £4.5 million via the placing of a new ULN instrument and £0.25 million via the issue of new equity in the Company. The final repayment date of the new loan note instrument is 23 July 2022 and this may be extended by another year at the discretion of the Company. The notes will pay 7.5% interest per annum and the Company has the option to raise further funds under the same instrument.

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

Since the first issuance of ULNs, the Company has refinanced a total of £3.0 million in principal amount of the existing CLNs by the issue of ULNs for the same principal amount under ULN instrument. Following these transactions, the total number of CLNs admitted to trading remains £10.0 million in principal value, with CLNs of £1.9 million in principal amount held by third parties and CLNs of £8.1 million in principal amount held by the Company. In addition to the loan notes, CLN holders participating in the refinancing have received warrants over Ordinary shares on a 1 for 5 basis, so that such CLN holders have received 0.6 million warrants entitling them to subscribe for 0.6 million Ordinary shares (in the aggregate) upon payment in cash of 170 pence per Ordinary share. The warrants are exercisable at any time after 31 July 2018, but will lapse if they are not exercised prior to 31 January 2022.

The Company has raised a further £0.5 million through the issuance of the ULNs to new investors. At 31 January 2016 the Company had issued £8.0 million in principal amount of ULNs. On the 29 January 2016 the ULNs were admitted to trading on the ISDX Growth Market.

Company highlights

The NAV per share as at 31 January 2016 for the Company was 160.00 pence, calculated on the basis of 27.2 million ordinary shares (versus 30.0 million at issue), representing an increase of 12.6% on the NAV per share of 142.13 pence as at 31 January 2015. The share price for the Company as at 31 January 2016 was 124.50 pence, representing a increase of 9.2% on the share price of 114.00 pence as at 31 January 2015.

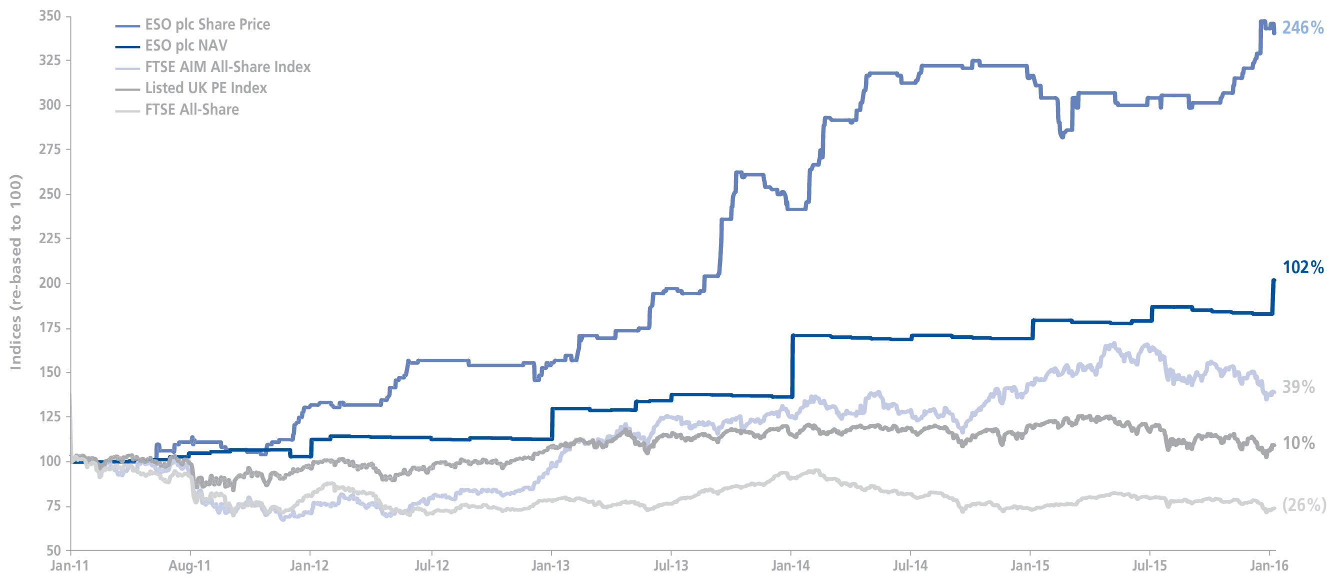
Based on the latest NAV, as set out above, Gross Asset Cover for the total outstanding loans of £9.7 million is now 5.5x. Cash balances now stand at £7.9 million (includes cash held by ESO 1 LP) with interest coverage of 10.9x per annum. Overall liquidity in the Company is £10.2 million.

Third party net debt in the Company's portfolio stands at 1.6x EBITDA. The portfolio remains conservatively valued with a weighted average Enterprise Value equating to an EBITDA multiple of 5.3x with 32.4% of the portfolio's GAV comprised of yielding loans.

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

- Deployed £66 million of capital;
- Returned over £71 million to the Company in capital and income;
- Paid dividends of £5 million;
- The underlying private equity portfolio is valued at a gross 3.7x money multiple and 30.6% IRR.

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



Investment Advisor's Report (continued)

Performance summary

As at 31 January 2016	One Year	Three Years	Five Years
ESO plc Share Price	9%	122%	246%
ESO plc NAV Per Share	13%	55%	102%
Listed European PE Index*	(3%)	43%	39%
FTSE All-Share Index	(8%)	1%	10%
AIM All-Share Index	0%	(5%)	(26%)

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

Recent developments

- December 2014: disposal of Indicia at 2.2x Money Multiple and 25% IRR.
- January 2015: disposal of Driver Require at 1.3x Money Multiple and a 7% IRR.
- April 2015: disposal of Make it Rain at 3.2x Money Multiple and a 32% IRR.
- July 2015: acquisition of minority interest in ESO 1 LP for £8.6 million; £4.5 million loan note issue and £0.25 million issue of new equity in the Company.
- November to December 2015: refinance of £3.0 million in principal amount of the existing CLNs into the new ULNs with warrants over Ordinary shares offered on a 1 for 5 basis. A further £0.5 million was raised through issuance of ULNs to new investors .

Portfolio diversification

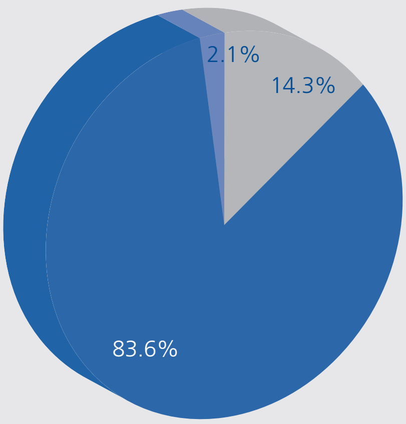
The current portfolio is diversified by sector and instrument as follows:

Sector Diversification

Retail/FMCG 14.3%

Engineering, Manufacturing and Distribution 83.6%

Healthcare 2.1%



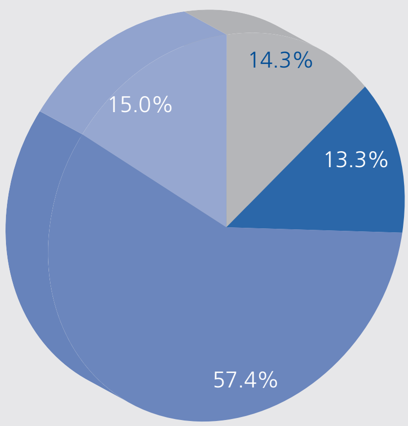
Instrument Diversification

Mezzanine Loans 14.3%

Shareholder Loans 13.3%

Equity 57.4%

Cash 15.0%



Current Portfolio: ESO 1 LP

Nexus Industries

Nexus Industries ("Nexus") is a manufacturer and distributor of electrical accessories in the UK, operating under the brand names Masterplug and British General, supplying both the retail and wholesale markets. The development of the Luceco LED lighting ranges is a major focus for the business. The gathering momentum behind the lighting technology switch to LED provides Nexus with an opportunity to enter and build market share in the category at a point of disruptive transition as traditional solutions are superseded. Nexus is differentiated by its positioning as a Chinese manufacturer, where the Company has built a 38,000 square metre wholly-owned production facility in Jiaxing, with British product quality, brand and service standards supplying into a global market. The facility is expected to complete its third development phase in May 2016 which will increase its capacity to 52,500 square metres. Nexus achieved £14.0 million of EBITDA to the year ending December 2015 and growth continues to be strong. The Investment Advisor is exploring exit options, including a potential Initial Public Offering.

Whittard of Chelsea

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

Pharmacy2U

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

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

Process Components

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

Current Portfolio: ESO 2 LP

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

Outlook

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

Objectives and opportunities

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

Investment policy

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

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

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

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

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

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

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

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

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

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

The Investment Advisor

The Investment Advisor to the Company is EPE, which was founded in June 2001 and is an independent investment manager wholly owned by its Partners. Since 2001, EPE has made 37 investments. EPE manages the Company's investments in accordance with guidelines determined by the Directors and as specified in the Limited Partnership Agreement. EPE was appointed as the Investment Advisor in September 2003.

Current and future development

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

The Board regularly reviews the development and strategic direction of the Company. The Board's main focus continues to be on the Company's long term investment return. It is believed that the Company has foundations in place to build a successful and durable investment vehicle given its supportive shareholder base, with Giles Brand and his connected persons owning 22.2%[1] of the issued Ordinary Share Capital of the Company, and the provision of equity funding until at least December 2020, with five year extensions thereafter, via the passing of the Continuation Vote in July 2013.

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

Performance

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

- Return on equity over the long term
- Movement in NAV per ordinary share
- Movement in share price
- Realisation of assets above cost and above holding value at NAV

  Further details of these key performance indicators can be found on page 6 and 7.

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

Risk management

All risks associated with the Company are the responsibility of the Board, which reviews and manages these either directly or through EPE. The Board and EPE review the risks faced by the Company on an ongoing basis and at quarterly Board meetings. These review are not restricted to a specific time horizon due to the long term nature of investments and the short term liquidity requirement. Further, the Risk and Audit Committee reviews the Company's approach to risk management on an annual basis to ensure adopted practices are suitable, effective and robust.

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

Macroeconomic risks

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

Share price volatility and liquidity

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

[1] Excluding awards made under the Joint Share Ownership Plan.

of the Group and it is possible that the market price of the shares will trade at a discount to NAV.

The Board monitors share price to NAV per share discount, and considers the most effective methodologies to keep this at a minimum. These methodologies include a share buyback policy, with Directors continuing to seek shareholder authority on an annual basis to enable them to purchase shares for cancellation when they believe it will be in the best interests of shareholders. To date, this strategy has been used prudently and efficiently to improve shareholder returns, with the Company having retired limited partnership interests, par value CLNs and ordinary shares over the last five years equating to 18.0% of the capital base.

Long term strategic risks

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

Investment risks

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

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

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

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

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

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

Gearing risks

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

Foreign exchange risk

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

Valuation risks and methodology

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

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

Operational risks

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

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

Quarterly Board reports are submitted by each provider setting out any operational or compliance issues arising and are monitored by the Board. The Board considers the performance of each outsource provider in conjunction with the Audit and Risk Committee processes assumed directly by the Board in accordance with the offer document. An Audit and Risk Committee visit to the Investment Advisor was completed in June 2015.

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

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

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

Sources of funds

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

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

Board Composition and Succession Plan

Objectives of Plan

- To ensure that the Board is composed of persons who collectively are fit and proper to direct the Company's business with prudence, integrity and professional skills.

- To define the Board Composition and Succession Plan (the "Plan"), which guides the size, shape and constitution of the Board and the identification of suitable candidates for appointment to the Board.

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

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

Methodology

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

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

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

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

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

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

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

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

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

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

Geoffrey Vero
Chairman
24 May 2016

Risk and Audit Committee Report

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

The Risk and Audit Committee's main duties are:

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

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

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

Significant accounting matters

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

The Company's accounting policy for valuing unquoted investments is set out in note 3. The Risk and Audit Committee examined and challenged the valuations prepared by the Investment Advisor, taking into account the latest available information on the Company's investments and the Investment Advisor's knowledge of the underlying portfolio companies through their ongoing monitoring. The Risk and Audit Committee satisfied itself that the valuation of investments had been carried out consistently with prior accounting periods, or that any change in valuation basis was appropriate, and was conducted in accordance with published industry guidelines.

The Auditors explained the results of their review of the procedures undertaken by the Manager for the valuation. On the basis of their audit work, no material adjustments were identified by the auditor.

External audit

The Risk and Audit Committee reviewed the audit plan and fees presented by the Auditors, KPMG Audit LLC ("KPMG"), and considered their report on the financial statements. The fee for the audit of the annual report and financial statements of the Company for the period ended 31 January 2016 was £26,900 (2015: £26,200).

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

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

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

The Board reviews the performance and services offered by FIM as fund administrator and EHM as fund sub-administrator on an ongoing basis. As a result of an in-depth review undertaken in June 2015, EHM has committed to engage in a controls and system review, with discussion regarding the scope of the review in progress.

Risk management and internal control

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

Clive Spears
Chairman of the Risk and Audit Committee
24 May 2016

Report of the Directors

Principal activity

The Company was incorporated in the Isle of Man as an AIM listed public company limited by shares under the Laws with registered number 108834C on 25 July 2003. On 23 July 2012, the Company re-registered under the Isle of Man Companies Act 2006, with registration number 008597V.

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

Incorporation

The Company was incorporated on 25 July 2003. The Company's registered office is:

IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP, British Isles.

Details of subsidiaries are provided in note 23.

Results of the financial year

Results for the year are set out in the Consolidated Statements of Comprehensive Income on page 20 and in the Consolidated Statement of Changes in Equity on page 22.

Dividends

The Board does not recommend a dividend in relation to the current year (see note 9 for further details).

Corporate governance principles

As an Isle of Man registered company and under the AIM rules for companies, the Company is not required to comply with the UK Corporate Governance Code published by the Financial Reporting Council ("Code"). The Directors, however, place a high degree of importance on ensuring that the Company maintains high standards of Corporate Governance and have therefore adopted the spirit of the Code to the extent that they consider appropriate, taking into account the size of the Company and nature of its operations. This includes a periodic internal evaluation of board performance.

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

Composition of the Board

The Board currently comprises four non-executive members, all of whom are non-executive Directors. Geoffrey Vero is Chairman of the Company, Clive Spears is Chairman of the Risk and Audit Committee and Nicholas Wilson is Chairman of the Investment Committee.

Risk and Audit Committee

The activities of the Risk and Audit Committee continued, members of which are Clive Spears (Chairman of the Committee) and all the other Directors. The Risk and Audit Committee provides a forum through which the Company's external auditors report to the Board.

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

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

Investment Committee

The Board established an Investment Committee, which comprises Nicholas Wilson (Chairman of the Committee) and all the other Directors. The purpose of this committee is to review the portfolio of the Company and evaluate the performance of the Investment Advisor.

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

Significant holdings

Significant shareholdings are analysed on page 43. The Directors are not aware of any other holdings greater than 3% of issued shares.

Directors

The Directors of the Company holding office during the financial year and to date are:
Mr. G.O. Vero (Chairman)
Mr. R.B.M. Quayle
Mr. C.L. Spears
Mr. N.V. Wilson

Secretary

The secretary of the Company holding office for the financial year ended 31 January 2016 was Mr. P.P. Scales.

Staff

At 31 January 2016 the Group employed no staff (2015: none).

Auditors

Our Auditors, KPMG Audit LLC, being eligible, have expressed their willingness to continue in office.

On behalf of the Board

Nicholas Wilson
Director
24 May 2016

Statement of Directors' Responsibilities

in respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union ("EU").

The financial statements are required to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time its financial position. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

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

We have audited the financial statements of EPE Special Opportunities plc for the year ended 31 January 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statements of Assets and Liabilities, the Consolidated Statements of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs"), as adopted by the EU.

This report is made solely to the Company's members, as a body. 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 Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 18, the Directors are responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

In addition, we read all the financial and non-financial information in the Chairman's Statement, Investment Advisors Report, Strategic Report, Risk and Audit Committee Report and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 January 2016 and of the Group's profit for the year then ended; and
- have been properly prepared in accordance with IFRSs, as adopted by the EU.

KPMG Audit LLC
Heritage Court, 41 Athol Street, Douglas
Isle of Man IM99 1HN
24 May 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

Note		Revenue £	Capital £	31 January 2016 Total £	31 January 2015 Total £
	Income				
4	Interest income	15,969	–	15,969	16,516
	Total income	**15,969**	**–**	**15,969**	**16,516**
	Expenses				
5	Investment advisor's fees	(853,488)	–	(853,488)	(693,244)
5	Administration fees	(77,923)	–	(77,923)	(75,168)
6	Directors' fees	(124,000)	–	(124,000)	(124,000)
	Directors' and Officers' insurance	(4,110)	–	(4,110)	(4,163)
	Professional fees	(264,460)	–	(264,460)	(30,107)
	Board meeting and travel expenses	(8,600)	–	(8,600)	(6,959)
	Auditors' remuneration	(32,861)	–	(32,861)	(32,246)
	Bank charges	(970)	–	(970)	(807)
	Irrecoverable VAT	(292,322)	–	(292,322)	(186,349)
7	Share based payment expense	(296,608)	–	(296,608)	(197,631)
	Sundry expenses	(35,441)	–	(35,441)	(27,859)
	Nominated advisor and broker fees	(62,534)	–	(62,534)	(51,709)
	Listing fees	(22,148)	–	(22,148)	(24,190)
	Total expenses	**(2,075,465)**	**–**	**(2,075,465)**	**(1,454,432)**
	Net expense	**(2,059,496)**	**–**	**(2,059,496)**	**(1,437,916)**
	Gains/(losses) on investments				
10	Share of profit of associates	–	6,662,201	6,662,201	3,570,967
24	Foreign exchange gain	–	428,889	428,889	–
	Gains for the year on investments	**–**	**7,091,090**	**7,091,090**	**3,570,967**
	Finance charges				
15	Interest on unsecured loan note instruments	(263,742)	–	(263,742)	–
15	Interest on convertible loan note instruments	(383,745)	–	(383,745)	(484,163)
	Profit/(loss) for the year before taxation	**(2,706,983)**	**7,091,090**	**4,384,107**	**1,648,888**
8	**Taxation**	–	–	–	–
	Profit/(loss) for the year	**(2,706,983)**	**7,091,090**	**4,384,107**	**1,648,888**
	Other comprehensive income	–	–	–	–
	Total comprehensive income/(loss)	**(2,706,983)**	**7,091,090**	**4,384,107**	**1,648,888**
17	**Basic earnings/(loss) per ordinary share (pence)**	**(9.96)**	**26.10**	**16.14**	**5.99**
17	**Diluted earnings/(loss) per ordinary share (pence)**	**(9.96)**	**24.77**	**15.31**	**5.74**

The total column of this statement represents the Group Statement of Comprehensive Income, 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 accompanying notes form an integral part of these financial statements.

Consolidated Statement of Assets and Liabilities

At 31 January 2016

Note		31 January 2016 £	31 January 2015 £
	Non-current assets		
10	Investments in associates	46,067,688	30,346,726
10,13	Loans to associates and related companies	1,012,055	1,012,055
		47,079,743	**31,358,781**
	Current assets		
12	Cash and cash equivalents	6,555,094	13,998,962
	Trade and other receivables	98,550	146,303
		6,653,644	**14,145,265**
	Current liabilities		
14	Trade and other payables	(268,357)	(81,487)
14	Loans from associates and related companies	(282,120)	(286,855)
15	Convertible loan note instruments	(1,880,047)	(6,035,470)
		(2,430,524)	**(6,403,812)**
	Net current assets	**4,223,120**	**7,741,453**
	Non-current liabilities		
15	Unsecured loan note instruments	(7,841,525)	–
		(7,841,525)	–
	Net assets	**43,461,338**	**39,100,234**
	Equity		
16	Share capital	1,543,206	1,534,411
16	Share premium	2,056,590	1,815,385
	Capital reserve	16,841,520	9,750,430
	Revenue reserve	23,020,022	26,000,008
	Total equity	**43,461,338**	**39,100,234**
18	**Net asset value per share (pence)**	**160.00**	**142.13**

The financial statements were approved by the Board of Directors on 24 May 2016 and signed on its behalf by:

Geoffrey Vero
Director

Clive Spears
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 January 2016

Note		Share Capital £	Share premium £	Capital reserve £	Revenue reserve £	Total £
			Year ended 31 January 2016			
	Balance at 1 February 2015	1,534,411	1,815,385	9,750,430	26,000,008	39,100,234
	Total comprehensive income for the year	–	–	7,091,090	(2,706,983)	4,384,107
	Contributions by and distributions to owners					
7	Share based payment charge	–	–	–	296,608	296,608
	Cash received from JSOP participants	–	–	–	8,471	8,471
16	Purchase of treasury shares	–	–	–	(578,082)	(578,082)
	Issue of new shares	8,795	241,205	–	–	250,000
	Total transactions with owners	**8,795**	**241,205**	–	**(273,003)**	**(23,003)**
	Balance at 31 January 2016	**1,543,206**	**2,056,590**	**16,841,520**	**23,020,022**	**43,461,338**

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

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

Consolidated Statement of Cash Flows

For the year ended 31 January 2016

Note		31 January 2016 £	31 January 2015 £
	Operating activities		
	Interest income received	15,969	16,516
	Expenses paid	(1,691,416)	(1,291,534)
19	**Net cash used in operating activities**	**(1,675,447)**	**(1,275,018)**
	Investing activities		
	Loan repayments from investee companies	–	578,038
	Purchase of share of associates	(8,629,872)	–
10	Capital distribution from associate	–	7,275,180
	Net cash (used in)/generated from investing activities	**(8,629,872)**	**7,853,218**
	Financing activities		
	Convertible loan note interest paid	(344,418)	(454,687)
	Convertible loan note repurchases	(1,246,081)	–
	Proceeds from the issue of unsecured loan note instrument	5,025,000	–
	Loan note instrument interest paid	(253,439)	–
	Proceeds from the issue of new shares	250,000	–
	Purchase of treasury shares	(578,082)	–
16	Share ownership scheme participation	8,471	13,197
	Net cash generated from/(used in) financing activities	**2,861,451**	**(441,490)**
	Decrease in cash and cash equivalents	(7,443,868)	6,136,710
	Cash and cash equivalents at start of year	13,998,962	7,862,252
	Cash and cash equivalents at end of year	**6,555,094**	**13,998,962**

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

Notes to the Financial Statements

For the year ended 31 January 2016

1 Operations

The Company was incorporated in the Isle of Man as an AIM listed public company limited by shares under the Laws with registered number 108834C on 25 July 2003. On 23 July 2012, the Company re-registered under the Isle of Man Companies Act 2006, with registration number 008597V. The Company raised £30.0 million by a placing of ordinary shares at 100 pence per share. In 2009 the Company raised an additional £5.0 million by a placing of ordinary shares at 5 pence per share. During the year ended 31 January 2011, the Company issued a further £2.4 million in share capital. During the year ended 31 January 2016, the Company raised a further £0.25 million in share capital.

The Company has four wholly owned subsidiary companies (note 23) and has interests in two partnerships that are accounted for as associates. The partnerships comprise one limited liability partnership and one limited partnership. The Company also has an interest in a third partnership, ESO 2 LP, through which new investments will be made. As at 31 January 2016, ESO 2 LP had made no investments.

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

The consolidated financial statements comprise the results of the Group and its associates (see notes 3(a) and 23).

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 and interpretations as adopted by the EU and applicable legal and regulatory requirements of Isle of Man law and reflect the following policies, which have been adopted and applied consistently, with the exception of the adoption of the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 February 2015:

a. Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32.

b. Annual improvements to IFRS – 2010-2012 cycle.

The adoption of the above new standard has had no significant impact on the Groups measurement of its assets and liabilities, and no impact on the disclosures included in the financial statements.

In the prior year, the Group adopted IFRS13: Fair Value Measurement, which resulted in additional disclosures being included in the financial statements.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss which are 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, provided as true and fair a view as is possible. Actual results may differ from these estimates.

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

2 Basis of preparation continued

d. Use of estimates and judgements continued

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 held by associates (note 11).

3 Significant accounting policies

a. Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company is exposed or has rights to variable returns from its involvement with the investee and has the ability to effect those returns through its power over the investee . The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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 associates 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.

Associates

Associates are those enterprises over which the Company has significant influence, and which are neither subsidiaries nor an interest in a joint venture. Significant influence is exerted when the Company has the power to participate in the financial and operating policy decision of the investee, but is not in control or joint control over those policies.

The Company applies the equity method in accounting for associates. The investment is initially measured at cost and the carrying amount is increased or decreased to recognise the Company's share of the associate's profit or loss. Accounting policies of associates are aligned with those of the Group.

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

d. Expenses

All expenses are accounted for on an accruals basis.

e. 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.

3 Significant accounting policies continued

f. Financial assets and financial liabilities

i. Classification

Equity and preference share investments, including those held by associates, 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, including those held by associates, are stated at fair value. Loans and receivables are stated at amortised cost less any impairment losses.

The Investment Advisor determines asset values using BVCA and IPEV guidelines and other valuation methods with reference to the valuation principles of IFRS 13. As all investments are unquoted, the valuation principles adopted are classified as Level 3 in the IFRS 7 fair value hierarchy. BVCA and IPEV guidelines recommend the use of comparable quoted company metrics and comparable transaction metrics to determine an appropriate enterprise value, to which a marketability discount is applied given the illiquid nature of private equity investments. The Investment Advisor also seeks to confirm value using discounted cash flow and other methods of valuation, and by applying a range approach. The Investment Advisor 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.

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantages market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

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

iv. Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the profit or loss as the difference between the asset's carrying amount and the higher of its fair value less costs to sell 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 profit or loss.

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.

3 Significant accounting policies continued

f. Financial assets and financial liabilities continued

v. Derecognition continued

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.

g. Share capital

Ordinary share capital

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

Repurchase of share capital (treasury shares)

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

h. Compound financial instruments

Compound financial instruments issued by the Group comprise convertible loan note instruments that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

When convertible loan notes are repurchased, the nominal value of the convertible loan notes repurchased is first deducted from the consideration paid with any gain or loss from the repurchase being recognised in the profit or loss.

Interest, dividends, losses and gains in relation to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised in equity net of any tax benefits.

i. EPIC Private Equity Employee Benefit Trust (“EBT”)

As the Company is deemed to have control of its EBT, the EBT is treated as a subsidiary and consolidated for the purposes of the Group accounts. The EBT’s assets (other than investments in the Company’s shares), liabilities, income and expenses are included on a line-by-line basis in the Group financial statements. The EBT’s investment in the Company’s shares is deducted from shareholders’ funds in the Group balance sheet as if they were treasury shares (see note 7).

Share based payments

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

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is determined based on the share price of the equity instrument at the grant date. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of the number of shares that will eventually vest. The instruments are subject to a three year service vesting condition from the grant date, and their fair value is recognised as an employee benefit expense with a corresponding increase in retained earnings within equity over the vesting period.

Contributions received from employees as part of the JSOP arrangement are recognised directly in equity.

3 Significant accounting policies continued

j. Future changes in accounting policies

The International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("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)	EU Effective Date (accounting periods commencing on or after)
IFRS 14 Regulatory Deferral Accounts	Not yet endorsed IASB effective date 1 January 2016.

Standards not yet effective, but available for early adoption	EU Effective Date (accounting periods commencing on or after)
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 9 Financial Instruments	To be confirmed 1 January 2018

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

	2016 Group £	2015 Group £
Cash balances	15,969	16,516
Total	**15,969**	**16,516**

5 Investment advisory, administration and performance fees

Investment advisory fees

ESO

The investment advisory fee payable to EPE was, until 31 August 2010, calculated at 2% of the Group's NAV, with a minimum of £325,000 payable per annum. On 31 August 2010, the Investment Advisor agreed to waive the fee from the Company for a period of two years in return for a priority profit share paid from ESO 1 LP, as detailed below. Consequently, the payment of fees has resumed at a rate of 2% per annum of the Company's NAV (including its share of the Fund) plus VAT. The charge for the current year was £853,488 (2015: £693,244).

ESO 1 LP

On the completion of the creation of ESO 1 LP on 31 August 2010, the Investment Advisor agreed to waive entitlement to management fees from the Company and ESO Investments LLP in exchange for a fixed priority profit share paid by ESO 1 LP of £800,000 per annum for the first two years (a year being calculated as ending on 31 August), £500,000 for the third year and £350,000 for the fourth and fifth years, thereafter in any subsequent period of the ESO 1 LP Partnership, such amount as may be agreed between the Partner. Subsequent to the ESD buyout, the partners agreed to a fixed priority profit share of £350,000 per annum.

ESO Investments LLP

On 31 August 2010 the Investment Advisor agreed to waive the fee from ESO Investments LLP in return for a priority profit share paid from ESO 1 LP as detailed above.

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. The fee is payable at a rate of 0.15% per annum of the Group's NAV.

Performance fees

ESO

The Investment Advisory Agreement with EPE as described above also provides for the provision of a performance fee. The fee is payable if the Total Return (taken as NAV plus dividends distributed) is equal to at least 8% 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 2016 (2015: £nil).

Carried interest in ESO 1 LP

The distribution policy of ESO 1 LP includes a carried interest portion retained for the Investment Advisor such that, for each investor where a hurdle of 8% per annum has been achieved, the carry vehicle of the Investment Advisor is entitled to receive 20% of the increase in that investor's investment. For the period ended 31 January 2016, £1,794,249 (2015: £793,966) has been credited to the carry account of the Investment Advisor in the records of ESO 1 LP.

Carried interest in ESO (PC) LLP

The Investment Advisor is entitled to receive 20% of the profits ESO (PC) LLP where a hurdle of 8% has been achieved over the initial value of the investment. For the period ended 31 January 2015, £251,254 was credited to the Investment Advisor. For the period ended 31 January 2016, £109,433 has been debited from the Investment Advisor.

6 Directors' fees

	2016 Group £	2015 Group £
G.O. Vero (Chairman)	32,000	32,000
R.B.M. Quayle	30,000	30,000
C.L. Spears	32,000	32,000
N.V. Wilson	30,000	30,000
Total	**124,000**	**124,000**

7 Share based payment expense

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

The EBT was created to award shares to eligible employees as part of the JSOP. Participants are awarded a certain number of shares ("Matching Shares") which vest after three years. In order to receive their Matching Share allocation participants are required to purchase shares in the Company on the open market ("Bought Shares"). The participant will then be entitled to acquire a joint ownership interest in the Matching Shares for the payment of a nominal amount, on the basis of one joint ownership interest in one Matching Share for every Bought Share they acquire in the relevant award period.

The EBT holds the Matching Shares jointly with the participant until the award vests.

In March 2015, eligible participants acquired 263,952 Bought Shares at a fair value of 110.00p per share under the JSOP. In November 2015, eligible participants acquired 76,341 Bought Shares at a fair value of 108.50p per share under the JSOP. 64,508 shares have been forfeited by leavers of the scheme during the year. The EBT held 1,467,065 matching shares at the year end which have traditionally not voted (note 16).

The amount expensed in the income statement has been calculated by reference to the grant date fair value of the equity instrument and the estimated number of equity instruments to be issued after the vesting period, less the nominal amount paid for the joint ownership interest in the Matching Shares. The total expense recognised on the share based payments during the year amounts to £296,608 (2015: £197,631).

8 Taxation

The Company is a tax resident of the Isle of Man. The Company is subject to 0% income tax (2015: 0%).

The Limited Liability Partnerships and Limited Partnerships are transparent for tax purposes.

9 Dividends paid and proposed

No dividends were paid or proposed for the year ended 31 January 2016 (2015: £nil).

10 Non-current assets

	2016	2015
	£	£
Financial assets		
Investments in associates	46,067,688	30,346,726
Loans to associates and related companies (note 13)	1,012,055	1,012,055
	47,079,743	**31,358,781**

Investment in associates

The Investment Advisor has applied appropriate valuation methods with reference to BVCA and IPEV guidelines and the valuation principles of IAS 39 Financial Instruments: Recognition and Measurement, with regard to the underlying investments held by the associates. See note 11 regarding the assessment of the fair values of the underlying investments.

Investments in associates comprise the investment in ESO 1 LP and ESO (PC) LLP (formerly ESO Investments 2 LLP) which are stated at fair value through profit or loss. The fair value of the investment is calculated with reference to the Second Amended and Restated Limited Partnership Agreement for ESO 1 LP, and the Limited Liability Partnership Agreement for ESO (PC) LLP. The associates have accounted for their equity investments at fair value.

During the year, the Company received £nil (2015: £7,275,180) from ESO 1 LP. The movements in the associates during the year are as follows:

	ESO 1 LP	ESO (PC) LLP	Total
	£	£	£
Investment in associates			
Opening balance	25,423,100	4,923,626	30,346,726
Share of profit from associates	7,132,139	(469,938)	6,662,201
Purchase of share of associates	9,058,761	–	9,058,761
	41,614,000	**4,453,688**	**46,067,688**

10 Non-current assets continued

Summary financial information for associates as at 31 January 2016 is as follows:

Vehicle	Total	Minority interest	ESO plc share	Percentage share
ESO 1 LP	£	£	£	%
Non-current assets	49,899,390	(9,275,302)	40,624,088	81.4%
Current assets	3,486,528	(648,077)	2,838,451	81.4%
Current liabilities	(2,270,600)	422,060	(1,848,540)	81.4%
Net assets	**51,115,318**	**(9,501,319)**	**41,613,999**	**81.4%**
Income	1,005,451	(236,131)	769,320	76.5%
Gains/(losses) on investments	8,591,267	(2,017,669)	6,573,598	76.5%
Expenses	(275,475)	64,696	(210,779)	76.5%
Profit	**9,321,243**	**(2,189,104)**	**7,132,139**	**76.5%**
ESO (PC) LLP				
Non-current assets	5,228,300	(1,002,628)	4,225,672	80.8%
Current assets	282,120	(54,102)	228,018	80.8%
Net assets	**5,510,420**	**(1,056,730)**	**4,453,690**	**80.8%**
Income	–	–	–	–
Gains/(losses) on investments	(574,636)	108,539	(466,097)	81.1%
Expenses	(4,735)	894	(3,841)	81.1%
Profit	**(579,371)**	**109,433**	**(469,938)**	**81.1%**
ESO plc				
Loans to associates and related companies	1,012,055	–	1,012,055	100.0%
Loans from associates and related companies	(282,120)	–	(282,120)	100.0%
Other assets and liabilities ESO plc	6,385,286	–	6,385,286	100.0%
Total	**7,115,221**	**–**	**7,115,221**	**100.0%**
Total assets less current liabilities	**63,740,959**	**(10,558,049)**	**53,182,910**	**83.4%**

Summary of ESO plc fund structure	Total	Minority interest	ESO plc share	Percentage share
	£	£	£	%
ESO 1 LP	51,115,318	(9,501,319)	41,613,999	81.4%
ESO (PC) LLP	5,510,420	(1,056,730)	4,453,690	80.8%
ESO plc current assets, current liabilities and loans to related companies	7,115,221	–	7,115,221	100.0%
Total assets less current liabilities	**63,740,959**	**(10,558,049)**	**53,182,910**	**83.4%**

10 Non-current assets continued

Summary financial information for associates as at 31 January 2015 is as follows:

Vehicle	Total	Minority interest	ESO plc share	Percentage share
ESO 1 LP	£	£	£	%
Non-current assets	39,908,353	(15,833,937)	24,074,416	60.3%
Current assets	3,423,558	(1,358,321)	2,065,236	60.3%
Current liabilities	(1,187,835)	471,282	(716,552)	60.3%
Net assets	**42,144,076**	**(16,720,976)**	**25,423,100**	**60.3%**
Income	1,495,168	(610,599)	884,569	59.2%
Gains/(losses) on investments	3,016,558	(1,231,907)	1,784,651	59.2%
Expenses	(207,483)	84,732	(122,751)	59.2%
Profit	**4,304,243**	**(1,757,774)**	**2,546,469**	**59.2%**
ESO (PC) LLP				
Non-current assets	5,802,936	(1,111,232)	4,691,704	80.9%
Current assets	286,854	(54,932)	231,922	80.9%
Net assets	**6,089,790**	**(1,166,164)**	**4,923,626**	**80.9%**
Income	55,974	(11,024)	44,950	80.3%
Gains/(losses) on investments	1,225,000	(241,259)	983,741	80.3%
Expenses	(5,221)	1,029	(4,193)	80.3%
Profit	**1,275,753**	**(251,254)**	**1,024,498**	**80.3%**
ESO plc				
Loans to associates and related companies	1,012,055	–	1,012,055	100.0%
Loans from associates and related companies	(286,855)	–	(286,855)	100.0%
Other assets and liabilities ESO plc	14,063,778	–	14,063,778	100.0%
Total	**14,788,978**	**–**	**14,788,978**	**100.0%**
Total assets less current liabilities	**63,022,844**	**(17,887,140)**	**45,135,704**	**71.6%**

Summary of ESO plc fund structure	Total	Minority interest	ESO plc share	Percentage share
	£	£	£	%
ESO 1 LP	42,144,076	(16,720,976)	25,423,100	60.3%
ESO (PC) LLP	6,089,790	(1,166,164)	4,923,626	80.9%
ESO plc current assets, current liabilities and loans to related companies	14,788,978	–	14,788,978	100.0%
Total assets less current liabilities	**63,022,844**	**(17,887,140)**	**45,135,704**	**71.6%**

On 23 July 2015, ESO plc acquired the minority interest held by ESD in ESO 1 LP. The agreed consideration for the minority interest was €12.2 million which represented the audited net asset value of the ESD's interest in ESO 1 LP at 31 January 2015, at a fixed exchange rate of €1.35 : £1.00. Two thirds of the consideration, or €8.1million, was paid on completion and the remainder of €4.1 million was deferred until 30 September 2015. The €:£ exchange rate was above €1.40 : £1.00 at the time the consideration was converted into euros which resulted in an FX gain on the acquisition of the minority interest. After currency exchange gains, the Company paid £8.6 million for the minority interest, a 16.3% discount to the implied 31 January 2016 ESD holding value (note 24).

10 Non-current assets continued

Controlled investee companies

The Company has control over the following underlying investee companies but these companies have not been consolidated on the basis of the early adoption of the amendments to IFRS 10 relating to investment entities:

	Country of incorporation	Equity percentage held at year end
Whittard of Chelsea	UK	85.3%
Process Components	UK	85.0%

11 Financial assets and liabilities

	2016 £	2015 £
Assets		
Financial assets at fair value through profit or loss – designated on initial recognition		
Investments in associates	46,067,688	30,346,726
Financial assets at amortised cost		
Loans and receivables and cash balances	7,665,699	15,157,320
Total financial assets	**53,733,387**	**45,504,046**
Liabilities		
Financial liabilities measured at amortised cost		
Other financial liabilities	(268,357)	(81,487)
Loans from associates and related companies	(282,120)	(286,855)
Loan note instruments	(9,721,572)	(6,035,470)
Total financial liabilities	**(10,272,049)**	**(6,403,812)**

Fair values of financial instruments

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

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

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

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

11 Financial assets and liabilities continued

Fair values of financial instruments continued

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

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

Valuation framework

The Group has developed a valuation framework with respect to the measurement of fair values. The valuation of investments is performed by the Investment Advisor. As detailed in note 3(f), the Investment Advisor determines fair values using the BVCA and IPEV guidelines. The following approach is used:

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

Fair value hierarchy – Financial instruments measured at fair value

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

31 January 2016	Level 3 £	Total £
Financial assets at fair value through profit or loss		
Unlisted private equity investments	37,276,754	37,276,754
Debt securities, unlisted	17,850,936	17,850,936
Total investments	**55,127,690**	**55,127,690**

31 January 2015	Level 3 £	Total £
Financial assets at fair value through profit or loss		
Unlisted private equity investments	29,515,300	29,515,300
Debt securities, unlisted	16,195,989	16,195,989
Total investments	**45,711,289**	**45,711,289**

The following table shows a reconciliation of the opening balances to the closing balances for fair value measurements in Leve1 3 of the fair value hierarchy.

Unlisted private equity investments	2016 £	2015 £
Balance at 1 February	29,515,300	29,995,285
Sale of investments	(235,000)	(2,035,710)
Change in fair value through profit or loss	7,996,453	1,555,725
Balance at 31 January	**37,276,754**	**29,515,300**

11 Financial assets and liabilities continued

Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 January 2016 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 31 January 2016	Valuation technique
	£	
Unlisted private equity investments	37,276,574	EBITDA multiple

Significant unobservable inputs are developed as follow:

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

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

Financial instruments not measured at fair value

The carrying value of short-term financial assets and financial liabilities (cash, debtors and creditors) approximate their fair value. The carrying value of the convertible and the new loan note instruments are also considered to approximate fair value. Investments in associates are considered to be stated at fair value, as the underlying investments are at fair value.

12 Cash and cash equivalents

	2016	2015
	£	£
Current and call accounts	6,555,094	13,998,962
	6,555,094	**13,998,962**

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

13 Loans to associates and related parties

	2016	2015
	£	£
EPIC Structured Finance Limited	500,000	500,000
ESO 1 LP	512,055	512,055
	1,012,055	**1,012,055**

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

14 Trade and other payables

	2016 £	2015 £
Trade payables	30,264	–
Accrued administration fee	3,000	6,000
Accrued audit fee	10,100	10,256
Accrued professional fee	214,077	11,045
Accrued investment advisor fees	–	43,270
Accrued Directors' fees	10,916	10,916
Loan from associate (ESO (PC) LLP)	282,120	286,855
Total	**550,477**	**368,342**

15 Non-current liabilities

Convertible loan note instruments were issued on 31 August 2010 to The Equity Partnership Investment Company plc. The amount issued, net of issue costs was £9,870,304. The notes carry interest at 7.5% per annum and are convertible at the option of the holder at a price of 170 pence per ordinary share. The CLNs fall under the definition of compound financial instruments within IAS 32 Financial Instruments: Presentation. On issue of the CLNs, the Directors were required to assess the elements of equity and liability contained with the compound instrument. At the date of issue, the Directors considered that the instrument had no equity element and therefore the whole instrument was treated as a liability.

Issue costs of £129,696 were offset against the value of the CLN instruments and are being amortised over the life of the instrument at an effective interest rate of 0.24% per annum. A total of £27,020 was expensed in the year ended 31 January 2016 (2015: £27,020).

The CLNs are repayable on 31 December 2016 after extension from 31 December 2015. During the year, the Company refinanced a total of £3.0 million in principal amount of the existing CLNs by the issue of new notes for the same principal amount under the ULN instrument. In addition, the Company repurchased a total of £1.2 million in principal amount of the CLNs. The carrying value of the CLNs in issue at the year end was £1,880,047 (2015: £6,035,470). The total interest expensed on the convertible loan notes for the year is £383,745 (2015: £484,163). This includes the amortisation of the issue costs.

On 23 July 2015 , the Company raised £4,500,000 via a placing of a ULN instrument. Following the initial issuance of the ULNs, further notes were issued to investors such that on 31 January 2016 the Company had issued £7,975,459 (including the £3.0 million refinanced CLNs) in principal amount and the notes admitted to trading on the ISDX Growth Market on 29 January 2016. The notes carry interest at 7.5% per annum. Issue costs totalling £144,236 have been offset against the value of the loan note instrument and are being amortised over the life of the instrument. A total of £10,303 was expensed in the year ended 31 January 2016. The carrying value of the ULNs in issue at the year end was £7,841,525. The total interest expensed on the ULNs for the year is £263,742. This includes the amortisation of the issue costs.

16 Share Capital

At the year end 1,467,065 treasury shares were held by the EBT (note 7) (2015: 1,191,280).

	2016 Number	2016 £	2015 Number	2015 £
Authorised share capital				
Ordinary shares of 5p each	33,000,000	1,650,000	33,000,000	1,650,000
Called up, allotted and fully paid				
Ordinary shares of 5p each	30,864,117	1,543,206	30,688,222	1,534,411
Ordinary shares of 5p each held in treasury	(3,700,944)	–	(3,178,030)	–
	27,163,173	**1,543,206**	**27,510,192**	**1,534,411**

During the year 175,895 ordinary shares (2015: nil) were issued for the consideration of £250,000 (2015: nil).

Share premium

The share premium arose on the issue of the ordinary shares and represented the difference between the price at which the shares were issued and the par value (5 pence).

17 Basic and diluted earnings/(loss) per share (pence)

Basic earnings per share are calculated by dividing the profit of the Group for the year attributable to the ordinary shareholders of £4,384,107 (2015: £1,648,888) divided by the weighted average number of shares outstanding during the year of 27,165,280 after excluding treasury shares (2015: 27,510,192 shares).

Diluted earnings per share are calculated by dividing the profit of the Group for the year attributable to ordinary shareholders of £4,384,107 (2015: £1,648,888) divided by the weighted average number of ordinary shares outstanding during the year, as adjusted for the effects of all dilutive potential ordinary shares of 28,632,345 after excluding treasury shares (2015: 28,701,472 shares). Dilutive instruments consist of shares held under the JSOP of 1,467,065 (2015: 1,191,280).

The warrants issued during the refinancing of CLNs do not have any diluting effect on the earning per share calculation as the issue price was higher than share price.

18 NAV per share (pence)

The Group's NAV per share of 160.00 pence is based on the net assets of the Group at the year end of £43,461,338 (2015: £39,100,234) divided by the shares in issue at the end of the year of 27,163,173 after excluding treasury shares (2015: 27,510,192).

The Group's diluted NAV per share of 148.74 pence is based on the net assets of the Group at the year end of £43,461,338 (2015: £39,100,234) divided by the shares in issue at the end of the year, as adjusted for the effects of dilutive potential ordinary shares of 29,220,327, after excluding treasury shares (2015: 28,701,472).

19 Net cash used in operating activities

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

	2016 Group £	2015 Group £
Net investment expense	(2,059,496)	(1,437,916)
Non-cash items	149,426	192,410
Movement in trade and other receivables	47,753	(68,481)
Movement in trade and other payables	186,870	38,969
Net cash used in operating activities	**(1,675,447)**	**(1,275,018)**

20 Financial instruments

The Group's financial instruments comprise:

- Investments in unlisted companies held by associates, comprising equity and loans.
- Cash and cash equivalents, bank loan and convertible loan note instruments; and
- Accrued interest and trade and other receivables, accrued expenses and sundry creditors.

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are liquidity risk, credit risk, market price risk and interest rate risk. None of those risks are hedged. These risks arise through directly held financial instruments and through the indirect exposures created by the underlying financial instruments in the associates. 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

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 and trade and other receivables, which are readily realisable.

20 Financial instruments continued

Residual contractual maturities of financial liabilities

31 January 2016	Less than 1 Month £	1 – 3 Months £	3 months to 1 year £	1 – 5 years £	Over 5 years £	No stated maturity £
Financial liabilities						
Trade and other payables	268,357	–	–	–	–	–
Loan note instruments	–	–	1,880,047	7,841,525	–	–
Loans from associates	–	–	282,120	–	–	–
Total	**268,357**	**–**	**2,162,167**	**7,841,525**	**–**	**–**

31 January 2015	Less than 1 Month £	1 – 3 Months £	3 months to 1 year £	1 – 5 years £	Over 5 years £	No stated maturity £
Financial liabilities						
Trade and other payables	81,487	–	–	–	–	–
Loan note instruments	–	–	6,035,470	–	–	–
Loans from associates	–	–	286,855	–	–	–
Total	**81,487**	**–**	**6,322,325**	**–**	**–**	**–**

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, through its interests in associates, 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 its associates, 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 and associates 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.

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

	2016 £	2015 £
Cash and cash equivalents	6,555,094	13,998,962
Trade and other receivables (excluding prepayments)	84,210	70,267
Loans to associates and related companies	1,012,055	1,012,055
Total	**7,651,359**	**15,081,284**

Cash balances are placed with HSBC Bank plc 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 held through its interests in associates, which are stated at fair value.

20 Financial instruments continued

Market price risk sensitivity

The Group is exposed to market price risk with regard to its investment in the partnerships, which own equity interests in a number of unquoted companies which are stated at fair value. Due to the unquoted nature of the equity investment held, a sensitivity analysis cannot be preformed with any reliability.

Interest rate risk

The Group is exposed to interest rate risk through its investment in the associates and on its cash balances. The associates provide loans to portfolio companies. Most of the loans are at fixed rates. Cash balances earn interest at variable rates. The convertible loan note instruments carry fixed interest rates.

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

31 January 2016	Less than 1 month £	1-3 months £	3 months to 1 year £	1 – 5 years £	Over 5 years £	Non-interest bearing £	Total £
Loans and receivables							
Secured loans	–	–	–	–	–	–	–
Loans to associates and related companies	–	–	–	–	–	1,012,055	1,012,055
Trade and other receivables	–	–	–	–	–	84,210	84,210
Cash and cash equivalents	6,555,094	–	–	–	–	–	6,555,094
Total financial assets	**6,555,094**	**–**	**–**	**–**	**–**	**1,096,265**	**7,651,359**
Liabilities							
Financial liabilities measured at amortised cost							
Trade and other payables	–	–	–	–	–	(268,357)	(268,357)
Loans from associates and related companies	–	–	–	–	–	(282,120)	(282,120)
Convertible loan note instruments	–	–	(1,880,047)	(7,841,525)	–	–	(9,721,572)
Total financial liabilities	**–**	**–**	**(1,880,047)**	**(7,841,525)**	**–**	**(550,477)**	**(10,272,049)**
Total interest rate sensitivity gap	**6,555,094**	**–**	**(1,880,047)**	**(7,841,525)**	**–**	**–**	**–**

31 January 2015	Less than 1 month £	1-3 months £	3 months to 1 year £	1 – 5 years £	Over 5 years £	Non-interest bearing £	Total £
Loans and receivables							
Loans to associates and related companies	–	–	–	–	–	1,012,055	1,012,055
Trade and other receivables	–	–	–	–	–	146,303	146,303
Cash and cash equivalents	13,998,962	–	–	–	–	–	13,998,962
Total financial assets	**13,998,962**	**–**	**–**	**–**	**–**	**1,158,358**	**15,157,320**
Liabilities							
Financial liabilities measured at amortised cost							
Trade and other payables	–	–	–	–	–	(81,487)	(81,487)
Convertible loan note instruments	–	–	(6,035,470)	–	–	–	(6,035,470)
Total financial liabilities	**–**	**–**	**(6,035,470)**	**–**	**–**	**(81,487)**	**(6,116,957)**
Total interest rate sensitivity gap	**13,998,962**	**–**	**(6,035,470)**	**–**	**–**	**–**	**–**

20 Financial instruments continued

Interest rate sensitivity

The Group is exposed to market interest rate risk only via its cash 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. During the year the Group made a one-off EURO denominated payment as part of the ESD buyout (note 24).

21 Directors' interests

Four of the Directors have interests in the shares of the Company as at 31 January 2016 (2015: four). Geoffrey Vero holds 78,802 ordinary shares (2015: 60,620). Nicholas Wilson holds 64,892 ordinary shares (2015: 58,074). Robert Quayle holds 44,573 ordinary shares (2015: 37,755). Clive Spears holds 65,255 ordinary shares (2015: 37,755).

22 Related parties

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. Broker fees of £62,534 (2015: £51,709) were payable to Numis Securities Limited.

Related parties to Giles Brand subscribed to ULNs of £500,000 in principal value on 23 July 2015.

23 Subsidiary companies

On 29 October 2005, the Company incorporated EPIC Reconstruction Property Company (IOM) Limited, in the Isle of Man.

On 16 November 2012, the Company incorporated Corvina Limited, in the Isle of Man, whose principal activity is that of acquiring shares in the Company, which are held as treasury shares (note 16).

The Company holds 100% of the issued share capital of EPIC Reconstruction Property Company II Limited. The subsidiary was deconsolidated during the 2014 year end, and was liquidated on 9 February 2016.

The Company is deemed to have control of its EBT, which is therefore treated as a subsidiary and consolidated for the purpose of the Group accounts (note 16).

24 Foreign exchange gain

A foreign exchange gain of £428,889 has been recognised in the Consolidated Statement of Comprehensive Income in the period. The gain is in respect of the buyout of the minority interest held by ESD in ESO 1 LP and results from the actual rate of exchange on settlement of 1:1.42 being more favourable than the initial rate of exchange agreed of 1:1.35, as per the deed of transfer (note 10).

25 Financial commitments and guarantees

Under the terms of the limited partnership agreement the Company is committed to provide a maximum of £2 million additional investment to ESO 1 LP.

26 Subsequent events

There were no significant subsequent events.

Schedule of shareholders holding over 3% of issued shares

	Percentage holding
Giles Brand	22.23%
The Corporation of Lloyds	11.41%
Henderson Global Investors	6.20%
Hoares Bank	4.94%
Miton Asset Management	4.76%
SIX SIS	3.63%
Rothschild Wealth Management	3.62%
Total over 3% holding	**56.79%**

For your notes

Group Information

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