EPE Special Opportunities

Interim Report | **July 2019**

Interim Report & Unaudited Financial Statements
For the six months ended 31 July 2019

Contents

ESO portfolio asset: Whittard of Chelsea

Interim Review

Chairman's Statement

The performance of EPE Special Opportunities Limited ("ESO" or the "Company") for the six months ending 31 July 2019 has been encouraging. The recovery in the profitability of Luceco plc, the Company's largest asset, as well as continued progress across the rest of the portfolio, has contributed to improved financial performance over the period. Nonetheless, the Board remains mindful of Brexit and the potential risks posed to the Company and its portfolio.

My fellow Directors and I were deeply saddened to announce the death of Geoffrey Vero, the Company's Chairman, in May of this year, and wish to extend our deepest sympathies to his family and friends. Mr Vero was appointed Chairman of the Board in 2006 and made an invaluable contribution to the Company, leading it through the financial crisis of 2008 and a number of significant and complex corporate transactions. Under Mr Vero's stewardship the Company grew and flourished, benefitting at all times from his integrity and considerable expertise as a chartered accountant, businessman and investor. The Board and I would like to acknowledge the many years of support Mr Vero gave ESO, his fellow Directors, the shareholders and the Investment Advisor, and express our gratitude for his outstanding leadership of the Company.

I would like to welcome David Pirouet, who joined the Board in June 2019 as a non-executive Director and head of the Audit and Risk Committee. Mr Pirouet was an Audit and Assurance partner at PricewaterhouseCoopers Channel Islands LLP for over 20 years, retiring in 2009. During his tenure, Mr Pirouet specialised in the alternative investment management area, leading the business's Hedge Fund and business recovery practices for over four years. The Board and I are confident his experience in audit, private equity and the wider financial services sector will be a valuable addition to the Company.

The economic outlook for the UK remains subject to significant headwinds, both with regard to the outcome of the EU exit process and the possibility of a change of government during the coming period. Underlying economic performance has been mixed; UK annual GDP growth has been muted, with the 1.8 per cent growth recorded in Q1 2019 expected to soften. The labour market has remained resilient however, with unemployment at multi-decade lows and real wage growth strong. Political and economic developments, and their implications across the portfolio remain subject to close review by the Board.

The Net Asset Value ("NAV") per share of the Company as at 31 July 2019 was 245.54 pence per share, representing an increase of 19.7 per cent. on the NAV per share of 205.19 pence as at 31 January 2019. The share price of the Company as at 31 July 2019 was 191.00 pence, representing an increase of 28.6 per cent. on the share price of 148.57 pence as at 31 January 2019. The strong performance of the Company's NAV per share has been driven primarily by a 83.5 per cent. rise in value of the Company's largest asset, Luceco plc.

Luceco plc's share price has made pleasing gains in the first half of 2019. The business announced strengthening trading momentum and improved profitability in the period, as well as the achievement of further operational improvements and continued gross margin gains. The business further announced that net debt equated to 1.5x last twelve month EBITDA. The value of Luceco plc, however, remains volatile given price fluctuations in listed shares.

Whittard of Chelsea has maintained a robust growth trajectory throughout the period. The business's UK retail estate continues to outperform a weak UK retail market. Recruitment in the business's international division has been focused on developing and executing the business's digital and physical strategy for the Far East. The business has engaged a new Taiwanese franchise partner, opening 3 new stores in the period.

David Phillips has made progress in its turnaround plan, with the implementation of further operational improvements and sales initiatives. The business completed the disposal of a division in June 2019, simplifying its operations and reducing its cost base. The Board continues to monitor the investment closely given the nascent turnaround and the risk posed to performance from a slowdown in the UK property and construction markets.

Pharmacy2U continues to execute its growth strategy, supported by capital raised in 2018. Customer acquisition has been aided by reduced churn rates, with the business achieving a record number of registered customers and orders delivered in the period.

The Company has taken several actions in the period with regards to its capital structure. On 14 May 2019, the Company entered an agreement to acquire the carried interest entitlement and outstanding accrual in ESO Investments 1 LP, a limited partnership which held the Company's indirect interests in Luceco plc, Whittard of Chelsea and Pharmacy2U. The consideration for the transaction was satisfied by the issue of ordinary shares in the Company. The transaction both maximises the Company's long-term liquidity and increases long-term alignment with the Investment Advisor. In addition, in the months of June and July, the Company completed buybacks of shares in the market, retiring 387,278 or 1.2 per cent of the Company's ordinary shares.

The Investment Advisor continues to identify and review a wide range of investment opportunities. The Company maintains a strong liquidity position to allow it to take advantage of such opportunities. Conservative pricing and a thorough, risk-weighted analysis of value creation potential remain essential to the consideration of proposed investments.

I would like to extend my gratitude to the Investment Advisor, my fellow Directors and the Company's professional advisors for their hard work and diligence during the first half of the year.

Clive Spears
Chairman
9 September 2019

Investment Advisor's Report

The Investment Advisor (the "IA") remains focused on the growth in value of the Company's portfolio, both through the development of existing assets and the pursuit of attractive new investment opportunities. The IA is confident that, while the UK market is subject to significant uncertainty in the short-term, the Company's long-term investment horizon provides it with a competitive and differentiated position in the market.

The IA was deeply saddened to learn of the passing of Geoffrey Vero, the Company's Chairman, in May 2019. The IA wishes to echo the sentiments of the Chairman and express its gratitude to Mr Vero for the dedication and support given to ESO during his long and successful tenure. The IA would like to extend its sincerest condolences to Mr Vero's family and friends.

The Company

The NAV per share of the Company as at 31 July 2019 was 245.54 pence per share, representing an increase of 19.7 per cent. on the NAV per share of 205.19 pence as at 31 January 2019. The share price of the Company as at 31 July 2019 was 191.00 pence, representing an increase of 28.6 per cent. on the share price of 148.57 pence as at 31 January 2019.

Based on the latest NAV, as set out above, the gross asset cover for the total outstanding loans of £3.9 million is 21.8x. Cash balances now stand at £27.0 million (including cash held by underlying associates in which the Company is the sole investor).

The Company completed a corporate reorganisation on 14 May 2019. The Company acquired the carried interest accrual in ESO Investments 1 LP, which held ESO's indirect interests in Luceco, Whittard of Chelsea and Pharmacy2U. The consideration for the carried interest was satisfied by the issue of 4.4 million ordinary shares in the Company, issued at a premium of 22.3 per cent to the mid-market closing price of the Company's ordinary shares on the date of transaction. The Company has also completed buybacks of shares in the market in the period, returning to the Company's treasury 1.2 per cent of existing share capital.

The Portfolio

Third party net debt remains modest across the Company's private equity portfolio, standing at 1.0x EBITDA in aggregate. The Company has maintained a disciplined approach to the valuation of the portfolio's assets with its weighted average enterprise value equating to an EBITDA multiple of 3.8x for unquoted assets (excluding assets investing for growth).

The share price of Luceco plc, the Company's largest asset, rose by 83.5 per cent. in the six months to 31 July 2019. On 9 September 2019, Luceco released its Interim Report, announcing solid performance for the six months ending 30 June 2019. The business achieved a 10.1% increase in sales in the period compared to the prior year, underpinned by continued gross margin and operational improvements, contributing to an improved operating margin of 8.5%. The business further announced that net debt had reduced to 1.5x last twelve month EBITDA. As at 31 July 2019, Luceco plc constituted circa 49.5 per cent. of the Company's GAV, with the balance being constituted by other investments and cash.

Whittard of Chelsea delivered continuing growth over the period, in line with budget and comfortably ahead of the prior year. Sales performance was underpinned by continued momentum in the business's UK retail portfolio, achieving like for like growth despite the challenges across the wider sector. This solid trading performance has been augmented by an improvement in product margin and the realisation of operational efficiencies, generating profitability ahead of budget and the prior year. The business has increased its strategic focus on international growth opportunities during the period. The business's China division has recruited in order to develop its high growth multi-channel strategy in the region. In addition, the business has engaged a new franchise partner in Taiwan, with three new stores opened in the period.

David Phillips has continued to stabilise over the period. However, the UK property market remains soft and is subject to further uncertainty, in particular in relation to Brexit. The business completed the disposal of its Local Authority Housing division in June 2019, simplifying its operations and reducing its cost base. The IA continues to monitor and support the business's recovery to further establish the business's nascent turnaround.

Pharmacy2U has maintained its high growth trajectory over the period. The business's customer acquisition activities have benefited from improved performance across its marketing channels and a reduction in churn in the customer base. Trading has further benefited from a recovery in margins in the business's NHS channel and operational improvements.

The IA continues to monitor the Company's investment in European Capital Private Debt Fund, which has completed deployment of the Company's committed capital in the fund.

EPIC Private Equity LLP
Investment Advisor to the Company

9 September 2019

As at 31 July 2019

NAV per share	**245.54 pence**
Share price	**191.00 pence**
Portfolio returns	**5.1x MM / 23.9% IRR**
Unquoted asset valuation*	**3.8x EV/EBITDA**
Portfolio leverage	**1.0x Net Third Party Debt/EBITDA**

* EV/EBITDA multiple for unquoted assets excludes Pharmacy2U, as the asset is at a pre-profitability growth stage

ESO portfolio asset: David Phillips

Introduction to EPE Special Opportunities

EPE Special Opportunities

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

The Company's shares trade on the AIM market of the London Stock Exchange 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

Investment highlights since inception include:

5.1x	23.9%	67.6%	649.0%
Portfolio current money multiple	Portfolio current IRR	Premium to NAV on last three exits	10 year share price growth

Recent developments:

- December 2017: Luceco plc releases a trading update downgrading guidance on future profitability.
- December 2017: ESO 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 acquires £2.0 million shares in Luceco plc in the market.
- September 2018: Migration of the Company to Bermuda.
- September 2018: Process Components sold to Schenck Process, returning £18.2 million since acquisition in March 2005, representing a 4.5x Money Multiple and 20.7% IRR.
- May 2019: ESO acquires the carried interest accrual in ESO Investments 1 LP, which held ESO's indirect interests in Luceco, Whittard of Chelsea and Pharmacy2U.

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 2.4x money multiple and 15.4% IRR on its investments to 31 July 2019.
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, representing in aggregate c.39% 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 17 years. In addition to ESO, EPE has previously advised EPIC plc and EPIC Brand Investments plc and listed Luceco plc.
Complementary 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 lower mid-market private equity?

Large universe of companies

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

Low competition for transactions

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

Funding Gap

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

Shareholders seeking liquidity

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

Growth and operational improvements

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

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

Why EPE Special Opportunities?

Market-leading returns	The Company has continued to deliver market leading returns with a share price increase of 649.0% over the last 10 years. Current portfolio returns are 5.1x MM and 23.9% IRR to 31 July 2019.
Access to high quality portfolio	The Company offers investors access to a conservatively valued, high growth portfolio. Unquoted assets (exluding assets investing for growth) are valued at 3.8x EBITDA (vs. 11.2x EBITDA for comparable listed private equity funds). The combined sales of the portfolio have grown at a CAGR of 12.0% 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, benefiting from the ability to implement transformational initiatives and compound returns over periods in excess of standard private equity hold periods (typically 3-5 years).
Manager alignment	EPE is a focussed and independent manager with substantial investment in the Company. The EPE team own c.39% of ESO, creating significant alignment with investors and a focus on long-term sustainable shareholder returns.

Biographies of the Directors

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

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. Ms Bestwick sits on the boards of the manager of the Deutsche Bank dbX hedge fund platform, a shipping fund, a credit fund managed by Highland Capital Management 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.

David Pirouet

David Pirouet joined PricewaterhouseCoopers Channel Islands LLP in 1980, retiring in 2009 after being an Audit and Assurance Partner for over 20 years. During his 29 years at the firm Mr Pirouet specialised in the financial services sector, in particular in the alternative investment management area and also led the business's Hedge Fund and business recovery practices for over four years. Mr Pirouet currently holds a number of non-executive positions across private equity, infrastructure and corporate debt. Mr Pirouet's appointments currently include non-executive Director and Chair of the Audit and Risk 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 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 investment in Luceco plc. 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 portfolio asset: Luceco

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 £30 million per transaction. For investments larger than £30 million, the Company may seek co-investment from third parties.
Sector	The Company will consider most sectors, but has particular expertise in consumer, retail, financial services, manufacturing and the wider services sector (including education, healthcare and social housing).
Control	The Company aims to take controlling equity positions, but may also consider minority stakes where the investment case is compelling and shareholder protections are robust.
Deal Type	The Company targets growth, buyout, special situations and private investment in public equities ("PIPE") investments. Given 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 within the current portfolio.

Portfolio

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

Luceco plc
Supplier of wiring accessories and LED lighting

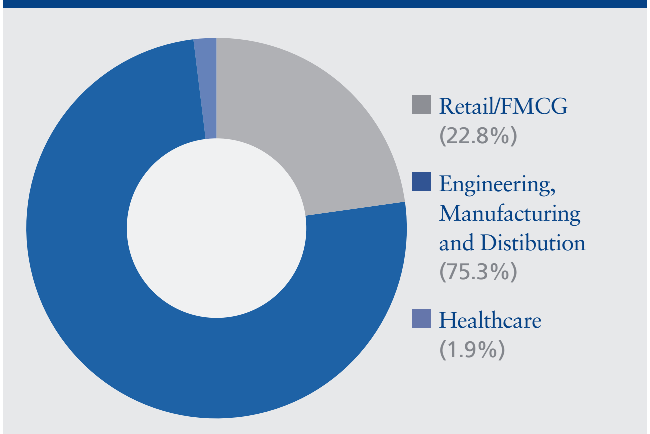
Whittard of Chelsea
Speciality tea, coffee and cocoa brand

David Phillips
Furniture provider to the UK property sector

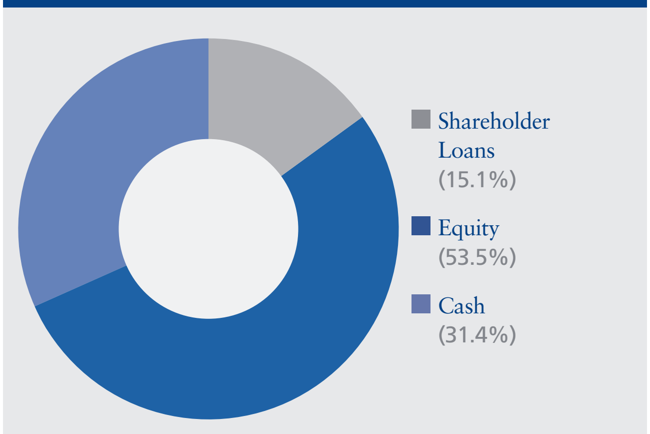
Pharmacy2U
Leading online pharmacy in the UK

Third Party Fund Investments
European Capital Private Debt Fund LP

Sector Diversification



Instrument Diversification



Luceco plc

Leading supplier of LED lighting and electrical accessories

Key facts

Location:	**UK / China**
Sector:	**Wiring Accessories & LED**
Type of deal:	**Buyout**
Equity holding:	**27.4%**
Financial year:	**December**
Latest sales:	**£163.9m (2018)**

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 April 2019, Luceco plc released results for the year ended 31 December 2018, announcing trading in line with market expectations, noting that revenue was broadly in line with the prior year, and that there had been a significant improvement in gross margin in H2 2018. Luceco plc also reported a reduction in net debt of £9.2 million in H2 2018, ahead of market expectations.

In September 2019, Luceco released results for the six months ended 30 June 2019, announcing solid performance in the period. The business achieved a 10.1% increase in sales in the period compared to the prior year, underpinned by continued gross margin and operational improvements, contributing to an improved operating margin of 8.5%. The business further announced that net debt had reduced to 1.5x last twelve month EBITDA.

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:	**£37.7m (2018)**

* On a non-diluted basis

Description

Whittard of Chelsea ("Whittard") is a British heritage brand supplying a range of premium teas, coffees and cocoas to a global consumer market.

The business operates an established omni-channel platform spanning retail (49 UK stores), e-commerce (UK site with global distribution), China (Tmall e-commerce platform and developing physical strategy), wholesale and franchise.

Background

Founded by Walter Whittard in 1886, Whittard has accumulated over 130 years of specialist expertise, establishing strong brand recognition and a loyal customer base. Since the acquisition in 2008, 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

In the first half of 2019, Whittard of Chelsea delivered pleasing growth, underpinned by continued momentum in the business's UK retail portfolio, which achieved like for like growth despite the challenges felt across the wider sector. This strong trading performance has been augmented by an improvement in product margin and the realisation of operational efficiencies.

The business has further increased its strategic focus on international growth opportunities. The business's China division has recruited in order to develop its high growth multi-channel strategy in the region. In addition, the business has engaged a new franchise partner in Taiwan, with three new stores being opened in the period.

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 and the appetite internationally for heritage British brands.

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:	**£47.8m (2018)**

Description

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

Background

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

Recent Developments

In the first half of 2019, David Phillips has made progress in its nascent turnaround, with the implementation of further operational improvements and sales initiatives.

In June 2019, David Phillips completed the disposal of its Local Authority Housing division, simplifying its operations and reducing its cost base.

Outlook

David Phillips has historically demonstrated its acquisitive growth potential; 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 it currently services and to widen its offering to new markets.

* On a non-diluted basis

Pharmacy2U

Leading online pharmacy in the UK

Key facts

Location:	**West Yorkshire**
Sector:	**Healthcare**
Type of deal:	**Growth**
Equity holding*:	**1.9%**
Financial year:	**March**
Latest sales:	**£43.2m (2018)**

* Post growth capital investment, in March 2018 and March 2019 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 acquired its interest in P2U in September 2010.

Recent developments

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 the first half of 2019, Pharmacy2U has maintained its high growth trajectory. The business's customer acquisition activities have benefited from improved performance across its marketing channels and a reduction in churn in the customer base. Trading has further benefited from a recovery in margins in the business's NHS channel and operational improvements.

Outlook

P2U's focus remains on acquiring patients with NHS repeat prescription requirements.

ESO portfolio company: Luceco

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Independent Review Report to EPE Special Opportunities Limited

Conclusion

We have been engaged by the company to review the condensed set of consolidated financial statements in the half-yearly report for the six months ended 31 July 2019 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 consolidated financial statements in the half-yearly report for the six months ended 31 July 2019 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 consolidated 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.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed consolidated financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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 consolidated 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 consolidated financial statements in the half-yearly report based on our review

Independent Review Report to EPE Special Opportunities Limited

(continued)

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

9 September 2019

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 July 2019

Note		1 Feb 2019 to 31 Jul 2019 Revenue (unaudited) £	Capital (unaudited) £	Total (unaudited) £	1 Feb 2018 to 31 Jul 2018 Total (unaudited) £	1 Feb 2018 to 31 Jan 2019 Total (audited) £
	Income					
	Interest income	94,630	–	94,630	115,815	276,328
	Total income	**94,630**	**–**	**94,630**	**115,815**	**276,328**
	Expenses					
5	Investment advisor's fees	(747,247)	–	(747,247)	(549,493)	(1,137,117)
	Administration fees	(85,428)	–	(85,428)	(75,345)	(148,566)
	Directors' fees	(77,000)	–	(77,000)	(77,000)	(154,000)
	Directors' and Officers' insurance	(11,496)	–	(11,496)	(4,102)	(11,705)
	Professional fees	(675,530)	–	(675,530)	(821,460)	(855,046)
	Board meeting and travel expenses	(3,102)	–	(3,102)	(4,978)	(12,340)
	Auditors' remuneration	(33,376)	–	(33,376)	(20,376)	(35,217)
	Bank charges	(566)	–	(566)	(512)	(1,008)
	Irrecoverable VAT	(450)	–	(450)	–	–
6	Share-based payment expense	(42,695)	–	(42,695)	(69,567)	(120,544)
	Sundry expenses	(6,402)	–	(6,402)	(9,885)	(40,183)
	Listing fees	(60,636)	–	(60,636)	(16,557)	(38,425)
	Nominated advisor and broker fees	(26,994)	–	(26,994)	(33,086)	(57,758)
	Net foreign exchange loss	(1,753)	–	(1,753)	–	(2,049)
	Total expenses	**(1,772,675)**	**–**	**(1,772,675)**	**(1,682,361)**	**(2,613,958)**
	Net expenses	**(1,678,045)**	**–**	**(1,678,045)**	**(1,566,546)**	**(2,337,630)**
	Gains on investments					
7	Gain/(loss) on investments at fair value through profit or loss	–	14,453,782	14,453,782	(10,714,584)	(3,864,447)
	Gain/(loss) for the period/year on investments	**–**	**14,453,782**	**14,453,782**	**(10,714,584)**	**(3,864,447)**
12	Interest on unsecured loan note instruments	(159,842)	–	(159,842)	(309,382)	(469,225)
	Profit/(loss) for the period/year before taxation	**(1,837,887)**	**14,453,782**	**12,615,895**	**(12,590,512)**	**(6,671,302)**
	Taxation	**–**	**–**	**–**	**–**	**–**
	Profit/(loss) for the period/year	**(1,837,887)**	**14,453,782**	**12,615,895**	**(12,590,512)**	**(6,671,302)**
	Other comprehensive income	**–**	**–**	**–**	**–**	**–**
	Total comprehensive income/(loss) for the period/year	**(1,837,887)**	**14,453,782**	**12,615,895**	**(12,590,512)**	**(6,671,302)**
10	**Basic earnings/(loss) per ordinary share (pence)**	**(5.90)**	**46.40**	**40.50**	**(44.49)**	**(23.47)**
10	**Diluted earnings/(loss) per ordinary share (pence)**	**(5.90)**	**46.40**	**40.50**	**(44.49)**	**(23.47)**

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 2019

Note		31 July 2019 (unaudited) £	31 January 2019 (audited) £	31 July 2018 (unaudited) £
	Non-current assets			
7	Investments at fair value through profit or loss	59,965,060	34,793,620	36,510,977
		59,965,060	**34,793,620**	**36,510,977**
	Current assets			
	Cash and cash equivalents	26,177,016	29,125,615	22,019,716
	Trade and other receivables	214,434	301,728	232,358
		26,391,450	**29,427,343**	**22,252,074**
	Current liabilities			
	Trade and other payables	(503,939)	(492,878)	(335,833)
	Provision for professional fees	(320,000)	-	(700,000)
		(823,939)	**(492,878)**	**(1,035,833)**
	Net current assets	**25,567,511**	**28,934,465**	**21,216,241**
	Non-current liabilities			
12	Unsecured loan note instruments	(3,925,914)	(3,915,612)	(3,905,309)
		(3,925,914)	**(3,915,612)**	**(3,905,309)**
	Net assets	**81,606,657**	**59,812,473**	**53,821,909**
	Equity			
9	Share capital	1,707,589	1,503,286	1,503,286
9	Share premium	13,489,826	3,867,209	3,867,209
	Capital reserve	59,170,725	44,716,943	37,866,806
	Revenue reserve	7,238,517	9,725,035	10,584,608
	Total equity	**81,606,657**	**59,812,473**	**53,821,909**
11	**Net asset value per share (pence)**	**245.54**	**205.19**	**190.18**

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 2019

	Six months ended 31 July 2019 (unaudited)				
	Share capital £	Share premium £	Capital reserve £	Revenue reserve £	Total £
Balance at 1 February 2019	1,503,286	3,867,209	44,716,943	9,725,035	59,812,473
Total comprehensive income/(loss) for the period	–	–	14,453,782	(1,837,887)	12,615,895
Contributions by and distributions to owners					
Share-based payment charge	–	–	–	42,695	42,695
Cash received from JSOP participants	–	–	–	77,866	77,866
Purchase of shares	(19,364)	–	–	(769,192)	(788,556)
Issue of new shares	223,667	9,622,617	–	–	9,846,284
Total transactions with owners	**204,303**	**9,622,617**	**–**	**(648,631)**	**9,178,289**
Balance at 31 July 2019	1,707,589	13,489,826	59,170,725	7,238,517	81,606,657

	Year ended 31 January 2019 (audited)				
	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 year	–	–	(3,864,447)	(2,806,855)	(6,671,302)
Contributions by and distributions to owners					
Share-based payment charge	–	–	–	120,544	120,544
Share ownership scheme participation	–	–	–	20,377	20,377
Total transactions with owners	**–**	**–**	**–**	**140,921**	**140,921**
Balance at 31 January 2019	**1,503,286**	**3,867,209**	**44,716,943**	**9,725,035**	**59,812,473**

	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**

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 July 2019

	1 Feb 2019 to 31 Jul 2019 (unaudited) £	1 Feb 2018 to 31 Jan 2019 (audited) £	1 Feb 2018 to 31 Jul 2018 (unaudited) £
Operating activities			
Interest income received	10,639	187,516	7,368
Expenses paid	(1,399,008)	(2,591,918)	(1,047,984)
Net cash used in operating activities	**(1,388,369)**	**(2,404,402)**	**(1,040,616)**
Investing activities			
Purchase of investments	(700,000)	(3,008,113)	(700,000)
Sale of investments	–	10,906,961	–
Net cash (used in)/from investing activities	**(700,000)**	**7,898,848**	**(700,000)**
Financing activities			
Unsecured loan note repurchases	–	(3,987,729)	(3,987,729)
Unsecured loan note interest paid	(149,540)	(448,620)	(299,080)
Purchase of shares	(788,556)	–	–
Share ownership scheme participation	77,866	20,377	–
Net cash used in financing activities	**(860,230)**	**(4,415,972)**	**(4,286,809)**
(Decrease)/Increase in cash and cash equivalents	(2,948,599)	1,078,474	(6,027,425)
Cash and cash equivalents at start of period/year	29,125,615	28,047,141	28,047,141
Cash and cash equivalents at end of period/year	**26,177,016**	**29,125,615**	**22,019,716**

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

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

The interim consolidated financial statements as at and for the six months ended 31 July 2019 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 2019 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 HM11, Bermuda, or at www.epespecialopportunities.com.

During the six months ended 31 July 2019, the Company completed a corporate reorganisation. Subsequent to this reorganisation, the Company's portfolio investments are held in three associates (ESO Investments 1 Limited, ESO Investments 2 Limited and ESO Alternative Investments LP). The remainder of the Company's subsidiary companies and associates are to be dissolved.

At 31 July 2019, 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 2019, the Company also had interests in six partnerships and three limited companies that are treated as associates. The partnerships comprise one limited liability partnership and five 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 financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

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 2019.

The interim consolidated financial statements were approved by the Board of Directors on 9 September 2019.

3 Significant accounting policies

The accounting policies applied in these interim consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 January 2019.

The presentation of investments in and loans to associates has been changed in order to present these balances in one line in each of the Consolidated Statement of Financial Position and Statement of Consolidated Comprehensive Income, being 'Investments at fair value through profit or loss' and 'Gain/loss on investments' respectively.

Brexit

The major effects of Brexit, if executed, will be felt only once the country actually leaves the EU, with the nature and magnitude of these effects dependent on the terms of exit and the success of subsequent trade negotiations. Whilst the exact terms of Brexit are yet to be finalised and the ultimate outcome is uncertain, the Board have made an assessment of the potential effect on the Group and do not believe that Brexit will have a material impact on the investment activities of the Group at this point in time, although the risk posed is uncertain and increasing as a result of political developments.

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 2019.

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 £747,247 (period ended 31 July 2018: £549,493; year ended 31 January 2019: £1,137,117).

On 9 September 2019, the Company revised the fee investment advisory fee arrangements payable to EPE. From the date of the revision, investment advisory fee shall be calculated as 2% of the Group's NAV where the Group's NAV is less than £100 million; otherwise the investment advisory fee shall be calculated as the greater of £2.0 million or the sum of 2% of the Group's NAV comprising Level 3 portfolio assets (i.e. unquoted assets), 1% of the Group's NAV comprising Level 1 assets (i.e. quoted assets), no fees on assets which are managed or advised by a third-party manager, 0.5% of the Group's net cash (if greater than nil), and 2% of the Group's net cash (if less than nil) (i.e. reducing fees for net debt positions).

Administration fees

On 17 May 2018, 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. 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 £57,012 (period ended 31 July 2018: £45,187; year ended 31 January 2019: £88,438).

On 9 September 2019, the Company revised the fee payable to EPEA Administration Limited. From the date of the revision, fee shall be calculated as 0.15% of the Group's NAV where the Group's NAV is less than £100 million (subject to a minimum fee of £35,000); otherwise the advisory fee shall be calculated as 0.15% of £100 million plus a fee of 0.1% of the excess of the Group's NAV above £100 million.

Performance fees

During the 6 months of 31 July 2019, as part of the buyout of carried interest entitlement and accrual in ESO Investments 1 LP, the assets of ESO Investments 1 LP were transferred to new holding companies, ESO Investments 1 Limited and ESO Investments 2 Limited, with revised performance fee structures. It is anticipated that legacy holding vehicles, which no longer hold portfolio assets, will be dissolved and no material performance fees are outstanding or will accrue before dissolution.

Acquisition of carried interest in ESO Investments 1 LP

On 9 May 2019, the Company entered into an agreement to acquire the carried interest entitlement and outstanding accrual in ESO Investments 1 LP from the Investment Advisor (and related parties). The total consideration of £9,846,284 paid through issuance of 4,473,347 ordinary shares in the Company, issued at 220.11 pence each. As a result, the Group owns 100% of the limited partner interest in ESO Investments 1 LP and there was no carried interest at 31 July 2019 (year ended 31 January 2019: Balance of £6,796,947). The charge for carried interest for the period was £3,049,337.

5 Investment advisory, administration and performance fees continued

Profit share in ESO Investments 1 Limited

The distribution policy of ESO Investments 1 Limited includes an allocation of profits to the Investment Advisor such that, for each investment where a returns hurdle of 8% per annum has been achieved, the Investment Advisor is entitled to receive 20% of the increase in the base value of investment. For the period ended 31 July 2019, no amount has been credited to the carry account of the Investment Advisor in the records of ESO Investments 1 Limited.

Profit share in ESO Investments 2 Limited

The distribution policy of ESO Investments 2 Limited includes an allocation of profit to the Investment Advisor such that, for each investment where a returns hurdle of 8% per annum has been achieved, the Investment Advisor is entitled to receive 20% of the increase in the base value of investment. For the period ended 31 July 2019, £898,913 has been credited to the carry account of the Investment Advisor in the records of ESO Investments 2 Limited.

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 1,035,624 (31 January 2019: 1,035,624) matching shares at 31 July 2019 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 period amounts to £42,695 (period ended 31 July 2018: £69,567; year ended 31 January 2019: £120,544).

7 Investments at fair value through profit or loss

	31 July 2019 (unaudited) £	31 January 2019 (audited) £	31 July 2018 (unaudited) £
Investments in associates	59,965,060	34,793,620	36,510,977
	59,965,060	**34,793,620**	**36,510,977**

7 Investments at fair value through profit or loss continued

Investment roll forward schedule

	31 July 2019 (unaudited) £
Investments at 31 January 2019	34,793,620
Purchases	700,000
Buy out of accrued carried interest	9,846,284
Other movement	171,374
Fair value movement	14,453,782
Investments at 31 July 2019	**59,965,060**

Investment in associates

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

8 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.

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 elected to use the Sales and EBITDA multiple valuation models as a benchmark in arriving at the fair value of investments held as Level 3 in the fair value hierarchy.

8 Fair values of financial instruments 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/EBITDA multiple valuation models is used as a benchmark and is based on budgeted Sales/EBITDA for the next financial year;
- Loans made are valued at cost but impairment tested based on the enterprise value derived from the valuation.

Fair value hierarchy – Financial instruments measured at fair value

The table below analyses the underlying investments held by the associates measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. Debt securities are also included, as these are also stated at fair value with the Investment Advisor assessing 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 of the associates. All fair value measurements below are recurring. The value of ESO's share of other assets and liabilities carried at fair value in the statement of financial position of the associates detailed in the balance sheet and note 7, but not included in the table below, detailing the fair value of the portfolio investments only, amounted to £1,697,692 for the period ended 31 July 2019 (31 January 2019: £1,830,483).

31 July 2019	Level 1 £	Level 3 £	Total £
Financial assets at fair value through profit or loss			
Unlisted private equity investments	–	3,076,144	3,076,144
Listed private equity investments	43,006,827	–	43,006,827
Debt securities, unlisted	–	13,083,310	13,083,310
Total investments	**43,006,827**	**16,159,454**	**59,166,281**
ESO Limited Share	42,107,914	16,159,454	58,267,368
Minority Interest Share	898,913	–	898,913
Total investments	**43,006,827**	**16,159,454**	**59,166,281**

31 January 2019	Level 1 £	Level 3 £	Total £
Financial assets at fair value through profit or loss			
Unlisted private equity investments	–	3,130,983	3,130,983
Listed private equity investments	23,442,246	–	23,442,246
Debt securities, unlisted	–	13,595,893	13,595,893
Total investments	**23,442,246**	**16,726,876**	**40,169,122**
ESO Limited Share	18,753,797	14,209,340	32,963,137
Minority Interest Share	4,688,449	2,517,536	7,205,985
Total investments	**23,442,246**	**16,726,876**	**40,169,122**

8 Fair values of financial instruments 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 the associates.

Unlisted private equity investments (including debt)	31 July 2019 (unaudited) £	31 January 2019 (audited) £
Balance at 1 February	16,726,876	26,232,427
Additional investments	742,235	3,100,000
Disposal of investments	(46,564)	(11,012,405)
Change in fair value through profit or loss	(1,263,093)	(1,593,146)
Balance at 31 July/31 January	**16,159,454**	**16,726,876**

Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 July 2019 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 31 January 2019 £	Valuation technique
Unquoted private equity investments (including debt)	14,170,990	Sales/EBITDA multiple
Third party private debt fund investment	1,988,464	Reported net asset 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.
- Net asset value: The Company has an investment in a third party private debt fund. The manager of the fund provides the Company with periodic valuations of the Company's investment. These valuations are prepared in line with IPEV guidelines. The Company agrees with the valuation provided by the manager of the fund and no adjustment is made in determining the fair value of the investment.

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

The employment of favourable and unfavourable reasonably possible alternative assumptions in the preparation of the Level 3 investment valuations described above would imply a 10-25% premium and a 10-25% discount respectively to the fair value stated.

8 Fair values of financial instruments continued

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of unlisted private equity investments have been calculated by recalibrating the model value for each investment using unobservable inputs based on averages of the upper and lower quartiles respectively of the Company's ranges of possible estimates. The most significant unobservable inputs are EBITDA and Sales multiples. The weighted average EBITDA multiple used in the valuation models at 31 July 2019 was 6.9x (with reasonably possible alternative assumptions of 8.6x and 5.2x) (31 January 2019: 5.3x, 6.7x and 4.0x respectively). The weighted average sales multiple used in the valuation models at 31 July 2019 was 0.3x (with reasonable possible alternative assumptions of 0.4x and 0.2x) (31 January 2019: 0.2x, 0.3x and 0.2x respectively).

Financial instruments not measured at fair value

The carrying value of short-term financial assets and financial liabilities (cash, debtors and creditors) approximate their fair value. The carrying value of the convertible and the new loan note instruments are also considered to approximate fair value.

9 Share capital

	31 July 2019 (unaudited)		31 January 2019 (audited)		31 July 2018 (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	34,539,061	1,726,953	30,065,714	1,503,286	30,065,714	1,503,286
Ordinary shares of 5p each held in treasury	(1,303,528)	(19,364)	(916,250)	–	(1,765,876)	–
	33,235,533	**1,707,589**	**29,149,464**	**1,503,286**	**28,299,838**	**1,503,286**

During the six months ended 31 July 2019, 4,473,347 ordinary shares of 5 pence each were issued at a price of 220.11 pence each in consideration for the acquisition for the carried interest entitlement and outstanding accrual in ESO Investments 1 LP (see note 5). Therefore, the share capital of the Company increased by £204,303 (£1,503,286 as at 31 January 2019; £1,707,589 as at 31 July 2019) and the share premium increased by £9,622,617 (£3,867,209 as at 31 January 2019; £13,489,826 as at 31 July 2019).

10 Basic and diluted earnings per ordinary share

The basic earnings per share is calculated by dividing the profit of the Group for the period attributable to ordinary shareholders of £12,615,895 by the weighted average number of shares outstanding during the period of 31,149,678 (six-month period ended 31 July 2018: 28,299,838; year ended 31 January 2019: 28,420,881).

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 31,149,678 (six-month period ended 31 July 2018: 28,299,838; year ended 31 January 2019: 28,420,881).

11 Net asset value per share (pence)

The net asset value per share is based on the net assets at the period end of £81,606,657 divided by 33,235,533 ordinary shares in issue at the end of the period (31 July 2018: £53,821,909 and 28,299,838 ordinary shares; 31 January 2019: £59,812,473 and 29,149,464 ordinary shares).

The diluted net asset value per share of 245.54 pence, is based on the net assets of the Group at the period-end of £81,606,657 divided by the shares in issue at the end of the period, as adjusted for the effects of dilutive potential ordinary shares, of 33,235,533, after excluding treasury shares (31 July 2018: £53,821,909 and 28,299,838 ordinary shares; 31 January 2019: £59,812,473 and 29,149,464 ordinary shares).

12 Loan note instruments

	31 July 2019 (unaudited) £	31 January 2019 (audited) £	31 July 2018 (unaudited) £
Unsecured loan note instrument	3,925,914	3,915,612	3,905,309
	3,925,914	3,915,612	3,905,309

On 23 July 2015, the Company raised £4,500,000 via a placing of a Unsecured Loan Note ("ULN") instrument. Following the initial issuance of the ULNs, further notes were issued to investors such that on 31 January 2016 the Company had issued £7,975,459 in principal amount and the notes admitted to trading on the ISDX Growth Market on 29 January 2016. During the years ended 31 January 2017 and 31 January 2018 the Company issued no further notes such that on 31 January 2018 the Company had issued £7,975,459 in principal amount. 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. The total amount expensed in the period ended 31 July 2019 was £10,303 (£20,605 in the year ended 31 January 2019, £10,302 in the period ended 31 July 2018). The carrying value of the ULNs in issue at the year-end was £3,925,914 (31 January 2019: £3,915,612). The total interest expense on the ULNs for the period is £159,842 (£469,225 in the year ended 31 January 2019, £309,382 in the period ended 31 July 2018). This includes the amortisation of the issue costs.

13 Subsequent events

On 9 September 2019, the Company revised the investment advisory fee arrangements payable to EPE (see note 5).

14 Related party transactions

Four of the Directors have interests in the shares of the Company as at 31 July 2019 (2018: four). Nicholas Wilson holds 125,987 ordinary shares (2018: 105,743). Robert Quayle holds 107,201 ordinary shares (2018: 87,883). Clive Spears holds 126,493 ordinary shares (2018: 105,787). Heather Bestwick holds 13,888 ordinary shares (2018: nil).

Directors' fees expense during the period amounted to £77,000 (period ended 31 July 2018: £77,000; year ended 31 January 2019: £154,000) of which £12,834 is accrued as at 31 July 2019.

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.

On 9 May 2019, the Company entered into an agreement to acquire the carried interest entitlement and outstanding accrual of ESO Investments 1 LP from the Investment Advisor (and related parties). The total consideration of £9,846,284 for the interest was paid by through the issuance of 4,473,347 ordinary shares in the Company, issued at 220.11 pence each.

For your notes

Shareholder Enquiries

Should you have any queries regarding the Company, its portfolio or its performance, please contact the Investment Advisor using the following contact details, who will be happy to assist.

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Group Information

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Bankers	Barclays Bank plc 1 Churchill Place Canary Wharf London E14 5HP HSBC Bank plc 1st Floor 60 Queen Victoria Street London EC4N 4TR
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