EPE Special Opportunities Limited

Interim Report | **July 2018**

Interim Report & Unaudited Financial Statements
For the six months ended 31 July 2018

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ESO Ltd portfolio asset: Whittard of Chelsea

Interim Review

Chairman’s Statement

The performance of EPE Special Opportunities Limited (“ESO Ltd” or the “Company”, formerly EPE Special Opportunities plc) for the half year ending 31 July 2018 has been disappointing. The encouraging progress made across the bulk of the portfolio was offset by headwinds in Luceco plc’s market value. The Board continues to closely monitor developments in the UK’s exit from the European Union, including the risk of short-term uncertainty and market volatility.

The Net Asset Value (“NAV”) per share as at 31 July 2018 for the Company was 190.18 pence per share, representing a decrease of 18.8 per cent. on the NAV per share of 234.43 pence as at 31 January 2018. The share price as at 31 July 2018 for the Company was 132.68 pence, representing a decrease of 17.1 per cent. on the share price of 160.00 pence as at 31 January 2018.

The unwelcome performance of the Company’s NAV during the six-month period was driven by a 50.0 per cent. fall in value of the Company’s largest asset, Luceco plc. The fall in share price was a consequence of trading updates issued by Luceco plc which reduced the market’s expectations for the business’s trading; reported headwinds in its retail business and ongoing margin pressure.

The Board believe however that Luceco plc is currently an attractive investment for the Company. On 1 August 2018, the Company acquired an additional 5.0 million shares in Luceco plc in the market at a cost of £2.0 million.

Whittard of Chelsea maintained strong growth in the half year ended June 2018, with both the UK retail estate and domestic and international e-commerce platforms trading well, despite the negative performance of the wider UK retail sector.

Process Components had a solid year to 30 June 2018 and enters the new year with a record order book. The momentum is supported by continued investment in the business’s operations and sales infrastructure.

The Company’s most recent acquisition, David Phillips, continued to implement its turnaround strategy. The business has achieved a substantial reduction in its overhead base. As a result of the improvements in its service levels and operations effected since acquisition, David Phillips is hopeful it can now achieve a strengthening of its market position.

Pharmacy2U continues to record good growth levels, with strong customer acquisition during the period. In March 2018, Pharmacy2U completed the raise of £40 million new growth capital from G Square Capital, a European healthcare focussed private equity investor, to support the continuation of this high growth trajectory. The transaction was completed at a premium to Pharmacy2U’s holding value and, in conjunction with the new investment, the Company sold down 50 per cent. of its existing investment to G Square achieving a 2.0x money multiple realised return.

The Company exercised its option to redeem £4.0 million of outstanding unsecured loan notes in July 2018, resulting in an annual reduction in financing costs of £0.3 million. The Company’s NAV was unaffected by the redemption.

The Company sought and received shareholder consent for a migration of the Company’s incorporation from the Isle of Man to Bermuda. The migration completed on 12 September 2018.

The market conditions for UK small and medium sized businesses remains volatile with uncertainty surrounding the UK’s exit from the European Union and headwinds in the retail sector. However, the increase in the Bank of England’s base rate is reflective of improving economic momentum, observed, for example, in the level of employment and wage growth. Nevertheless the situation remains fragile with growing political uncertainty over Brexit and the overall effects on the UK Economy; the Board continues to monitor ongoing developments.

The Company’s strong cash position allows the Board to continue to examine further investment proposals presented by the Investment Advisor, with the application of price discipline and rigorous consideration of value creation fundamentals paramount in what is a vigorously competitive market for asset opportunities.

I would like to express my gratitude to the Company’s shareholders for their ongoing support, and will report further at the year-end.

Geoffrey Vero
Chairman
28 September 2018

Investment Advisor's Report

The Investment Advisor (the "IA") continues to build a portfolio of investments both via the development of existing assets and the deployment of the Company's liquidity into new opportunities. The IA continues to investigate an attractive pipeline of new investments and remains cautiously positive in the outlook for the UK lower mid-market in the longer term recognising the recent political uncertainty with regard to Brexit.

The Company

The NAV per share as at 31 July 2018 for the Company was 190.18 pence representing a decrease of 18.8 per cent. on the NAV per share of 234.43 pence as at 31 January 2018. The share price for the Company as at 31 July 2018 was 132.68 pence, representing a decrease of 17.1 per cent. on the share price of 160.00 pence as at 31 January 2018.

Based on the Company's balance sheet as at 31 July 2018, gross asset cover for the total outstanding loans of £3.9 million is 14.8x. Cash balances now stand at £23.2 million (including cash held by underlying partnerships in which the Company is the sole investor). Overall liquidity at the Company, inclusive of banking facilities is £25.4 million.

The Portfolio

Third party net debt across the Company's private equity portfolio stands at 1.3x EBITDA. The portfolio remains conservatively valued with a weighted average Enterprise Value equating to an EBITDA multiple of 4.6x for mature unquoted assets and 0.4x sales for growth unquoted assets investing for growth. This compares favourably to an average Enterprise Value to EBITDA multiple across comparable listed European private equity companies of 11.2x.

During the six months to 31 July 2018 the share price of Luceco plc fell by 50.0 per cent. driven by headwinds experienced by the business's retail customer base as detailed in trading updates released to the market during the period. These downward revisions in trading expectations follow margin pressures disclosed in the prior period. The Company acquired further shares in Luceco plc on 1 August 2018, for a cost of £2.0 million. On 10 September 2018, the business updated the market on its forward outlook, noting there had been a 30 per cent. increase in its retail order book, lower commodity input prices, better selling prices and a more favourable currency position. The IA continues to monitor the business closely.

At 31 July 2018, Luceco plc represented circa 20 per cent. of the Company's NAV, with the balance held in other investments and cash. In consequence the Company's NAV will be proportionately less impacted by further volatility in the Luceco's share price, given the reduced concentration of this asset within the Company's portfolio.

Whittard of Chelsea has traded strongly over the half year ending 30 June 2018, with sales ahead of budget and prior year. The IA is encouraged by the growth achieved in the UK retail business despite the challenging conditions experienced by the wider sector. The business continues to invest in its domestic operations, with the development of a new web platform, estate optimisation and product development programs in progress. Whittard's promising Chinese e-commerce channels continue to perform strongly, with the option available to join further digital platforms and develop a Chinese retail channel in the future. Opportunities for distribution partnerships in other international markets continue to be developed.

Process Components has traded ahead of the prior year and continues to build sales momentum following the relocation of its manufacturing facility in 2017. The business enters the second half of 2018 with a robust order pipeline. The management continues to develop operational improvements in manufacturing processes and is opening new international sales offices to drive growth.

Pharmacy2U has achieved strong growth, underpinned by pleasing momentum in new customer acquisition. In March 2018, Pharmacy2U completed the raise of £40 million new growth capital from G Square to support the continuation of this high growth trajectory. The transaction was completed at a premium to Pharmacy2U's holding value and, in conjunction with the new investment, the Company sold down 50 per cent. of its existing investment to G Square achieving a 2.0x money multiple realised return. The remaining 50 per cent. of the Company's investment in Pharmacy2U has been retained to benefit from the potential increase in value offered by the £40 million growth capital investment.

David Phillips has continued to implement its turnaround strategy with notable improvements in its sales pipeline and operational efficiency. The business is recovering from a period of operating and trading difficulty caused by working capital constraints before the Company's investment in December 2017. The IA is pleased so far by the positive momentum seen across the majority of the business which has supported sales through the business' key summer trading months. Further improvements in profitability are anticipated through an increased focus on high margin business and ongoing operational improvements. The IA continues to monitor the investment closely as the nascent turnaround is established.

EPIC Private Equity LLP
Investment Advisor to EPE Special Opportunities Limited

28 September 2018

As at 31 July 2018

NAV per share	**190.18 pence**
Share price	**132.68 pence**
Portfolio returns	**4.3x MM / 31.0 per cent. IRR**
Mature asset valuation	**4.6x EV/EBITDA**
Growth asset valuation	**0.4x EV/Sales**
Portfolio leverage	**1.3x Net Third Party Debt/EBITDA**

ESO Ltd portfolio asset: David Phillips

Introduction to EPE Special Opportunities Limited

EPE Special Opportunities Limited

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

The Company's shares trade on the AIM market of the London Stock Exchange with the ticker "ESO".

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

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

The Investment Advisor to the Company is EPIC Private Equity LLP ("EPE").

EPE Special Opportunities Limited

Investment highlights since inception include:

4.3x Portfolio current money multiple	31.0% Portfolio current IRR	56.1% Premium to NAV on last three exits	342.3% 8 year share price growth

Recent developments:

- October 2016: IPO of Luceco plc.
- March 2017: ESO Ltd acquires a €2.5 million commitment to European Capital Private Debt Fund, focussed on European small and medium-sized enterprises predominantly in France and the UK.
- September 2017: Luceco plc acquires Kingfisher Lighting, a UK-based lighting competitor.
- December 2017: Luceco plc releases a trading update downgrading guidance on future profitability.
- December 2017: ESO Ltd acquires David Phillips, a market-leading business-to-business provider of furniture and furnishing services to the UK property sector.
- March – July 2018: Luceco plc releases trading updates downgrading 2017 profitability and providing guidance on the trading outlook for 2018.
- March 2018: Pharmacy2U raises £40.0 million new growth capital from G Square Capital. The Company sells down 50% of its investment in Pharmacy2U, achieving a 2.0x MM realised return.
- August 2018: ESO Ltd acquires £2.0 million shares in Luceco plc in the market.
- September 2018: Migration of Company to Bermuda.

EPIC Private Equity LLP – Investment Advisor

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

EPE has made 35 investments in UK small and medium sized enterprises and was appointed Investment Advisor to the Company in September 2003.

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

In addition to investment management, EPE has a complementary business line, Advisory, which provides independent corporate finance advice.

EPIC Private Equity LLP

Market-leading track record	Track record of 35 investments across a large range of sectors and situations. EPE has returned 2.1x money multiple and 14.4% IRR on its investments to 31 July 2018.
Highly aligned and stable team	Committed and stable partnership, with average tenure in excess of 8 years. The EPE team is the largest investor in ESO Ltd, representing in aggregate c.25% of the share register.
Extensive industry network	Longstanding relationships in the UK market underpin EPE's access to deals with c.300 deals p.a. reviewed. EPE also leverages a network of operating partners to drive portfolio value creation.
Listed market experience	EPE has a successful track record of advising listed vehicles spanning more than 16 years. In addition to ESO Ltd, EPE has previously advised EPIC plc and EPIC Brand Investments plc and listed Luceco plc.
Complimentary business lines	EPE's cross-disciplinary expertise, borne of its Advisory division, allows EPE to access off-market investment opportunities and deploy specialist knowledge.

Why UK lower mid-market private equity?

Large universe of companies

A greater universe of potential transactions compared to the larger cap space allows EPE to be more selective, applying a higher threshold of deal evaluation and greater pricing discipline.

Low transactional competition

Reduced investor engagement and diminished buy-side competition in the lower mid-market is a structural driver for attractive valuations and higher likelihood of successful transaction outcomes.

Low availability of alternative financing

The difficulty experienced by companies in the lower mid-market in accessing bank financing often drives owners to seek equity funding, in order to achieve their growth or liquidity objectives.

High volume of shareholders seeking liquidity

The lower mid-market is characterised by owner-managed businesses. Many of these owners seek liquidity from external investors, in part given the lack of alternative financing available to finance shareholder exits.

Growth and operational improvements

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

These factors result in an extensive supply of attractive investment opportunities, with the potential for strong value creation at favourable entry valuations.

Why EPE Special Opportunities?

Market-leading returns	The Company has continued to deliver market leading returns with a share price increase of 342.3% over the last 8 years. Current portfolio returns are 4.3x MM and 31.0% IRR to 31 July 2018.
Access to high quality portfolio	The Company offers investors access to a conservatively valued, high growth portfolio. Mature portfolio assets are valued at 4.6x EBITDA (vs. 11.2x EBITDA for comparable listed private equity funds). The combined sales of the portfolio have grown at a CAGR of 18.1% over the last 3 years.
Established deal pipeline	EPE consistently targets proprietary deal opportunities. Deals are also sourced from a network of industry contacts including operating partners and corporate finance advisors. EPE reviews c.300 deals p.a. in the UK lower mid-market.
Long term capital vehicle	The Company's quoted structure allows investments to develop over the long term, benefitting from the ability to implement transformational initiatives and compound returns over periods in excess of standard private equity hold periods (typically 3-5 years).
Manager alignment	EPE is a focussed and independent manager with substantial investment in the Company. The EPE team own c.25% of ESO Ltd, creating significant alignment with investors and a focus on long-term sustainable shareholder returns.

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.

Heather Bestwick

Heather Bestwick has been a financial services professional for 25 years, onshore in the City of London and offshore in the Cayman Islands and Jersey. She qualified as an English solicitor, specialising in ship finance, with City firm Norton Rose, and worked in their London and Greek offices for 8 years. Ms Bestwick subsequently practised and became a partner with global offshore law firm Walkers in the Cayman Islands, and Managing Partner of the Jersey office. Becoming a non-executive director in 2014, she is Chairman of Equiom (Jersey) Limited and Equiom (Guernsey) Limited, sits on the boards of the manager of the Deutsche Bank dbX hedge fund platform, a shipping fund, and the States of Jersey incorporated company holding Jersey's affordable housing.

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 Gulf Investment Fund plc, a premium listed company, and, until recently, was chairman of Alternative Investment Strategies Limited. He is a resident of the Isle of Man.

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 being director and Head of the Investment Committee for GCP Infrastructure Investments (FTSE 250 listed company).

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 and a number of other companies in the financial services, manufacturing and distribution sectors.

Biographies of the Investment Advisor

Giles Brand

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

Hiren Patel

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

Robert Fulford

Robert Fulford is an Investment Director of EPE. He previously worked at Barclaycard Consumer Europe before joining EPE. Whilst at Barclaycard, Robert was the Senior Manager for Strategic Insight and was responsible for identifying, analysing and responding to competitive forces. Prior to Barclaycard, Robert was 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 David Phillips and Whittard of Chelsea, where he is currently a non-executive director. Robert read Engineering at Cambridge University.

James Henderson

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

Alex Leslie

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

Ian Williams

Ian Williams is an Investment Director of EPE. Before joining EPE, he was a partner at Lyceum Capital where he was responsible for deal origination with a primary focus on the business services and software sectors, as well as financial services, education and health sectors. Prior to Lyceum, Ian was a Director at Arbuthnot Securities, involved in transactions including IPOs, secondary fund raisings and M&A, focusing on the support services, healthcare, transport & IT sectors. Ian read Politics and Economics at the University of Bristol.

ESO Ltd portfolio asset: Pharmacy2U

Investment Strategy and Portfolio Review

Investment Strategy

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

Approach

Given its attractive fundamentals, the Investment Advisor believes there is a strong case to invest in the UK lower mid-market. Proprietary deal sourcing is complemented by active engagement within the wider corporate advisory community to communicate the Company's clearly defined investment strategy.

The portfolio is likely to be concentrated, numbering between two and 10 assets at any one time, which allows EPE to allocate the resource to form genuinely engaged and supportive partnerships with management teams. This active approach facilitates the delivery of truly transformational initiatives in underlying investments during the period of ownership.

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

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

Investment Criteria

Size	The Company seeks to invest between £2 million and £20 million per transaction. For investments larger than £20 million, the Company may seek co-investment from third parties.
Sector	The Company will consider most sectors, but has particular expertise in consumer, retail, financial services, manufacturing and the wider services sector (including education, healthcare and social housing).
Control	The Company aims to take controlling equity positions, but may also consider minority stakes where the investment case is compelling and shareholder protections are robust.
Deal Type	The Company targets growth, buyout, special situations and private investment in public equities ("PIPE") investments. Given EPE's listed market experience, the Company may also partner with outstanding management teams on the listing and management of special purpose acquisition vehicles. The Company may occasionally invest in third-party funds.
Geography	The Company primarily seeks to invest in UK focused assets as well as those with significant overseas operations; for example, Luceco plc and Process Components within the current portfolio.

Portfolio

The current portfolio consists of five private equity assets and one third party fund investment.

Luceco plc
Supplier of wiring accessories and LED lighting

Whittard of Chelsea
Speciality tea, coffee and cocoa brand

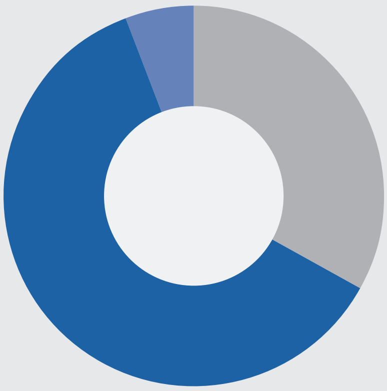
Process Components
Equipment supplier to the powder processing industry

Pharmacy2U
Leading online pharmacy in the UK

David Phillips
Furniture provider to the UK property sector

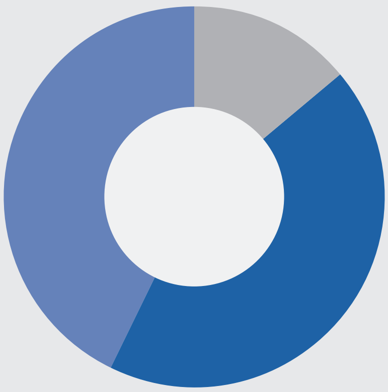
Third Party Fund Investments
European Capital Private Debt Fund LP

Sector Diversification



Retail/FMCG (33.1%)
Engineering, Manufacturing and Distibution (61.3%)
Healthcare (5.6%)

Instrument Diversification



Shareholder Loans (14.1%)
Equity (43.2%)
Cash (42.7%)

Luceco plc

Leading supplier of LED lighting and electrical accessories

Key facts

Location:	**UK / China**
Sector:	**Electrical Accessories**
Type of deal:	**Buyout**
Equity holding:	**24.3%***
Financial year:	**December**
Latest sales:	**£167.6m (2017)**

* As at 31 July 2018, subsequent share purchases have increased the equity holding to 27.4%

Description

Luceco plc is a manufacturer and distributor of electrical accessories and LED lighting products to the UK and, increasingly, international markets.

The business is headquartered in the UK, and has a Chinese manufacturing facility and several international sales offices.

Background

Luceco plc was established as a manufacturer of wiring accessories, predominantly switches and sockets, under the "British General" brand.

In 2007, the business established a Chinese manufacturing facility which has been subsequently expanded twice. The facility has provided Luceco plc with supply chain flexibility and margin efficiencies.

Luceco plc entered the LED lighting market in 2013 at a point of disruptive change and high growth opportunity.

In October 2016, Luceco plc was admitted to trading on the Main Market of the London Stock Exchange.

Recent developments

In September 2017, the business acquired Kingfisher Lighting, a UK-based competitor.

In December 2017, Luceco plc released a trading update which revised downwards the market's expectation for profitability.

Matt Webb was appointed as the new chief financial officer in February 2018, arriving from FTSE 100 building materials distribution company Ferguson plc.

Luceco plc released further trading updates between March and July 2018, revising market guidance. The business also noted headwinds in UK retail (which represents 25% of Luceco plc's sales) but announced the positive progress of actions initiated in December 2017 to restore margin to previous levels of profitability.

In August 2018, ESO Ltd acquired £2.0m additional shares in Luceco plc increasing its holding in the business to 27.4%.

Outlook

Luceco plc continues to seek organic growth through greater penetration of the UK market and entry into new territories. The business has stated an ambition to acquire complementary businesses for access to new markets and adjacent product ranges.

Whittard of Chelsea

Speciality tea, coffee and cocoa brand

Key facts

Location:	**Oxfordshire**
Sector:	**Consumer**
Type of deal:	**Turnaround**
Equity holding*:	**85.3%**
Financial year:	**December**
Latest sales:	**£34.7m (2017)**

* On a non-diluted basis

Description

Whittard of Chelsea ("Whittard") is a British heritage brand supplying a premium quality range of tea, coffee and cocoa to a global consumer market. The business operates an established omni-channel platform spanning retail (50 UK stores), e-commerce (UK site with global distribution), Tmall (leading Chinese e-commerce platform), wholesale and franchise.

Background

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

Recent developments

UK and international consumers have responded positively to the updated positioning and the business has built positive momentum, delivering sales and profit growth. The strategy remains focused on optimising the UK business and developing international channels.

In 2017, Whittard achieved pleasing growth, significantly ahead of the wider UK retail market. The business's customer base reacted positively to the brand's differentiated product and positioning. Internationally Whittard has successfully entered the Chinese market via Tmall, the online B2C platform.

Outlook

Whittard is ideally positioned in a large and growing global market with its strong brand and omni-channel platform, and also benefits from the macro consumer trends for premiumisation and health and wellness trends and the appetite internationally for heritage British brands.

Process Components

Equipment supplier to the powder processing industry

PROCESSCOMPONENTS
MUCON | KEK | GARDNER | PPS

Key facts

Location:	**Cheshire**
Sector:	**Engineering**
Type of deal:	**Turnaround**
Equity holding:	**85.0%**
Financial year:	**June**
Latest sales:	**£6.6m (2017)**

Description

Manufacturer and supplier of high quality equipment, commodity components and spares for the powder and liquid processing and handling industries

Background

Process Components ("PCL") was formed in June 2009 after a restructuring of a larger processing equipment supplier.

Historically PCL manufactured valves and spares for powder processing machines that it supplied from a third-party.

In 2016, PCL started production of these powder processing machines in-house with margin and efficiencies benefits.

Recent developments

In May 2017 the Company completed a relocation to new premises offering over 17,000 sq. ft. of space, enabling an improvement in storage, workshop and manufacturing capabilities.

The business has introduced new product ranges both in the US and UK, to which customers have responded well.

Outlook

PCL is demonstrating positive momentum, achieving record levels of backlog and pipeline orders. Management have identified attractive re-investment opportunities including international sales offices, new and improved product test centres, training facilities and a new MRP system to drive sales and improve operations.

Pharmacy2U

Leading online pharmacy in the UK

Key facts

Location:	**West Yorkshire**
Sector:	**Healthcare**
Type of deal:	**Growth**
Equity holding*:	**2.0%**
Financial year:	**March**
Latest sales:	**£25.8m (2017)**

* Post growth capital investment, March 2018 and on a non-diluted basis

Description

Pharmacy2U ("P2U") is focussed on delivering repeat NHS prescriptions to patients in the community. Repeat prescriptions comprise c.80% of the c.£10 billion NHS community prescription market.

P2U benefits from highly attractive customer dynamics, with low churn rates following patient acquisition and significant lifetime value.

P2U operates from a facility in Leeds which employs automated dispensing systems and has substantial capacity to support growth.

Background

P2U created the concept of online pharmacy and, in conjunction with the NHS, developed the Electronic Prescription Service ("EPS") technology. EPS allows for prescriptions to be electronically signed by doctors and medicines to be delivered direct to the home.

Funds advised by EPE originally provided growth capital to exploit this opportunity in November 2002 and ESO Ltd acquired its interest in P2U in September 2010.

Recent developments

In July 2016, P2U merged with Chemist Direct to create a clear leader in the online pharmacy market.

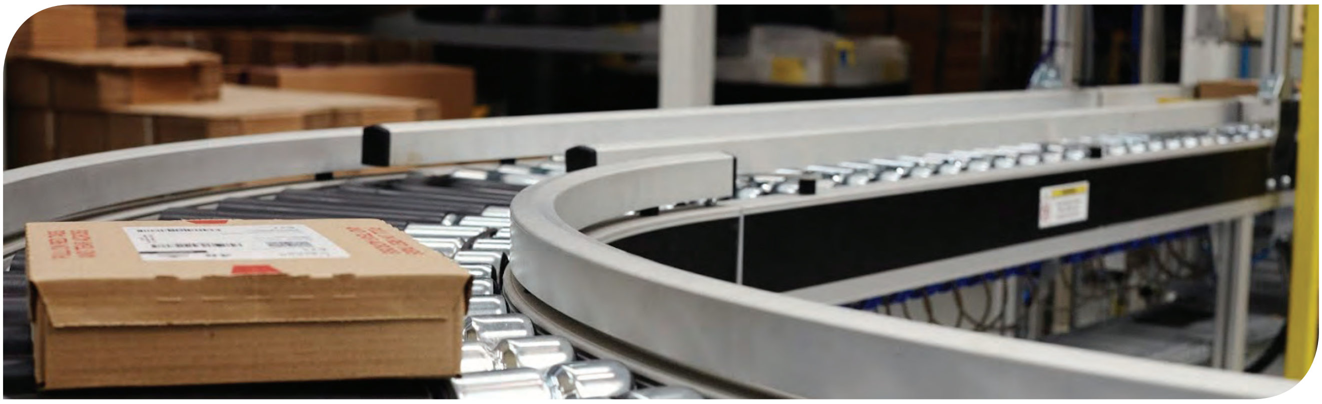
In September 2017, P2U exceeded 100,000 active patients.

In March 2018, P2U raised £40 million new growth capital from G Square. At the same time the Company sold down 50% of its investment in P2U, achieving a 2.0x MM realised return.

In September 2018, P2U announced the development of a new dispensing facility in Leicestershire to open in 2019. The facility will have capacity to dispatch up to 7.5 million items per month (16 times current capacity).

Outlook

P2U's focus remains on acquiring patients with NHS repeat prescription requirements. In order to support its growth trajectory P2U continues to investigate options to raise additional expansion funding.



David Phillips

Leading furniture provider to the UK property sector

DAVID PHILLIPS/

Key facts

Location:	**London**
Sector:	**Property Services**
Type of deal:	**Turnaround**
Equity holding*:	**40.0%**
Financial year:	**March**
Latest sales:	**£50.4m (2017)**

Description

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

Background

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

Recent developments

ESO Ltd invested in the business in December 2017.

Outlook

David Phillips has grown rapidly over the last 5 years; in the near term there will be a focus on consolidation and business efficiency improvements.

In the long term, significant growth opportunities have been identified, both to consolidate the UK market and to enter other European markets.

* On a non-diluted basis

ESO Ltd portfolio asset: Whittard of Chelsea

Governance Report

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, including the Company's compliance with the QCA Corporate Governance Code;
- To review the nature and scope of the work to be performed by the Auditors, and their independence and objectivity; and
- To make recommendations to the Board as to the appointment and remuneration of the external auditors.

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

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

Significant accounting matters

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

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

The Auditors explained the results of their review of the procedures undertaken by the Investment Advisor in preparation of valuation recommendations for the Risk and Audit Committee. On the basis of their audit work, no material adjustments were identified by the Auditor.

External audit

The Risk and Audit Committee reviewed the audit plan and fees presented by the Auditors, KPMG Audit LLC ("KPMG"), and considered their report on the financial statements. The fee for the audit of the annual report and financial statements of the Company for the year ended 31 January 2019 is expected to be £35,000 (2018: £35,800).

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 provided non-audit services to the Company in relation to the Company's migration to Bermuda.

External audit (continued)

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

Having considered these matters and the continuing effectiveness of the external auditor, the Risk and Audit Committee has recommended to the Board that KPMG be appointed as Auditors for the year ending 31 January 2019.

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

Risk management and internal control

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

Clive Spears
Chairman of the Risk and Audit Committee
28 September 2018

Corporate Governance

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

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

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

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

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

Geoffrey Vero
Chairman
28 September 2018

The 2018 QCA Code

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

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

Corporate Governance (continued)

<table>
<tr><th>QCA Code Application</th><th>Explanation of the Company's Compliance</th></tr>
<tr><td colspan="2">5. Maintain the board as a well-functioning, balanced team led by the chair</td></tr>
<tr><td>The board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.

The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.

The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a board judgement.

The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.

Directors must commit the time necessary to fulfil their roles.</td><td>All members of the Board are considered to be of independent thought and are non-executive directors. In particular, the Board feel that they are sufficiently independent of the investment advisor and that they sufficiently challenge the advice received from the investment advisor.

Several Board members have long periods of service. The Board believe that the experience and familiarity with the Company is to the benefit of the Company, its portfolio, its shareholders and objectives. The investment period of portfolio assets matches the long period of service held by certain Board members, providing deep knowledge of the Company's investment portfolio. Board members voluntarily retire by rotation for re-election by shareholders, on 4-year cycles.

The Board has established the following committees to advise on the Board's responsibilities:
• Audit and Risk Committee
• Investment Committee

All directors are members of these committees.

The Board does not feel that that the establishment of either a Remuneration Committee or a Nomination Committee would be appropriate for an investment company of the Company's current size.

The Board meets at least four times a years to review the Company's performance and operations. All directors attended the four routine meetings convened in the last twelve months.

The Board may convene additional meetings, as required to address matters arising. The Company does not disclose the attendance records of these additional Board meetings, given attendance is not representative of director participation as input is often provided by absent directors ahead of meetings.

The Risk and Audit Committee meets at least two times a year. The Chairman of the Audit and Risk Committee meets with the Company's auditors at least three times a year. The Investment Committee meets as required.

The time commitment required of directors varies dependent upon the activity level of the Company. It is anticipated that 8-12 days per annum are required of directors for the attendance of routine meetings of the Board. In addition it is anticipated that 4-10 days per annum are required for the participation in other matters arsing,</td></tr>
</table>

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

Corporate Governance (continued)

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

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

ESO Ltd portfolio company: Luceco plc

Financial Statements

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Independent Review Report to EPE Special Opportunities Limited

(formerly EPE Special Opportunities plc)

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 July 2018 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 July 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the AIM Rules.

Scope of review

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

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

Directors' responsibilities

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

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

Our responsibility

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

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

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

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

28 September 2018

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 July 2018

Note		1 Feb 2018 to 31 Jul 2018 Revenue (unaudited) £	Capital (unaudited) £	Total (unaudited) £	1 Feb 2017 to 31 Jul 2017 Total (unaudited) £	1 Feb 2017 to 31 Jan 2018 Total (audited) £
	Income					
	Interest income	115,815	–	115,815	3,482	33,477
	Total income	**115,815**	**–**	**115,815**	**3,482**	**33,477**
	Expenses					
5	Investment advisor's fees	(549,493)	–	(549,493)	(1,369,521)	(2,370,687)
	Administration fees	(75,345)	–	(75,345)	(108,269)	(218,589)
	Directors' fees	(77,000)	–	(77,000)	(86,417)	(161,500)
	Directors' and Officers' insurance	(4,102)	–	(4,102)	(1,994)	(3,974)
	Professional fees	(121,460)	–	(121,460)	(35,919)	(211,428)
15	Provision for migration costs	(700,000)	–	(700,000)	–	–
	Board meeting and travel expenses	(4,978)	–	(4,978)	(4,731)	(7,391)
	Auditors' remuneration	(20,376)	–	(20,376)	(21,125)	(35,800)
	Bank charges	(512)	–	(512)	(443)	(868)
	Irrecoverable VAT	–	–	–	(32,764)	(32,764)
6	Share-based payment expense	(69,567)	–	(69,567)	(103,297)	(210,043)
	Sundry expenses	(9,885)	–	(9,885)	(22,103)	(60,300)
	Listing fees	(16,557)	–	(16,557)	(17,605)	(28,511)
	Nominated advisor and broker fees	(33,086)	–	(33,086)	(31,092)	(60,405)
	Total expenses	**(1,682,361)**	**–**	**(1,682,361)**	**(1,835,280)**	**(3,402,260)**
	Net expenses	**(1,566,546)**	**–**	**(1,566,546)**	**(1,831,798)**	**(3,368,783)**
	Movements on investments					
7	Share of (loss)/profit of associates	–	(10,714,584)	(10,714,584)	14,952,071	(32,258,774)
	Gain on fair value of loan to related companies	–	–	–	–	40,000
	(Loss)/gain for the period/year on investments	**–**	**(10,714,584)**	**(10,714,584)**	**14,952,071**	**(32,218,774)**
13	Interest on unsecured loan note instruments	(309,382)	–	(309,382)	(309,382)	(618,765)
	(Loss)/profit for the period/year before taxation	**(1,875,928)**	**(10,714,584)**	**(12,590,512)**	**12,810,891**	**(36,206,322)**
	Taxation	–	–	–	–	–
	(Loss)/profit for the period/year	**(1,875,928)**	**(10,714,584)**	**(12,590,512)**	**12,810,891**	**(36,206,322)**
	Other comprehensive income	–	–	–	–	–
	Total comprehensive (loss)/income for the period/year	**(1,875,928)**	**(10,714,584)**	**(12,590,512)**	**12,810,891**	**(36,206,322)**
11	**Basic (loss)/earnings per ordinary share (pence)**	**(6.63)**	**(37.86)**	**(44.49)**	**45.59**	**(128.45)**
11	**Diluted (loss)/earnings per ordinary share (pence)**	**(6.63)**	**(37.86)**	**(44.49)**	**45.17**	**(128.45)**

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

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

Condensed Consolidated Statement of Financial Position

As at 31 July 2018

Note		31 July 2018 (unaudited) £	31 January 2018 (unaudited) £	31 July 2017 (unaudited) £
	Non-current assets			
7	Investment in associates	30,676,674	41,391,258	88,562,103
7,9	Loans to associates and related companies	5,834,303	5,152,739	3,057,712
		36,510,977	**46,543,997**	**91,619,815**
	Current assets			
	Cash and cash equivalents	22,019,716	28,047,141	31,025,667
	Trade and other receivables	232,358	98,774	102,379
		22,252,074	**28,145,915**	**31,128,046**
	Current liabilities			
	Trade and other payables	(335,833)	(464,322)	(639,851)
15	Provision for migration costs	(700,000)	–	–
		(1,035,833)	**(464,322)**	**(639,851)**
	Net current assets	**21,216,241**	**27,681,593**	**30,488,195**
	Non-current liabilities			
13	Unsecured loan note instruments	(3,905,309)	(7,882,736)	(7,872,433)
		(3,905,309)	**(7,882,736)**	**(7,872,433)**
	Net assets	**53,821,909**	**66,342,854**	**114,235,577**
	Equity			
10	Share capital	1,503,286	1,503,286	1,473,781
	Share premium	3,867,209	3,867,209	2,893,562
	Capital reserve	37,866,806	48,581,390	95,752,235
	Revenue reserve	10,584,608	12,390,969	14,115,999
	Total equity	**53,821,909**	**66,342,854**	**114,235,577**
12	**Net asset value per share (pence)**	**190.18**	**234.43**	**412.26**

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 July 2018

	Six months ended 31 July 2018 (unaudited)				
	Share capital £	Share premium £	Capital reserve £	Revenue reserve £	Total £
Balance at 1 February 2018	1,503,286	3,867,209	48,581,390	12,390,969	66,342,854
Total comprehensive loss for the period	–	–	(10,714,584)	(1,875,928)	(12,590,512)
Contributions by and distributions to owners					
Share-based payment charge	–	–	–	69,567	69,567
Total transactions with owners	**–**	**–**	**–**	**69,567**	**69,567**
Balance at 31 July 2018	**1,503,286**	**3,867,209**	**37,866,806**	**10,584,608**	**53,821,909**

	Year ended 31 January 2018 (audited)				
	Share capital £	Share premium £	Capital reserve £	Revenue reserve £	Total £
Balance at 1 February 2017	1,568,568	2,893,562	80,800,164	17,868,042	103,130,336
Total comprehensive loss for the year	–	–	(32,218,774)	(3,987,548)	(36,206,322)
Contributions by and distributions to owners					
Share-based payment charge	–	–	–	210,043	210,043
Share ownership scheme participation	–	–	–	15,914	15,915
Purchase of treasury shares	(94,787)	–	–	(1,715,482)	(1,810,269)
Issue of new shares	29,504	973,647	–	–	1,003,151
Total transactions with owners	**(65,282)**	**973,647**	**–**	**(1,489,525)**	**(581,160)**
Balance at 31 January 2018	**1,503,286**	**3,867,209**	**48,581,390**	**12,390,969**	**66,342,854**

	Six months ended 31 July 2017 (unaudited)				
	Share capital £	Share premium £	Capital reserve £	Revenue reserve £	Total £
Balance at 1 February 2017	**1,568,568**	**2,893,562**	**80,800,164**	**17,868,042**	**103,130,336**
Total comprehensive income for the period	–	–	14,952,071	(2,141,180)	12,810,891
Contributions by and distributions to owners					
Share-based payment charge	–	–	–	103,297	103,297
Cash received from JSOP participants	–	–	–	1,323	1,323
Purchase of treasury shares	(94,787)	–	–	(1,715,482)	(1,810,269)
Total transactions with owners	**(94,787)**	**–**	**–**	**(1,610,863)**	**(1,705,650)**
Balance at 31 July 2017	**1,473,781**	**2,893,562**	**95,752,235**	**14,115,999**	**114,235,577**

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 July 2018

	1 Feb 2018 to 31 Jul 2018 (unaudited) £	1 Feb 2017 to 31 Jan 2018 (audited) £	1 Feb 2017 to 31 Jul 2017 (unaudited) £
Operating activities			
Interest income received	7,368	8,450	3,482
Expenses paid	(1,047,984)	(3,414,475)	(1,780,217)
Net cash used in operating activities	**(1,040,616)**	**(3,406,025)**	**(1,776,735)**
Investing activities			
Loan advances to associate	–	(2,045,657)	(2,045,657)
Loan advances to investee company	(700,000)	(2,030,000)	–
Loan repayment to associates	–	(274,410)	(276,510)
Capital contribution to associate	–	(40,160)	(160)
Net cash used in investing activities	**(700,000)**	**(4,390,227)**	**(2,322,327)**
Financing activities			
Issue of new shares	–	1,003,151	–
Unsecured loan note interest paid	(299,080)	(598,159)	(299,080)
Cash received from JSOP participants	–	–	1,322
Purchase of treasury shares	–	(1,810,269)	(1,810,269)
Share ownership scheme participation	–	15,914	–
Unsecured loan note redeemed	(3,987,729)	–	–
Net cash used in financing activities	**(4,286,809)**	**(1,389,363)**	**(2,108,027)**
Decrease in cash and cash equivalents	(6,027,425)	(9,185,615)	(6,207,089)
Cash and cash equivalents at start of period/year	28,047,141	37,232,756	37,232,756
Cash and cash equivalents at end of period/year	**22,019,716**	**28,047,141**	**31,025,667**

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

1 The Company

The Company was incorporated with limited liability in the Isle of Man on 25 July 2003. The Company then re-registered under the Isle of Man Companies Act 2006, with registration number 008597V.

The Company moved its operations to Jersey with immediate effect on 22 May 2017 and subsequently operates from Jersey only.

The Company continued from the Isle of Man to Bermuda on 12 September 2018. The Company continued as an exempted company under the laws of Bermuda with company number 53954 and discontinued as a company under the laws of the Isle of Man. The Company continues to operate from Jersey only.

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

The interim consolidated financial statements as at and for the six months ended 31 July 2018 comprise the Company and its subsidiaries (together "the Group"). The interim consolidated financial statements are unaudited.

The consolidated financial statements of the Group as at and for the year ended 31 January 2018 are available upon request from the Company's business office at Ordnance House, 31 Pier Road, St Helier, Jersey, JE4 8PW and the registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, or at www.epicpe.com.

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

At 31 July 2018, the Company also had interests in four partnerships and one limited company that are accounted for as associates. The partnerships comprise one limited liability partnership and three limited partnerships.

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 Company has no employees.

2 Statement of compliance

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

The interim consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 January 2018.

The interim consolidated financial statements were approved by the Board of Directors on 28 September 2018.

3 Significant accounting policies

Except the adoption of IFRS 9 *Financial Instruments* as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 January 2018.

Associates

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

3 Significant accounting policies continued

IFRS 9 Financial Instruments

The Group has initially adopted IFRS 9 *Financial Instruments* from 1 February 2018. A number of other new standards are effective from 1 February 2018 but do not have a material effect on the Group's financial statements.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

a. Classification and measurement

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 February 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 £	New carrying amount under IFRS 9 £
Financial Assets			**£**	**£**
Loans to associates and related companies	Loans and receivables	Amortised cost	5,152,739	5,152,739
Trade and other receivables	Loans and receivables	Amortised cost	98,774	98,774
Cash and cash equivalents	Loans and receivables	Amortised cost	28,047,141	28,047,141
Total financial assets			**33,298,654**	**33,298,654**

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

b. Impairment

The most significant effect of the adoption of IFRS 9 is on the assets classified at amortised cost. IFRS 9 requires the Group to record expected credit losses (ECLs) on its loans to associates and related companies, trade receivables and other receivables and cash and cash equivalents, either on a 12-month or lifetime basis. At 31 July 2018, assets classified at amortised cost totalled £28,086,377 (31 January 2018: £33,298,654 and 31 July 2017: £34,185,758). The Group has determined there will be no material impact of ECLs on the financial statements.

4 Financial risk management

The Group financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 January 2018.

5 Investment advisory, administration and performance fees

Investment advisory fees

Company

As agreed on the 31 August 2010, the investment advisory fee payable to EPIC Private Equity LLP ("EPE") is calculated at 2% of the Group's Net Asset Value ("NAV"), with a minimum of £325,000 payable per annum. The charge for the current period was £549,493 (period ended 31 July 2017: £1,369,521; year ended 31 January 2018: £2,370,687).

ESO 1 LP

The members of ESO 1 LP restated the Limited Partnership agreement on 25 July 2015.The restated agreement allocated the Investment Advisor a fixed priority profit share of £350,000 per annum (previously £800,000 per annum).

5 Investment advisory, administration and performance fees continued

Administration fees

On 30 November 2007 the Group entered into an agreement with FIM Capital Limited ("FIM"), for the provision of administration, registration and secretarial services. On 17 May 2017 and concurrent with the move of the Company's operations to Jersey, R&H Fund Services (Jersey) Limited ("R&H") were appointed as the Company's administrators

The provision of accounting and financial administration services has been delegated to EPE Administration Limited ("EPEA", formerly EHM International Limited). The fee payable to EPEA is at a rate of 0.15% per annum of the Group's NAV. The charge for the current period was £75,345 (period ended 31 July 2017:£108,269; year ended 31 January 2018: £218,589).

Performance fees

Company

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 period ended 31 July 2018 (period ended 31 July 2017:£nil; year ended 31 January 2018: £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 July 2018, £2,687,783 has been debited from the carry account of the Investment Advisor in the records of ESO 1 LP (year ended 31 January 2018: Debit of £8,115,607).

Carried interest in ESO (PC) LLP

The Investment Advisor is entitled to receive 20% of the profits of ESO (PC) LLP where a hurdle of 8%has been achieved over the initial value of the investment. For the period ended 31 July 2018, £1,056 (year ended 31 January 2018: £50,646) was debited to the Investment Advisor.

6 Share-based payment expense

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

The cost of equity settled transactions with certain Directors of the Company and other participants (including employees, members and consultants of the Investment Advisor) ("Participants") 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 Participants as part of the JSOP. Participants are awarded a certain number of shares ("Matching Shares") which vest after three years. In order to receive their Matching Share allocation Participants are required to purchase shares in the Company on the open market ("Bought Shares"). The Participant will then be entitled to acquire a joint ownership interest in the Matching Shares for the payment of a nominal amount, on the basis of one joint ownership interest in one Matching Share for every Bought Share they acquire in the relevant award period.

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

The EBT held 420,050 (31 January 2018: 420,050) matching shares at 31 July 2018 which have traditionally not voted.

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 £69,567 (period ended 31 July 2017: £103,297; year ended 31 January 2018: £210,043).

7 Non-current assets

	31 July 2018 (unaudited) £	31 January 2018 (audited) £	31 July 2017 (unaudited) £
Investment in associates	30,676,674	41,391,258	88,562,103
Loans to associates and related companies	5,834,303	5,152,739	3,057,712
	36,510,977	**46,543,997**	**91,619,815**

Investment in associates

Investments in associates comprise the investment in ESO Investments 1 LP, ESO Alternative Investments LP, ESO Investments 2 LP, ESO Investments (DP) Ltd and ESO Investments (PC) LLP which are stated at fair value through profit and loss. The associates have accounted for their equity investments at fair value.

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.

Summary financial information for associates as at and for the period ended 31 July 2018 is as follows:

Associate	Total £	Minority interest £	ESO Ltd share £	Percentage share %
ESO 1 LP				
Non-current assets	28,282,167	(5,656,433)	22,625,734	80.0%
Current assets	622,441	(124,488)	497,953	80.0%
Current liabilities	(691,649)	138,329	(553,320)	80.0%
Net assets	**28,212,959**	**(5,642,592)**	**22,570,367**	**80.0%**
Income	87,214	(16,523)	70,691	81.1%
Losses on investments	(13,239,478)	2,508,155	(10,731,323)	81.1%
Expenses	(111,653)	21,152	(90,501)	81.1%
Loss	**(13,263,917)**	**2,512,784**	**(10,751,133)**	**81.1%**
ESO (PC) LLP				
Non-current assets	9,453,084	(1,898,095)	7,554,989	79.90%
Current assets	265,670	(53,344)	212,326	79.90%
Current liabilities	(1,483)	298	(1,185)	79.90%
Net assets	**9,717,271**	**(1,951,141)**	**7,766,130**	**79.90%**
Income	–	–	–	–
Gains/(losses) on investments	–	–	–	–
Expenses	(5,476)	1,055	(4,421)	80.70%
Loss	**(5,476)**	**1,055**	**(4,421)**	**80.70%**

7 Non-current assets continued

Associate	Total £	Minority interest £	ESO Ltd share £	Percentage share %
ESO AI LP				
Non-current assets	2,177,407	–	2,177,407	100.00%
Current assets	217,577	–	217,577	100.00%
Current liabilities	(2,047,141)	–	(2,047,141)	100.00%
Net assets	**347,843**	**–**	**347,843**	**100.00%**
Income	87,861	–	87,863	100.00%
Gains/(losses) on investments	(43,201)	–	(43,201)	100.00%
Expenses	(2,364)	–	(2,364)	100.00%
Profit	**42,296**	**–**	**42,296**	**100.00%**
ESO (DP) Ltd				
Non-current assets	–	–	–	–
Current assets	–	–	–	–
Current liabilities	(7,746)	–	(7,746)	100.00%
Net assets	**(7,746)**	**–**	**(7,746)**	**100.00%**
Income	–	–	–	–
Gains/(losses) on investments	–	–	–	–
Expenses	(1,328)	–	(1,328)	100.00%
Loss	**(1,328)**	**–**	**(1,328)**	**100.00%**
ESO 2 LP				
Non-current assets	100	(20)	80	80.00%
Current assets	–	–	–	–
Current liabilities	–	–	–	–
Net assets	**100**	**(20)**	**80**	**80.00%**
Income	–	–	–	–
Gains/(losses) on investments	–	–	–	–
Expenses	–	–	–	–
Profit	**–**	**–**	**–**	**–**
ESO Ltd				
Loans to associates and related companies	5,834,303	–	5,834,303	100.00%
Loans from associates and related companies	–	–	–	–
Other assets and liabilities ESO Ltd	21,216,241	–	21,216,241	100.00%
Total	**27,050,544**	**–**	**27,050,544**	**100.00%**
Total assets less current liabilities	**65,320,971**	**(7,593,753)**	**57,727,218**	**88.40%**

7 Non-current assets continued

Summary of ESO Ltd fund structure	Total £	Minority interest £	ESO Ltd share £	Percentage share %
ESO 1 LP	28,212,959	(5,642,592)	22,570,368	80.00%
ESO AI LP	347,843	–	347,843	100.00%
ESO 2 LP	100	(20)	80	80.00%
ESO (PC) LLP	9,717,271	(1,951,141)	7,766,129	79.90%
ESO (DP) Ltd	(7,746)	–	(7,746)	100.00%
ESO Ltd current assets, current liabilities and loans to related companies	27,050,544	–	27,050,544	100%
Total assets less current liabilities	**65,320,971**	**(7,593,753)**	**57,727,218**	**88.40%**

Summary financial information for associates as at and for the year ended 31 January 2018 was as follows:

Associate	Total £	Minority interest £	ESO Ltd share £	Percentage share %
ESO 1 LP				
Non-current assets	41,282,258	(8,256,451)	33,025,807	80.00%
Current assets	3,233,610	(646,722)	2,586,888	80.00%
Current liabilities	(2,863,992)	572,799	(2,291,193)	80.00%
Net assets	**41,651,876**	**(8,330,374)**	**33,321,502**	**80.00%**
Income	570,268	(110,083)	460,185	80.70%
Gains/(losses) on investments	(40,594,020)	7,836,254	(32,757,767)	80.70%
Expenses	(204,281)	39,434	(164,847)	80.70%
Loss	**(40,228,033)**	**7,765,605**	**(32,462,428)**	**80.70%**
ESO (PC) LLP				
Non-current assets	9,453,084	(1,898,053)	7,555,031	79.90%
Current assets	270,674	(54,348)	216,326	79.90%
Current liabilities	(1,011)	203	(808)	79.90%
Net assets	9,722,747	(1,952,198)	7,770,549	79.90%
Income	–	–	–	–
Gains/(losses) on investments	–	–	–	–
Expenses	(4,747)	953	(3,794)	79.90%
Loss	(4,747)	953	(3,794)	79.90%

7 Non-current assets continued

Associate	Total £	Minority interest £	ESO Ltd share £	Percentage share %
ESO AI LP				
Non-current assets	2,234,789	–	2,234,789	100.00%
Current assets	119,881	–	119,881	100.00%
Current liabilities	(2,049,124)	–	(2,049,124)	100.00%
Net assets	**305,546**	**–**	**305,546**	**100.00%**
Income	102,788	–	102,788	100.00%
Gains/(losses) on investments	253,419	–	253,419	100.00%
Expenses	(50,741)	–	(50,741)	100.00%
Profit	**305,466**	**–**	**305,466**	**100.00%**
ESO (DP) Ltd				
Non-current assets	–	–	–	–
Current assets	–	–	–	–
Current liabilities	(6,419)	–	(6,419)	100.00%
Net assets	**(6,419)**	**–**	**(6,419)**	**100.00%**
Income	–	–	–	–
Gains/(losses) on investments	(40,000)	–	(40,000)	100.00%
Expenses	(6,419)	–	(6,419)	100.00%
Loss	**(46,419)**	**–**	**(46,419)**	**100.00%**
ESO 2 LP				
Non-current assets	100	(20)	80	80.00%
Current assets	–	–	–	–
Current liabilities	–	–	–	–
Net assets	**100**	**(20)**	**80**	**80.00%**
Income	–	–	–	–
Gains/(losses) on investments	–	–	–	–
Expenses	–	–	–	–
Profit	–	–	–	–
ESO Ltd				
Loans to associates and related companies	5,152,739	–	5,152,739	100.00%
Other assets and liabilities ESO Ltd	27,681,593	–	27,681,593	100.00%
Total	**32,834,332**	**–**	**32,834,332**	**100.00%**
Total assets less current liabilities	**84,508,182**	**(10,282,592)**	**74,225,590**	**87.80%**

7 Non-current assets continued

Summary of ESO Ltd fund structure	Total	Minority interest	ESO Ltd share	Percentage share
	£	£	£	£
ESO 1 LP	41,651,875	(8,330,374)	33,321,502	80.00%
ESO (PC) LLP	9,722,747	(1,952,198)	7,770,549	79.90%
ESO AI LP	305,546	–	305,546	100.00%
ESO (DP) Ltd	(6,419)	–	(6,419)	100.00%
ESO 2 LP	100	(20)	80	80.00%
ESO Ltd current assets, current liabilities and loans to related companies	32,834,332	–	32,834,332	100.00%
Total assets less current liabilities	**84,508,182**	**(10,282,592)**	**74,225,590**	**87.80%**

8 Financial assets and liabilities

Fair values of financial instruments

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

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

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

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

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

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

8 Financial assets and liabilities continued

Valuation framework

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

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

Fair value hierarchy – Financial instruments measured at fair value

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

31 July 2018	Level 1 £	Level 3 £	Total £
Financial assets at fair value through profit or loss			
Unlisted private equity investments	–	13,805,850	13,805,850
Listed private equity investments	14,381,808	–	14,381,808
Debt securities, unlisted	–	11,725,000	11,725,000
Total investments	**14,381,808**	**25,530,850**	**39,912,658**
ESO Ltd Share	11,505,446	20,852,684	32,358,130
Minority Interest Share	2,876,362	4,678,166	7,554,528
Total investments	**14,381,808**	**25,530,850**	**39,912,658**

31 January 2018	Level 1 £	Level 3 £	Total £
Financial assets at fair value through profit or loss			
Unlisted private equity investments	–	14,737,400	14,737,400
Listed private equity investments	28,763,616	–	28,763,616
Debt securities, unlisted	–	11,495,027	11,495,027
Total investments	**28,763,616**	**26,232,427**	**54,996,043**
ESO Ltd Share	23,010,893	21,830,645	44,841,538
Minority Interest Share	5,752,723	4,401,782	10,154,505
Total investments	**28,763,616**	**26,232,427**	**54,996,043**

8 Financial assets and liabilities continued

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 for the underlying investments held by equity accounted investees.

Unlisted private equity investments	31 July 2018 (unaudited) £	31 January 2018 (audited) £
Balance at 1 February	14,737,400	11,685,937
Additional investments	–	2,352,192
Disposal of investments	(1,559,321)	–
Change in fair value through profit or loss	627,771	700,359
Total	**13,805,850**	**14,737,400**

Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 July 2018 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 31 January 2018 £	Valuation technique
Unquoted private equity investments	11,035,850	Sales/EBITDA multiple
Recently purchased unquoted private equity investments	2,770,000	Cost value

Significant unobservable inputs are developed as follows:

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

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

9 Loans to associates and related companies

	31 July 2018 (unaudited) £	31 January 2018 (audited) £	31 July 2017 (unaudited) £
ESO 1 LP	512,055	512,055	512,055
ESO AI LP	2,045,657	2,045,657	2,045,657
EPIC Structured Finance Limited	500,000	500,000	500,000
ESO (DP) Ltd	6,591	–	–
Hamsard 3463 Limited	2,730,000	2,055,027	–
David Phillips Groups Limited	40,000	40,000	–
Loans to associates and related companies	**5,834,303**	**5,152,739**	**3,057,712**

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

The loan to David Phillips Group Limited is interest free and payable by 31 January 2023.

The loan to Hamsard 3463 Limited is interest bearing at 10% per annum and payable by 31 January 2023.

10 Share capital

	31 July 2018 (unaudited)		31 January 2018 (audited)		31 July 2017 (unaudited)	
	Number	£	Number	£	Number	£
Authorised share capital						
Ordinary shares of 5p each	45,000,000	2,250,000	45,000,000	2,250,000	45,000,000	2,250,000
Called up, allotted and fully paid						
Ordinary shares of 5p each	30,065,714	1,503,286	30,065,714	1,503,286	29,475,625	1,473,781
Ordinary shares of 5p each held in treasury	(1,765,876)	–	(1,765,876)	–	(1,765,876)	–
	28,299,838	**1,503,286**	**28,299,838**	**1,503,286**	**27,709,749**	**1,473,781**

11 Basic and diluted earnings per ordinary share

The basic earnings per share is calculated by dividing the loss of the Group for the period attributable to ordinary shareholders of (£12,590,512) by the weighted average number of shares outstanding during the period of 28,299,838 (six-month period ended 31 July 2017: 28,098,107; year ended 31 January 2018: 28,187,483).

The diluted earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period, as adjusted for the effects of all dilutive potential ordinary shares of 28,299,838 (six-month period ended 31 July 2017: 28,361,968; year ended 31 January 2018: 28,187,483).

12 Net asset value per share (pence)

The net asset value per share is based on the net assets at the period end of £53,821,909 divided by 28,299,838 ordinary shares in issue at the end of the period (31 July 2017: £114,235,577 and 27,709,749 ordinary shares; 31 January 2018: £66,342,854 and 28,299,838 ordinary shares).

The diluted net asset value per share of 190.18 pence, is based on the net assets of the Group and the Company at the period-end of £53,821,909 divided by the shares in issue at the end of the period, as adjusted for the effects of dilutive potential ordinary shares, of 28,299,838, after excluding treasury shares (31 July 2017: £114,235,577 and 27,973,610 ordinary shares; 31 January 2018: £66,342,854 and 28,299,838, ordinary shares).

13 Loan note instruments

	31 July 2018 (unaudited) £	31 January 2018 (audited) £	31 July 2017 (unaudited) £
Unsecured loan note instrument	3,905,309	7,882,736	7,872,433
	3,905,309	**7,882,736**	**7,872,433**

On 23 July 2015, the Company raised £4,500,000 via a placing of an Unsecured Loan Note ("ULN") instrument. Following the initial issuance of the ULNs, further notes were issued to investors such that on 31 January 2016 the Company had issued £7,975,459 in principal amount and the notes admitted to trading on the ISDX Growth Market on 29 January 2016. There were no ULNs issued during the period. On 31 July 2018, 50% of the outstanding ULNs in issue were redeemed such that £3,987,729 in principal amount was outstanding at the end of the period.

The notes carry interest at 7.5% per annum. Issue costs totalling £144,236 have been offset against the value of the loan note instrument and are being amortised over the life of the instrument. A total of £10,302 was expensed in the period ended 31 July 2018 (£20,605 in the year ended 31 January 2018, £10,302 in the period ended 31 July 2017). The total interest expense on the ULNs in the period ended 31 July 2018 is £309,382 (£618,765 in the year ended 31 January 2018, £309,382 in the period ended 31 July 2017). This includes the amortisation of the issue costs.

14 Financial commitments and guarantees

Under the terms of the limited partnership agreement, the Company is committed to provide a maximum of £2.0 million additional investment to ESO Investments 1 LP.

15 Provision for migration costs

On 1 August 2018 the Company announced its proposal to migrate the Company's jurisdiction of incorporation from Isle of Man to Bermuda (the "Migration"). As per the circular published to the shareholders on the day, the estimated cost of implementing the Migration is £700,000. A provision for this cost has been made and is recognised in the consolidated statement of comprehensive income for the period ended 31 July 2018.

16 Subsequent events

On 1 August 2018, EPIC Investments LLP, an entity in which ESO Ltd is the sole investor, acquired 4,983,372 ordinary shares in Luceco plc in the market (the "Acquisition"). The cost of the Acquisition was £2.0 million, representing an average cost per ordinary share of 39.74 pence. Following the Acquisition, EPIC Investment LLP now holds 44,064,372 ordinary shares in Luceco plc, representing 27.40% of the business' ordinary share capital.

On 1 August 2018, the Company announced that it proposed to migrate the Company's jurisdiction of incorporation from the Isle of Man to Bermuda (the "Migration"). The Company published a circular to shareholders detailing all information about the background to, and the rationale for, the Migration. The Migration was conditional on, amongst other things, the passing of the resolutions to be proposed at a general meeting of the Company.

On 24 August 2018, the Company held a general meeting at which the resolutions detailed in the Migration Circular were tabled. At that meeting, all resolutions put to shareholders were duly passed.

On 12 September 2018, the Company continued from the Isle of Man to Bermuda. The Company continued as an exempted company under the laws of Bermuda with company number 53954 and discontinued as a company under the laws of the Isle of Man. The Company continues to operate from Jersey only. The Company's shares were suspended upon continuance and re-admitted to the AIM market and the NEX Exchange on 21 September 2018.

The Board continues to closely monitor developments in the UK's exit from the European Union, including the risk of short term uncertainty and market volatility.

17 Related Party Transactions

Geoffrey Vero is a non-executive Director of Numis Corporation plc and a former non-executive Director of Numis Securities Limited, the Nominated Advisors to the Company. During the period ended 31 July 2018, broker fees of £33,086 (31 July 2017: £31,092) were payable to Numis Securities Limited.

Four of the Directors have interests in the shares of the Company as at 31 July 2018 (2017: four). Geoffrey Vero holds 105,532 ordinary shares (2017: 84,912). Nicholas Wilson holds 105,743 ordinary shares (2017: 67,669). Robert Quayle holds 87,883 ordinary shares (2017: 50,128). Clive Spears holds 105,787 ordinary shares (2017: 68,032).

Directors' fees paid during the period amounted to £77,000 (period ended 31 July 2017: £86,417; year ended 31 January 2018: £161,500).

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

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

For your notes

Group Information

Directors	G.O. Vero *(Chairman)* H. Bestwick R.B.M. Quayle C.L. Spears N.V. Wilson	Administrator and Company Address	R&H Fund Services (Jersey) Limited Ordnance House 31 Pier Road, St Helier Jersey JE4 8PW
Investment Advisor	EPIC Private Equity LLP Audrey House 16-20 Ely Place London EC1N 6SN	Nominated Advisor and Broker	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Auditors and Reporting Accountants	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN	Registered Address	EPE Special Opportunities Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Bankers	Barclays Bank plc 1 Churchill Place Canary Wharf London E14 5HP	Registrar and CREST Providers	Computershare Investor Services (Jersey) Limited Queensway House Hilgrove Street St. Helier Jersey JE1 1ES
	HSBC Bank plc 1st Floor 60 Queen Victoria Street London EC4N 4TR	Investor Relations	Richard Spiegelberg Cardew Group 5 Chancery Lane London EC4A 1BL

EPE Special Opportunities Ltd

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