EPE Special Opportunities

Report & Accounts | **January 2020**

Annual Report and Accounts for
the Year Ended 31 January 2020

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Annual Review

Chairman's Statement

The performance of EPE Special Opportunities ("ESO" or the "Company") in the year ended 31 January 2020 was promising, with pleasing growth in the Company's two largest assets, Luceco and Whittard of Chelsea. However, the continuing disruption caused by COVID-19 since the end of the period presents an unprecedented challenge for the Company. The Board, Investment Advisor and the management of the portfolio companies continue to monitor the developing situation closely and prudent steps have already been taken to enhance the financial position of the Company's investments and protect the wellbeing of our colleagues across the portfolio.

The outbreak and ongoing spread of COVID-19 poses significant humanitarian and economic risks to the global community. Measures adopted by national governments to delay the spread of the infection will depress economic activity in the mid term and the outlook is likely to remain uncertain and fluid in the near term. The Company maintains strong liquidity of £26.4 million[1] and operates with modest committed outgoings. The Company has £3.9 million of outstanding unsecured loan notes ("ULNs") repayable on 25 July 2022. The Company has no other third party debt outstanding. The Board has reviewed the business continuity plans of the Company's key operational service providers and are satisfied of their resilience.

The Investment Advisor ("IA") is working closely with the management teams of portfolio companies to respond to this dynamic situation and is apprising the Board regularly as the epidemiological and economic situation develops. The portfolio has taken early and prudent steps to manage its liquidity, financial position and trading outlook; these steps are under active review by the IA and the management of the portfolio companies. The portfolio has a low level of third party leverage (0.7x last 12 month ("LTM") EBITDA to net third party debt) and has strong relationships with all external lenders. ESO and the IA are well prepared to support portfolio companies financially and operationally over the coming months.

Prior to the outbreak of COVID-19, the conclusive result of the UK's general election in December 2019 had provided welcome political stability, following the extended Brexit negotiations earlier in the period. There were early indicators of improved domestic economic performance with unemployment achieving a multi-decade low, driving real wage growth and underpinning strong consumer spending in the festive period.

The Net Asset Value ("NAV") per share of the Company as at 31 January 2020 was 317.18 pence per share, representing an increase of 54.6 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 January 2020 was 199.00 pence, representing an increase of 33.9 per cent. on the share price of 148.57 pence as at 31 January 2019.

Luceco plc's share price made positive progress in the year ended 31 January 2020, ending 2019 as the best performing company in the FTSE All Share. The business reported stronger trading performance and increased profitability following the successful implementation of operational improvements and sustained gross margin gains. Luceco has traded on budget for first quarter of 2020, has modest financial debt of 1.1x net debt to EBITDA and significant available liquidity with £24 million undrawn against committed banking facilities (as at 31 December 2019).

Whittard of Chelsea grew pleasingly throughout the period. The business's UK retail estate continued to perform strongly, achieving 9.1 per cent. like-for-like sales growth, whilst further afield three new stores were opened in Taiwan. Growth in Whittard's e-commerce channel was maintained both domestically and in China. In the interest of employee safety and in line with government advice, Whittard temporarily closed its 49 retail stores on 21 March 2020. The business traded well in the first quarter of 2020 and is currently trading ahead of prior years and budget in its ecommerce channel. The business continues to review its fixed and variable costs and will benefit from the announced government schemes regarding furloughing, business rates and other taxation. The business has no third party debt.

Trading at David Phillips improved steadily over the course of 2019, with the business successfully capitalising on new opportunities to improve sales and profitability. The business traded well in the first quarter of 2020 and has a strong order book for the remainder of the year, but has scaled back trading activity in recent weeks in line with a reduction in demand from the UK property market. The business continues to review its fixed and variable costs and will benefit from the announced government schemes regarding furloughing, business rates and other taxation.

Pharmacy2U maintained its high growth trajectory throughout the period, underpinned by significant improvements in key customer acquisition, retention and profitability metrics.

As part of the Company's ongoing focus on optimising the capital structure, the Board has continued to investigate opportunities to maximise liquidity, shareholder value creation and alignment with the Investment Advisor. 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 has both enhanced the Company's long-term liquidity and has increased long-term alignment with the Investment Advisor. In addition, in the months of June, July, September and October, the Company completed buybacks of shares in the market, retiring 752,001 or 2.3 per cent. of the Company's ordinary shares.

The Board continues to review opportunities identified by the Investment Advisor. The Company's strong cash position means that it is well positioned to take advantage of any such opportunities. However, given the ongoing uncertainty resulting from the spread of COVID-19, the Board's major priority is ensuring the financial stability of the portfolio and, whilst the market may present distressed investment opportunities, existing assets remain uppermost in our considerations.

I would like to take the opportunity to thank the Investment Advisor, EPIC Private Equity, for their hard work and dedication in restoring ESO to growth over the course of the last two years and in positioning the Company for this upcoming period of uncertainty which is unprecedented in recent memory. I would also like to wish all shareholders the best of health.

Clive Spears
Chairman
15 April 2020

[1] Company liquidity is stated inclusive of £0.8 million cash held by underlying associates in which the Company is the sole investor.

Investment Advisor's Report

The Investment Advisor (the "IA") was pleased with the progress made by the portfolio during the year ended 31 January 2020 but is now focused on the global economic uncertainty that has resulted from the spread of COVID-19. The IA and the Board are closely monitoring the financial position of the Company and its investments, whilst ensuring the wellbeing of staff is protected at all times. The social distancing measures that are being taken by national governments are likely to result in supply and logistical challenges across the portfolio and to depress sales demand in the near term.

The IA has worked hard over a number of years to ensure that the Company and portfolio are well positioned for any periods of economic volatility with strong liquidity and prudent levels of third party leverage. As at 31 January 2020, the leverage in the underlying portfolio was 0.7x LTM EBITDA to net third party debt and the IA maintains supportive dialogues with all external lenders. The Company has a strong cash position (£26.4 million[1] as at 31 January 2020) which is available to support the existing portfolio, meet the Company's committed obligations and deploy into sufficiently attractive investment opportunities as they arise

The Company

The Net Asset Value ("NAV") per share of the Company as at 31 January 2020 was 317.18 pence per share, representing an increase of 54.6 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 January 2020 was 199.00 pence, representing an increase of 33.9 per cent. on the share price of 148.57 pence as at 31 January 2019.

The gross asset cover of the outstanding ULNs as at 31 January 2020 was 27.5x. Cash balances now stand at £26.4 million[1].

The Portfolio

Third party net debt remains low across the Company's private equity portfolio, at 0.7x LTM EBITDA in aggregate. The Company has maintained a disciplined approach to the valuation of the portfolio's assets with the weighted average enterprise value ("EV") to EBITDA multiple equating to 8.1x for mature assets (excluding assets investing for growth). This valuation multiple has been derived with reference to relevant market comparables, after the application of an appropriate discount to adjust for the portfolio's scale and unquoted nature (i.e. a liquidity discount).

During the year ended 31 January 2020, the share price of Luceco plc increased by 164.3 per cent. On 28 January 2020, Luceco released a trading statement, reporting on performance for the year ended 31 December 2019. The business achieved a 4.9 per cent. increase in sales in the period compared to the prior year. Ongoing operational improvements drove gains in gross margin which contributed to an improved operating margin of c.10 per cent. The business also announced that, in the period, the ratio of net debt to EBITDA had reduced to 1.1x. On 24 March 2020, Luceco updated the market on its financial position given the developing spread of COVID-19. The statement noted that Luceco traded in line with budget for the first quarter of 2020, and has significant liquidity with £24 million of undrawn, committed facilities (as at 31 December 2019). As at 31 January 2020, Luceco plc constituted circa 53.4 per cent. of the Company's GAV.

Whittard delivered good growth over the period, in line with budget and materially ahead of the prior year. The business's sales performance was underpinned by like for like sales growth across the UK retail portfolio despite wider retail sector headwinds. Margin gains and improvements in operational efficiency have augmented this robust performance, generating profitability in line with budget and comfortably ahead of the prior year. Whittard of Chelsea has continued to develop international growth opportunities as part of its strategic focus on new geographic markets. In addition, the business's franchise division opened three stores and two pop ups in Taiwan and a fourth franchise store in Chile. In response to the spread of COVID-19 and government advice, Whittard temporarily closed its 49 retail stores on 21 March 2020 following a strong start to the year. The business is undertaking a review of its cost base and its access to government support (including employee retention schemes and forbearance of rent and rates payments). The business has no external debt facilities and is taking appropriate actions to preserve liquidity. Nathan Smith was appointed as CEO in July, continuing an eleven year career at Whittard of Chelsea, most recently holding the position of Group CFO. His experience and dedication to the business are expected to be instrumental in delivering the brand's aspirations both in the UK and internationally.

David Phillips' performance improved steadily throughout the period despite persistent uncertainty in the UK housing market for most of 2019, in part due to Brexit. In June 2019, the business simplified its operations and reduced its cost base by disposing of its Local Authority Housing division. David Phillips has continued to identify additional opportunities to further improve sales and profitability with a strategic focus on high margin business lines operating in high growth markets. In response to the spread of COVID-19 and reduced activity in the UK property sector, the business has scaled down its trading operations, availing itself of available government support (including the employee retention scheme). The IA and the management team are closely monitoring market demand in anticipation of a recovery as certainty returns to the market and restrictions are eased.

Pharmacy2U continued to build on its position as the UK's leading online pharmacy, delivering a significant increase in both patient numbers and sales over the period. Development of a new distribution facility in Leicestershire is expected to underpin the next stage of growth.

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

The IA would like to thank all of the management teams across the portfolio for their hard work and dedication through this difficult period and the Board and Shareholders for their ongoing support and counsel.

EPIC Private Equity LLP
Investment Advisor to the Company

15 April 2020

As at 31 January 2020

NAV per share	**317.18 pence**
Share price	**199.00 pence**
Portfolio returns	**6.3x MM / 24.0% IRR**
Mature asset valuation[2]	**8.1x EV/EBITDA**
Portfolio leverage	**0.7x Net Third Party Debt/EBITDA**

[1] Company liquidity is stated inclusive of £0.8 million cash held by underlying associates in which the Company is the sole investor.

[2] EV/EBITDA multiple for mature assets excludes Pharmacy2U, as the asset is at a pre-profitability growth stage.

ESO portfolio asset: Luceco

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:

6.3x Portfolio current money multiple	24.0% Portfolio current IRR	67.6% Premium to NAV on last three exits	541.9% 10 year share price growth

Recent developments:

- December 2017: ESO acquires David Phillips, a market-leading business-to-business provider of furniture and furnishing services to the UK property sector.
- 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.

Since inception, EPE has made 35 investments into small and medium sized companies in the UK 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 annual 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	35 investments across a broad range of sectors and situations. EPE has returned 2.7x money multiple and 15.5% IRR on its investments to 31 January 2020.
Highly aligned and stable team	Committed and stable partnership, with average tenure in excess of 10 years. The EPE team is the largest investor in ESO, representing in aggregate c.40% of the share register.
Extensive industry network	Longstanding relationships in the UK market provide EPE with access to c.300 deals per annum. EPE leverages its 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 18 years. In addition to ESO, EPE has previously advised EPIC plc and EPIC Brand Investments plc and listed Luceco plc.
Complementary business lines	The cross-disciplinary expertise of EPE's Advisory division allows EPE to access off-market investment opportunities and deploy specialist knowledge.

Why lower mid-market private equity?

Large market 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 541.9% over the last 10 years. Current portfolio returns are 6.3x MM and 24.0% IRR to 31 January 2020.
Access to high quality portfolio	The Company offers investors access to a conservatively valued, high growth portfolio. Mature assets (exluding assets investing for growth) are valued at 8.1x EBITDA. The combined sales of the portfolio have grown at a CAGR* of 11.1% 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 per annum 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.40% of ESO, creating significant alignment with investors and a focus on long-term sustainable shareholder returns.

* Compound annual growth rate

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 current appointments include Chairman of Nordic Capital Limited and director of Invesco Enhanced Income Limited.

Heather Bestwick

Heather Bestwick has been a financial services professional for over 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 and a credit fund managed by Highland Capital Management.

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 a director of a number of 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, and a Non-Executive Director of The Reader Organisation, a not-for-profit educational charity. Before joining EPE, Giles was a founding Director of EPIC Investment Partners, a fund management business which at sale 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 generate long-term returns 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 up to £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

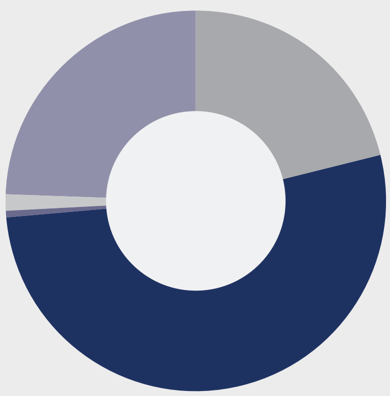
Whittard of Chelsea
Speciality tea, coffee and hot chocolate brand

David Phillips
Furniture provider to the UK property sector

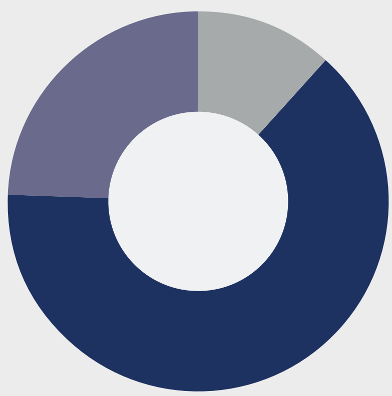
Pharmacy2U
Leading online pharmacy in the UK

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:	**£172.0m (2019)**

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 is a manufacturer of wiring accessories, predominantly switches and sockets, under the British General and Masterplug brands. Luceco also supplies to the LED lighting market under the Luceco and Kingfisher brands.

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.

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

Recent Developments

On 28 January 2020, Luceco released a trading statement, reporting on performance for the year ended 31 December 2019. The business achieved a 4.9 per cent. increase in sales in the period compared to the prior year. Ongoing operational improvements drove gains in gross margin which contributed to an improved operating margin of c.10.2 per cent. The business also announced that, in the period, the ratio of net debt to EBITDA had reduced to 1.0x.

On 24 March 2020, Luceco updated the market on its financial position given the developing spread of COVID-19. The statement noted that Luceco traded in line with budget for the first quarter of 2020, and has significant liquidity with £24 million of undrawn, committed facilities (as at 31 December 2019).

Whittard of Chelsea

Speciality tea, coffee and hot chocolate brand

Key facts

Location:	**Oxfordshire**
Sector:	**Consumer**
Type of deal:	**Turnaround**
Equity holding*:	**85.3%**
Financial year:	**December**
Latest sales:	**£42.4m (2019)**

* On a non-diluted basis

Description

Whittard of Chelsea ("Whittard") is a British heritage brand supplying a range of premium teas, coffees and hot chocolate 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 2019, Whittard achieved pleasing sales growth, with the business's primary channels performing strongly. Whittard's UK retail portfolio achieved 9.1 per cent. like for like sales growth despite headwinds in the market. Over the period, Whittard also improved product margin and achieved further operational efficiencies, generating increased profitability.

Outlook

In response to the spread of COVID-19 and government advice, Whittard temporarily closed its 49 retail stores following a strong start to the year. The business is undertaking a review of its cost base and its access to government support. The business has no external debt facilities and is taking appropriate actions to preserve liquidity.

Over the long term, Whittard's strong brand and omni-channel platform is well positioned to take advantage of international growth opportunities, benefitting 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:	**£41.5m (2019)**

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 2019, David Phillips made good progress. Sales have stabilised and returned to growth over the year. The business won several notable projects scheduled to be delivered over the coming period. Profitability steadily increased, driven by the implementation of further improvements across the business' operations.

In June 2019, David Phillips completed the disposal of its local authority housing division, simplifying its operations and reducing its cost base.

Outlook

The business traded well in the first quarter of 2020 and has a strong order book for the remainder of the year, but has scaled back trading activity in recent weeks in line with a reduction in demand from the UK property market. The IA and the management team are closely monitoring market demand in anticipation of a recovery as certainty returns to the market and restrictions are eased.

Over 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:	**£60.7m (2019)**

* Post growth capital investment, in March 2018 and March 2019 and on a non-diluted basis

Description

Pharmacy2U is focussed on delivering repeat NHS prescriptions to patients in the community. Repeat prescriptions comprise c.80 per cent. of the c.£10 billion NHS community prescription market.

Pharmacy2U benefits from highly attractive customer dynamics, with low churn rates following patient acquisition and significant lifetime value.

Pharmacy2U operates from a facility in Leeds which employs automated dispensing systems and has substantial capacity to support growth.

Background

Pharmacy2U created the concept of online pharmacy and, in conjunction with the NHS, developed the Electronic Prescription Service technology. The technology allows for prescriptions to be electronically signed by doctors and medicines to be delivered direct to the home.

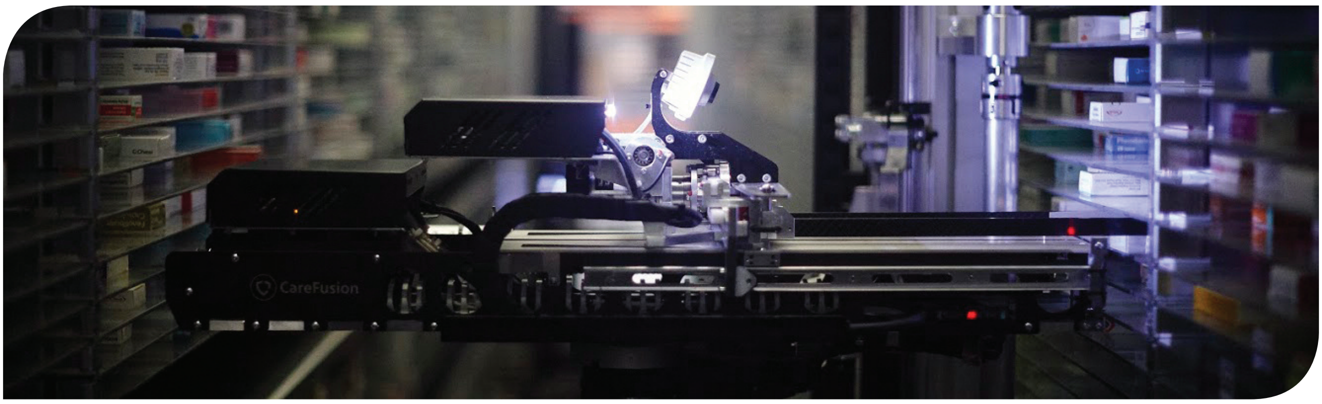
Recent developments

Pharmacy2U maintained its growth trajectory over the period, underpinned by significant improvements in key customer acquisition, retention and profitability metrics.

Outlook

Pharmacy2U remains focussed on consolidating its position as the UK's leading online pharmacy by acquiring patients with NHS repeat prescription requirements.

Over the long term, Pharmacy2U should benefit from consumers seeking online alternatives to high street pharmacies. Development of a new distribution facility in Leicestershire is expected to underpin the next stage of growth.



ESO portfolio asset: David Phillips

Governance Report

Risk and Audit Committee Report

The Risk and Audit Committee is chaired by David Pirouet and comprises all other Directors. Mr Pirouet was appointed as Chairman of the Committee on 28 June 2019. Mr Pirouet and all other members of the Committee would like to thank Mr Spears, the outgoing Chairman, for his diligent and longstanding service leading the Committee.

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 four times during the period under review to carry out its responsibilities and senior representatives of the Investment Advisor attended the meetings as required by the Risk and Audit Committee. In between meetings, the Risk and Audit Committee chairman maintains ongoing dialogue with the Investment Advisor and the lead audit partner via visits and meetings at the office of the Investment Advisor.

During the past year the Risk and Audit Committee carried out 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 3i and 12. 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 (and associates) for the year ended 31 January 2020 is expected to be £58,500 (2019: £56,100).

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 Risk and Audit 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 taxation and the acquisition of the ESO 1 LP carried interest accrual.

External audit (continued)

KPMG were appointed as auditors to the Company for the audit of the year ended 31 January 2005. The Risk and Audit Committee regularly considers 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 Board will review the performance and services offered by Langham Hall, who took over from R&H Fund services (Jersey) on 31 October 2019, as fund administrator and EPEA as fund sub-administrator on an ongoing basis. EPEA is currently undertaking its triennial agreed upon procedures review.

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 third 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.

D R Pirouet

David Pirouet
Chairman of the Risk and Audit Committee
15 April 2020

Corporate Governance

The Board of EPE Special Opportunities is pleased to update shareholders of the Company's compliance with the 2018 Quoted Companies Alliance 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 a 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.

Clive Spears
Chairman
15 April 2020

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, primarily through its investment advisor, engages in ongoing communication with all its stakeholders in particular its shareholders. The Board seeks to ensure 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 year to review the Company's performance and operations. All directors attended the majority of the routine meetings convened in the last twelve months.

The Board may convene additional meetings, as required to address investment opportunities and other matters arising. Where directors are not able to attend (often given the short notice), directors typically communicate their input on the subject matter under discussion to the rest of the Board ahead of time such that it may be incorporated in the Board meeting's deliberations.

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 arising,</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 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.* *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, certain Jersey-based directors are required, given their directorships and under local regulations, to complete a certain amount of Continuing Professional Development ("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 does not have a senior independent director as 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 last review of the Board's skill mix highlighted areas for diversification which are under ongoing review.* *The last review of the Board's efficacy 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)

<table>
<tr><th>QCA Code Application</th><th>Explanation of the Company's Compliance</th></tr>
<tr><td colspan="2">8. Promote a corporate culture that is based on ethical values and behaviours</td></tr>
<tr><td>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.</td><td>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 throughout the portfolio, through directions to the Company's investment advisors in relation to the ethical management of the portfolio.</td></tr>
<tr><td colspan="2">9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</td></tr>
<tr><td>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.</td><td>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.</td></tr>
</table>

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 report includes 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 the 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 portfolio company: Whittard

Financial Statements

Contents

Report of the Directors

Principal activity

The Company was incorporated in the Isle of Man as a company limited by shares under the Laws with registered number 108834C on 25 July 2003. On 23 July 2012, the Company re-registered under the Isle of Man Companies Act 2006, with registration number 008597V. On 11 September 2018, the Company re-registered under the Bermuda Companies Act 1981, with registration number 53954. The Company's ordinary shares are quoted on AIM, a market operated by the London Stock Exchange, and the Growth Market of the Aquis Stock Exchange (formerly the NEX Exchange).

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

Incorporation

The Company was incorporated on 25 July 2003 and on 11 September 2018, registered under the Bermuda Companies Act 1981. The Company's registered office is:

Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

Details of subsidiaries are provided in note 23.

Place of business

During the year, the Company changed the place of business on 31 October 2019 and has solely operated out of and has been controlled from:

Liberation House, Castle Street, St Helier, Jersey JE1 2LH

Between 17 May 2017 and 31 October 2019, the Company solely operated out of and was controlled from:

Ordnance House, 31 Pier Road, St Helier, Jersey, JE4 8PW

Results of the financial year

Results for the year are set out in the Statements of Comprehensive Income on page 47 and in the Statement of Changes in Equity on page 49.

Dividends

The Board does not recommend a dividend in relation to the current year (2019: nil) (see note 10 for further details).

Corporate governance principles

The Directors, place a high degree of importance on ensuring that the Company maintains high standards of Corporate Governance and have therefore adopted the Quoted Companies Alliance 2018 Corporate Governance Code (the "QCA Code").

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

Composition of the Board

The Board currently comprises five non-executive directors, all of whom are independent. Clive Spears is Chairman of the Board, David Pirouet is Chairman of the Audit and Risk Committee and Nicholas Wilson is Chairman of the Investment Committee.

Audit and Risk Committee

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

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

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

Investment Committee

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

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

Significant holdings

Significant shareholdings are analysed on page 71. The Directors are not aware of any other holdings greater than 3% of issued shares.

Directors

The Directors of the Company holding office during the financial year and to date are:

Mr. C.L. Spears (Chairman)
Mr. R.B.M. Quayle
Mr. N.V. Wilson
Ms. H. Bestwick
Mr. D.R. Pirouet (appointed on 28 June 2019)
Mr. G.O. Vero (until 21 May 2019)

Staff

At 31 January 2020 the Company employed no staff (2019: none).

Auditors

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

On behalf of the Board

H. Bestwick

Heather Bestwick
Director

15 April 2020

Statement of Directors' Responsibilities

in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Directors are required to prepare financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRS as adopted by the EU), as applicable to a Bermuda company and applicable law.

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing the Company's financial statements, the Directors are required to:

- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRS as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Bermuda Companies Act. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of EPE Special Opportunities Limited

1 Our opinion is unmodified

We have audited the financial statements of EPE Special Opportunities Limited ("the Company") for the year ended 31 January 2020 which comprise the Statement of Comprehensive Income, the Statement of Assets and Liabilities, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2020 and of the Company's profit for the year then ended;

- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU)

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters. We identified one key audit matter in arriving at our audit opinion above. The key audit matter was as set out below. This key audit matter and the risk significance of this matter is unchanged from 2019.

	The risk	Our response
Valuation of unquoted investments: **£25.4m** (2019: £14.2m). Refer to page 28 (Significant accounting matters identified by the Audit and Risk Committee), note 3 (accounting policies); note 2d (estimates and judgements), note 11 (investments at fair value through profit or loss), note 12 (fair value of financial instruments) and note 20 (financial instruments disclosures), note 24 (subsequent events – COVID-19).	**Subjective valuation:** 30% of the Company's underlying investment portfolio (by value) is held in investments and loans where no quoted market price is available. Unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as prices of recent orderly transactions, trading comparable multiples and net assets. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of unquoted investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 12) disclose the range estimated by the Company. Also as disclosed in note 24 in respect of subsequent events, the impacts of COVID-19 have accelerated since the year end and the outlook remains uncertain in this regard.	Our procedures included: **Control design:** Documenting and assessing the design and implementation of the investment valuation processes and controls; **Methodology choice:** In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected; **Our valuations experience:** Challenging the investment advisor on key judgements affecting investee company valuations, such as discount factors and the choice of benchmark for earnings and sales multiples. We compared key underlying financial data inputs to external sources and investee company management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of the investee companies and whether these are achievable. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report; **Assessing transparency:** Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £800,000, determined with reference to a benchmark of Company's total assets, of which it represents 1%.

In the prior year, Group materiality was set at £1,790,000, determined with reference to a benchmark of the Company's net assets, of which it represented 3%.

The benchmark used for materiality was changed as a result of a reassessment of the benchmark which is most relevant to users of the financial statements.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £40,000 (2019: £89,500) for Company's financial statements, in addition to other identified misstatements that warranted reporting on qualitative grounds.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease their operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The Directors are responsible for the information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Independent Auditor's Report to the Members of EPE Special Opportunities Limited (continued)

6 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 42, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

7 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street Douglas
Isle of Man IM1 1LA

15 April 2020

Statement of Comprehensive Income

For the year ended 31 January 2020

Note		Revenue £	Capital £	31 January 2020 Total £	31 January 2019 Total £
	Income				
4	Interest income	101,566	–	101,566	276,328
11	Gains/(losses) on investments at fair value through profit or loss	–	39,568,491	39,568,491	(3,864,447)
	Total income/(loss)	**101,566**	**39,568,491**	**39,670,057**	**(3,588,119)**
	Expenses				
5	Investment advisor's fees	(1,642,504)	–	(1,642,504)	(1,137,117)
6	Directors' fees	(154,264)	–	(154,264)	(154,000)
7	Share based payment expense	(71,158)	–	(71,158)	(120,544)
8	Other expenses	(1,257,703)	–	(1,257,703)	(1,202,297)
	Total expense	**(3,125,629)**	**–**	**(3,125,629)**	**(2,613,958)**
	Profit/(loss) before finance costs and tax	**(3,024,063)**	**39,568,491**	**36,544,428**	**(6,202,077)**
	Finance charges				
15	Interest on unsecured loan note instruments	(319,685)	–	(319,685)	(469,225)
	Profit/(loss) for the year before taxation	**(3,343,748)**	**39,568,491**	**36,224,743**	**(6,671,302)**
9	**Taxation**	–	–	–	–
	Profit/(loss) for the year	**(3,343,748)**	**39,568,491**	**36,224,743**	**(6,671,302)**
	Other comprehensive income	–	–	–	–
	Total comprehensive income/(loss)	**(3,343,748)**	**39,568,491**	**36,224,743**	**(6,671,302)**
17	**Basic earnings/(loss) per ordinary share (pence)**	**(10.42)**	**123.28**	**112.86**	**(23.47)**
17	**Diluted earnings/(loss) per ordinary share (pence)**	**(10.42)**	**123.28**	**112.86**	**(23.47)**

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

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

Statement of Assets and Liabilities

At 31 January 2020

Note		31 January 2020 £	31 January 2019 £
	Non-current assets		
11	Investments at fair value through profit or loss	83,382,923	34,793,620
		83,382,923	**34,793,620**
	Current assets		
13	Cash and cash equivalents	25,604,783	29,125,615
	Trade and other receivables	235,211	301,728
		25,839,994	**29,427,343**
	Current liabilities		
14	Trade and other payables	(1,028,704)	(492,878)
	Net current assets	**24,811,290**	**28,934,465**
	Non-current liabilities		
15	Unsecured loan note instruments	(3,936,217)	(3,915,612)
		(3,936,217)	**(3,915,612)**
	Net assets	**104,257,996**	**59,812,473**
	Equity		
16	Share capital	1,726,953	1,503,286
	Share premium	13,489,826	3,867,209
	Capital reserve	84,285,434	44,716,943
	Revenue reserve	4,755,783	9,725,035
	Total equity	**104,257,996**	**59,812,473**
18	**Net asset value per share (pence)**	**317.18**	**205.19**

The financial statements were approved by the Board of Directors on 15 April 2020 and signed on its behalf by

Clive Spears
Director

David Pirouet
Director

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

Statement of Changes in Equity

For the year ended 31 January 2020

Note		Share capital £	Share premium £	Capital reserve £	Revenue reserve £	Total £
		Year ended 31 January 2020				
	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 year	–	–	39,568,491	(3,343,748)	36,224,743
	Contributions by and distributions to owners					
7	Share based payment charge	–	–	–	71,158	71,158
	Share ownership scheme participation	–	–	–	64,980	64,980
14	Provision for future issue of shares	–	–	–	(350,000)	(350,000)
	Purchase of shares	–	–	–	(1,411,642)	(1,411,642)
16	Issue of new shares	223,667	9,622,617	–	–	9,846,284
	Total transactions with owners	**223,667**	**9,622,617**	**–**	**(1,625,504)**	**8,220,780**
	Balance at 31 January 2020	**1,726,953**	**13,489,826**	**84,285,434**	**4,755,783**	**104,257,996**

Note		Share capital £	Share premium £	Capital reserve £	Revenue reserve £	Total £
		Year ended 31 January 2019				
	Balance at 1 February 2018	1,503,286	3,867,209	48,581,390	12,390,969	66,342,854
	Total comprehensive income/(loss) for the year	–	–	(3,864,447)	(2,806,855)	(6,671,302)
	Contributions by and distributions to owners					
7	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**

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

Statement of Cash Flows

For the year ended 31 January 2020

Note		31 January 2020 £	31 January 2019 £
	Operating activities		
	Interest income received	17,574	187,516
	Expenses paid	(2,903,818)	(2,591,918)
19	**Net cash used in operating activities**	**(2,886,244)**	**(2,404,402)**
	Investing activities		
11	Purchase of investments	(700,000)	(3,008,113)
11	Income from investments	942,505	–
11	Distributions	768,650	10,906,961
	Net cash generated from investing activities	**1,011,155**	**7,898,848**
	Financing activities		
	Unsecured loan note repurchases	–	(3,987,729)
	Unsecured loan note interest paid	(299,080)	(448,620)
	Purchase of shares	(1,411,642)	–
	Share ownership scheme participation	64,980	20,377
	Net cash used in financing activities	**(1,645,742)**	**(4,415,972)**
	(Decrease)/increase in cash and cash equivalents	(3,520,831)	1,078,474
	Cash and cash equivalents at start of year	29,125,615	28,047,141
13	**Cash and cash equivalents at end of year**	**25,604,783**	**29,125,615**

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

1 Operations

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 raised £30.0 million by a placing of ordinary shares at 100 pence per share. In 2009 the Company raised an additional £5.0 million by a placing of ordinary shares at 5 pence per share. During the year ended 31 January 2011, the Company issued a further £2.4 million in share capital. During the year ended 31 January 2016, the Company raised a further £0.25 million in share capital. The Company moved its operations to Jersey with immediate effect on 17 May 2017 and has subsequently operated 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 Aquis Stock Exchange (formerly the NEX Exchange).

During the year ended 31 January 2020, 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 or are in process of liquidation.

The Company has two wholly owned subsidiary companies (see note 23) and as at 31 January 2020, had interests in five partnerships and three limited company that are classified as associates, based upon the Company's economic interest (see note 3(a)). As the company is an investment entity, interests in subsidiaries and associates are measured at fair value (see note 2(e)). The partnerships comprise one limited liability partnership and four limited partnerships.

The principal activity of the Company 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 financial statements comprise the results of the Company and its associates (see notes 3(a)).

The Company has no employees.

2 Basis of preparation

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the EU ("IFRS") and applicable legal and regulatory requirements of Bermuda law and reflect the following policies, which have been adopted and applied consistently, with the exception of the adoption of the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2019:

a. IFRS 16: Leases

b. IFRIC 23: Uncertainty over Income Tax Treatments

c. Amendments to IFRS 9: Prepayments Features with Negative Compensation

d. Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

e. Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

f. Annual improvements to IFRS 2015-2017 cycle various standards

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

b. Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss which are measured at fair value.

c. Functional and presentation currency

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

2 Basis of preparation continued

c. Functional and presentation currency continued

'Functional currency' is the currency of the primary economic environment in which the Company operates. The expenses (including investment advisory and administration fees) are denominated and paid in sterling. Accordingly, management has determined that the functional currency of the Company is sterling.

d. Use of estimates and judgements

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

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

Judgements made by Directors and the Investment Advisor in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year relate to the determination of fair value of financial instruments with significant unobservable inputs (see note 12).

Brexit

The economic effects felt by the UK from the exit from the EU remain dependent on the outcome of trade negotiations with the EU. In the event that a comprehensive free trade agreement is reached, it is expected that UK economic performance will stabilise. Whilst the exact terms of the future EU relationship is yet to be finalised, the Board have made an assessment of the potential effect on the Company and do not believe that Brexit will have a material impact on the investment activities of the Company at this point in time, although the risk posed remains uncertain.

e. Changes in presentation

The Company meets the definition of an investment entity under IFRS 10, and therefore holds investments in subsidiaries at fair value, rather than consolidating them. The Company also holds investments in associates at fair value. Investments in subsidiaries and associates are classified as fair value through profit and loss, in accordance with IFRS 9. As a result of this, presentational changes have been made to the financial statements. These changes have also been reflected in the comparative information. A summary of the amendments made are as follows:

- Changes to presentation of the Statement of Comprehensive Income and Statement of Cash Flows to report the performance of the company in the most appropriate format.
- 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 Statement of Assets and Liabilities and the Statement of Comprehensive Income, being 'Investments at fair value through profit or loss' and 'Gain/loss on investments' respectively. Following re-presentation, the net assets of the company remained unchanged.

3 Significant accounting policies

a. Basis of treatment of subsidiaries and associates

Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company is exposed or has rights to variable returns from its involvement with the investee and has the ability to effect those returns through its power over the investee.

Subsidiaries that provide investment related services or engage in permitted investment related activities with investees continue to be consolidated unless they are also investment entities. The Board has concluded that the company meets the definition of an investment entity and its subsidiaries are held at fair value through profit or loss.

3 Significant accounting policies continued

a. Basis of treatment of subsidiaries and associates continued

Associates

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

The Company holds a number of investments in entities over which it has significant influence which meet the definition of associates in IAS 28 Investment in Associates. The Company has taken advantage of the exemption from applying IAS 28 as these investments are held as part of the Company's portfolio with a view to the ultimate realisation of capital gains. The Company holds investments in associates at fair value rather than being equity accounted.

The Company holds interests in ESO Investments 1 LP, ESO Alternative Investments LP, ESO Investments (PC) LLP, ESO Investments (DP) Limited, ESO Investments 1 Limited and ESO Investments 2 Limited which are managed and controlled by parties related to EPIC Private Equity LLP for the benefit of the Company and the other members. The Company does not have the ability to direct the activities of ESO Investments 1 LP, ESO Alternative Investments LP, ESO Investments (PC) LLP, ESO Investments (DP) Limited, ESO Investments 1 Limited and ESO Investments 2 Limited. The Directors consider that ESO Investments 1 LP, ESO Alternative Investments LP, ESO Investments (PC) LLP, ESO Investments (DP) Limited, ESO Investments 1 Limited and ESO Investments 2 Limited do not meet the definition of subsidiaries. The Company has taken advantage of the exemption from applying IAS 28 and interest in associates are accounted for at fair value through profit and loss rather than being equity accounted.

b. Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business and geographic area being arranging financing for growth, buyout and special situations in the United Kingdom. Information presented to the Board of Directors for the purpose of decision making is based on this single segment.

c. Income

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

d. Expenses

All expenses are accounted for on an accrual basis.

e. Cash and cash equivalents

Cash and cash equivalents comprises of current cash deposits with banks only.

f. Finance charges

Other finance charges are recognised as an expense.

g. Trade and other payables

Trade and other payables are stated at amortised cost in accordance with IFRS 9.

h. Unsecured loan note instruments

Unsecured loan note instruments are stated at amortised cost in accordance with IFRS 9.

i. Financial assets and financial liabilities

i. Classification

Financial assets

When the company first recognises a financial asset, it classifies it based on the business model for managing the asset and the asset's contractual cash flow characteristics, as follows:

- Amortised cost–a financial asset is measured at amortised cost if both of the following conditions are met:
  - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 Significant accounting policies continued

i. Classification continued

- Fair value through other comprehensive income–financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Fair value through profit or loss–any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

When, and only when, the company changes its business model for managing financial assets it must reclassify all affected financial assets.

Financial liabilities

All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities include derivatives (other than derivatives that are financial guarantee contracts or are designated and effective hedging instruments), other liabilities held for trading, and liabilities that an entity designates to be measured at fair value through profit or loss.

ii. Recognition

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

iii. Measurement

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

The Investment Advisor determines asset values using IPEV guidelines and other valuation methods with reference to the valuation principles of IFRS 13. The valuation principles adopted are classified as Level 3 for unquoted investments and Level 1 for quoted investments in the IFRS 13 fair value hierarchy. IPEV guidelines recommend the use of comparable quoted company metrics and comparable transaction metrics to determine an appropriate enterprise value, to which a marketability discount is applied given the illiquid nature of private equity investments. The Investment Advisor also seeks to confirm value using discounted cash flow and other methods of valuation, and by applying a range approach. The Investment Advisor then seeks to determine whether holding the investment at cost is appropriate given the implied value, or whether an adjustment should be made to achieve fair value: whether this be in the form of an impairment or a write-up.

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

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

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

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

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

3 Significant accounting policies continued

iv. Impairment

12-month expected credit losses

12-month expected credit losses are calculated by multiplying the probability of a default occurring in the next 12 months with the total (lifetime) expected credit losses that would result from that default, regardless of when those losses occur. Therefore, 12-month expected credit losses represent a financial asset's lifetime expected credit losses that are expected to arise from default events that are possible within the 12 month period following origination of an asset, or from each reporting date for those assets in initial recognition stage.

Lifetime expected credit losses

Lifetime expected credit losses are the present value of expected credit losses that arise if a borrower defaults on its obligation at any point throughout the term of a lender's financial asset (that is, all possible default events during the term of the financial asset are included in the analysis). Lifetime expected credit losses are calculated based on a weighted average of expected credit losses, with the weightings being based on the respective probabilities of default.

v. Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9.

The Company uses the weighted average method to determine realised gains and losses on derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

j. Share capital

Ordinary share capital

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

Repurchase of share capital (treasury shares)

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

k. Joint share ownership plan ("JSOP") and share based payments

Directors of the Company and certain employees of the Investment Advisor (together "Participants") receive remuneration in the form of equity-settled share-based payment transactions, through a JSOP Scheme.

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

The assets (other than investments in the Company's shares), liabilities, income and expenses of the trust established to operate the JSOP scheme (the "Trust") are held at fair value through profit or loss. The Trust's investment in the Company's shares is deducted from shareholders' funds in the Statement of asset and liabilities as if they were treasury shares (see note 7).

l. Future changes in accounting policies

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

3 Significant accounting policies continued

I. Future changes in accounting policies continued

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

a) Amendments to References to Conceptual Framework in IFRS Standards.

b) Definition of a Business (Amendments to IFRS 3).

c) Definition of Material (Amendments to IAS 1 and IAS 8).

d) IFRS 17 Insurance Contracts.

e) Insert Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

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

4 Interest income

	2020 Company £	2019 Company £
Cash balances	17,574	17,711
Bond interest income	83,992	258,617
Total	**101,566**	**276,328**

5 Investment advisory, administration and performance fees

Investment advisory fees

As agreed on the 31 August 2010, the investment advisory fee payable to EPIC Private Equity LLP ("EPE") is calculated at 2% of the Company's Net Asset Value ("NAV"), with a minimum of £325,000 payable per annum.

On 9 September 2019, the Company revised the investment advisory fee payable to EPE. From the date of the revision, investment advisory fee shall be calculated as 2% of the Company's NAV where the Company'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 Company's NAV comprising Level 3 portfolio assets (i.e. unquoted assets), 1% of the Company'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 Company's net cash (if greater than nil), and 2% of the Company's net cash (if less than nil) (i.e. reducing fees for net debt positions).

The charge for the current year was £1,642,504 (2019: £1,137,117). The amount outstanding as at 31 January 2020 was £500,000 (2019: £308,454) (see note 14).

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.

On 31 October 2019 Langham Hall Fund Management (Jersey) Limited were appointed as the Company's administrators, replacing R&H from that date.

The provision of accounting and financial administration services is with the EPE Administration Limited. The fee payable to EPEA is at a rate of 0.15% per annum of the Company's NAV.

On 9 September 2019, the Company revised the fee payable to EPE Administration Limited. From the date of the revision, fee shall be calculated as 0.15% of the Company's NAV where the Company'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 Company's NAV above £100 million.

5 Investment advisory, administration and performance fees continued

Administration fees continued

The charge for the current year was £125,732 (year ended 31 January 2019: £88,438).

Other administration fees during the year was £72,499 (2019: 60,128).

Performance fees

During the year ended 31 January 2020, 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 has been agreed 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 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 Company owns 100% of the limited partner interest in ESO 1 LP and there was no carried interest at 31 January 2020 (year ended 31 January 2019: Balance of £6,796,947). The charge for carried interest for the year was £3,049,337.

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 year ended 31 January 2020, £2,718,340 has been credited to the profit share 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 year ended 31 January 2020, £4,726,677 has been credited to the profit share account of the Investment Advisor in the records of ESO Investments 2 Limited.

6 Director's fees

	2020 Company £	2020 Share based payment £	2019 Company £	2019 Share based payment £
G.O. Vero	16,000	–	32,000	5,709
R.B.M. Quayle	30,000	4,062	30,000	2,614
C.L. Spears (Chairman)	32,000	1,899	32,000	2,614
N.V. Wilson	30,000	1,899	30,000	2,614
H. Bestwick	30,000	–	30,000	–
D.R. Pirouet	16,264	–	–	–
Total	**154,264**	**7,860**	**154,000**	**13,551**

In addition to above, during the year, C.L. Spears and H. Bestwick, received Director's fees for their directorship in ESO Investments 1 Limited and ESO Investments 2 Limited amounting to £1,943 each.

7 Share based payment expense

The cost of equity settled transactions Participants of the JSOP Scheme 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 Trust was created to award shares to Participants as part of the JSOP. Participants are awarded a certain number of shares ("Matching Shares") which are subject to a three year service vesting condition from the grant date. 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 Trust holds the Matching Shares jointly with the Participant until the award vests. These shares carry the same rights as rest of the ordinary shares.

The Trust held 956,569 (2019: 1,035,624) matching shares at the year end which have traditionally not voted (see note 16).

During the year, no shares were issued to Trust for the JSOP scheme (2019: 849,626). 79,055 shares were vested during the year to the JSOP participants (2019: 234,052). 856,058 shares (in part covering historic years) were awarded to the participants in the year ending 31 January 2020 (2019: nil).

The amount expensed in the income statement has been calculated by reference to the grant date at a fair value of the equity instrument and the estimated number of equity instruments to be issued after the vesting period, less the 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 £71,158 (2019: £120,544).

8 Other expenses

The breakdown of other expenses presented in the statement of comprehensive income is as follows:

	31 January 2020 Total £	**31 January 2019 Total** £
Administration fees	(198,231)	(148,566)
Directors' and officers' insurance	(22,665)	(11,705)
Professional fees	(780,440)	(855,046)
Board meeting and travel expenses	(16,425)	(12,340)
Auditors' remuneration	(50,000)	(35,217)
Bank charges	(1,095)	(1,008)
Irrecoverable VAT	(600)	–
Sundry expenses	(48,557)	(40,183)
Nominated advisor and broker fees	(55,740)	(57,758)
Listing fees	(81,591)	(38,425)
Net foreign exchange loss	(2,360)	(2,049)
Other expenses	**(1,257,703)**	**(1,202,297)**

For the year ended 31 January 2020, the total remuneration of the auditors for the Company and associate undertakings was £58,500 (2019: £56,100). This remuneration was recognised in the profit and loss account of the Company as £50,000 (2019: £35,217) and associate undertakings as £8,500 (2019: £20,883).

9 Taxation

The Company is a tax resident of Jersey and is subject to 0% corporation tax (2019: 0%).

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

ESO Investments (DP) Limited is tax resident in the United Kingdom and did not have any tax charge in the current year.

ESO Investments 1 Limited and ESO Investments 2 Limited are tax resident in Jersey and are subject to 0% corporation tax.

10 Dividends paid and proposed

No dividends were paid or proposed for the year ended 31 January 2020 (2019: £nil).

11 Investments at fair value through profit or loss

	31 January 2020 £	31 January 2019 £
Investments at fair value through profit and loss	83,382,923	34,793,620
	83,382,923	**34,793,620**

Investment roll forward schedule

	31 January 2020 £
Investments at 31 January 2019	34,793,620
Purchase of investments	700,000
Income from investments	(942,505)
Distributions	(768,650)
Buy out of accrued carried interest	9,846,284
Fair value movements	39,568,491
Loan to associates	185,683
Investments at 31 January 2020	**83,382,923**

12 Fair value of financial instruments

The Company determines the fair value of financial instruments with reference to IPEV guidelines and the valuation principles of IFRS 13 (Fair Value Measurement). The Company measures fair value using the IFRS 13 fair value hierarchy, which reflects the significance and certainty of the inputs used in deriving the fair value of an asset:

- 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.

Valuation framework

The Company employs the valuation framework detailed below with respect to the measurement of fair values. A valuation of the Company's investments is prepared by the Investment Advisor with reference to IPEV guidelines and the valuation principles of IFRS 13 (Fair Value Measurement). The Investment Advisor recommends these valuations to the Board of Directors. The Board of Directors considers the valuations recommended by the Investment Advisor, determines any amendments required and thereafter adopts the fair values presented in the Company's financial statements.

12 Fair value of financial instruments continued

Quoted equity investments

Quoted investments traded in an active market are classified as Level 1 in the IFRS 13 fair value hierarchy. The Company's investment in Luceco is considered as a Level 1 asset. For Level 1 assets, the Company calculates the holding value from the latest market price (without adjustment).

Unquoted private equity investments and third party fund investments

Private equity investments and third party fund investments are classified as Level 3 in the IFRS 13 fair value hierarchy. The Company's investments in Whittard, David Phillips, Pharmacy2U and European Capital Private Debt Fund are considered to be Level 3 assets. Various valuation techniques may be applied in determining the fair value of investments held as Level 3 in the fair value hierarchy;

- For recently acquired assets, the Company considers the investment cost an applicable fair value for the asset;
- For underperforming assets, the Company considers the net asset or recovery valuation more applicable, in particular where the business' performance be contingent on shareholder financial support;
- For performing assets, the Company considers the market approach to be the most appropriate with a specific focus on trading comparables, applied on a forward basis. The Company will also consider transaction comparables, applied on a historic basis;
- For assets managed and valued by third party managers, the Company reviews the valuation methodology of the third party manager. If deemed appropriate and consistent with the Company's reporting standards, the Company will use the valuation prepared by the third party manager.

The Investment Advisor believe that it is appropriate to apply an illiquidity discount to the multiples of comparable companies when using them to calculate valuations for small, private companies. This discount adjusts for the difference in size between generally larger comparable companies and the smaller assets being valued. The illiquidity discount also incorporates the premium the market gives to comparable companies for being freely traded or listed securities. The Investment Advisor has determined between 15% and 25% to be an appropriate illiquidity discount with reference to market data and transaction multiples seen in the market in which the Investment Advisor operates.

Where portfolio investments are held through subsidiary/associate holding companies, the net assets of the holding company are added to the value of the portfolio investment being assessed (net of any profit share, see note 5) to derive the fair value of the holding company held by the Company.

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 Board 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.

31 January 2020	Level 1 £	Level 3 £	Total £
Financial assets at fair value through profit or loss			
Unquoted private equity investments (including debt)	–	14,024,146	14,024,146
Third party private debt fund investment	–	1,512,259	1,512,259
Quoted private equity investments	57,227,830	–	57,227,830
Debt securities, unlisted	–	9,868,825	9,868,825
Investments at fair value through profit or loss	**57,227,830**	**25,405,230**	**82,633,060**
Other asset and liabilities	–	749,863	749,863
Total investments at fair value through profit or loss'	**57,227,830**	**26,155,093**	**83,382,923**

12 Fair value of financial instruments continued

Fair value hierarchy – Financial instruments measured at fair value continued

31 January 2019	Level 1 £	Level 3 £	Total £
Financial assets at fair value through profit or loss			
Unquoted private equity investments (including debt)	–	1,087,680	1,087,680
Third party private debt fund investment	–	2,043,303	2,043,303
Quoted private equity investments	18,753,797	–	18,753,797
Debt securities, unlisted	–	11,078,357	11,078,357
Investments at fair value through profit or loss	**18,753,797**	**14,209,340**	**32,963,137**
Other asset and liabilities	–	1,830,483	1,830,483
Total investments at fair value through profit or loss	**18,753,797**	**16,039,823**	**34,793,620**

Fair value hierarchy – Financial instruments measured at fair value

The following table, detailing the value of portfolio investments only, shows a reconciliation of the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy for the underlying investments held by the associates.

Unlisted private equity investments (including debt)	31 January 2020 £	31 January 2019 £
Balance as at 1 February	14,209,340	21,830,645
Additional investments	700,000	3,100,000
Disposal of investments	–	(11,012,405)
Capital distributions from investments	(247,693)	(286,432)
Change in fair value through profit & loss	10,743,583	577,532
Balance as at 31 January	**25,405,230**	**14,209,340**

Disposal of investments relate to sale of investments in P2U Holdings Limited and Process Components Limited during the year ended 31 January 2019.

Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 January 2020 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 31 January 2020 £	Valuation technique
Unquoted private equity investments (including debt)	23,892,971	Sales/EBITDA multiple
Third party private debt fund investment	1,512,259	Reported net asset value

12 Fair value of financial instruments continued

Significant unobservable inputs used in measuring fair value continued

Significant unobservable inputs are developed as follows:

- Trading comparable multiple: valuation multiples used by other market participants when pricing comparable assets. Relevant comparable assets are selected from public companies determined to be proximate to the Company's investment based on similarity of sector, size, geography or other relevant factors. The valuation multiple for a comparable company is determined by calculating the enterprise value of the company implied by its market price as at the reporting date and dividing by the relevant financial metric (sales or EBITDA).
- Recovery valuation: the value estimated to able to be recovered by stakeholders in the event of the trade out of the business. The total amount available to be distributed is determined by calculating the value able to be realised from the liquidation of the business' assets and the sale of any ring fenced divisions.
- Reported net asset value: for assets managed and valued by a third party, the manager provides the Company with periodic valuations of the Company's investment. The Company reviews the valuation methodology of the third party manager. If deemed appropriate and consistent with the Company's reporting standards, the Board will adopt the valuation prepared by the third party manger.

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 of Level 3 assets, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on the Level 3 investment valuations:

- For the Company's investment in mature Level 3 assets, the valuations used in the preparation of the financial statements imply an average EV to EBITDA multiple of 5.6x (weighted by each asset's total valuation) (2019: 5.3x). The key unobservable inputs into the preparation of the valuation of mature Level 3 assets was the EV to EBITDA multiple applied to the asset's financial forecasts. If these inputs had been taken to be 25% higher, the value of the Level 3 assets and profit for the year would have been £5,043,129 higher. If these inputs had been taken to be 25% lower, the value of the Level 3 assets and profit for the year would have been £5,074,562 lower. A corresponding increase or decrease in the asset's financial forecasts would have a similar impact on the Company's assets and profit.
- For the Company's investment in growth Level 3 assets, the valuations used in the preparation of the financial statements imply an average EV to sales multiple of 0.5x (weighted by each asset's total valuation) (2019: 0.2x). The key unobservable inputs into the preparation of the valuation of growth Level 3 assets were the EV to sales multiple applied to the asset's financial forecasts. If these inputs had been taken to be 25% higher, the value of the Level 3 assets and profit for the year would have been £221,399 higher. If these inputs had been taken to be 25% lower, the value of the Level 3 assets and profit for the year would have been £221,399 lower. A corresponding increase or decrease in the asset's financial forecasts would have a similar impact on the Company's assets and profit.

12 Fair value of financial instruments continued

Classification of financial assets and liabilities

The table below sets out the classifications of the carrying amounts of the Company's financial assets and liabilities into categories of financial instruments.

31 January 2020

	At fair value £	At amortised cost £	Total £
Financial assets			
Investments at fair value through profit or loss	83,382,923	–	83,382,923
Cash and cash equivalents	–	25,604,783	25,604,783
Trade and other receivables	–	235,211	235,211
	83,382,923	**25,839,994**	**109,222,917**
Financial liabilities			
Trade and other payables	–	678,704	678,704
Unsecured loan note instruments	–	3,936,217	3,936,217
	–	**4,614,921**	**4,614,921**

31 January 2019

	At fair value £	At amortised cost £	Total £
Financial assets			
Investments at fair value through profit or loss	34,793,620	–	34,793,620
Cash and cash equivalents	–	29,125,615	29,125,615
Trade and other receivables	–	301,728	301,728
	34,793,620	**29,427,343**	**64,220,963**
Financial liabilities			
Trade and other payables	–	492,878	492,878
Unsecured loan note instruments	–	3,915,612	3,915,612
	–	**4,408,490**	**4,408,490**

13 Cash and cash equivalents

	2020 £	2019 £
Current and call accounts	25,604,783	29,125,615
	25,604,783	**29,125,615**

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

The Company has total liquidity of £26.4 million, inclusive of £0.8 million cash held by underlying associates in which the Company is the sole investor.

14 Trade and other payables

	2020 £	2019 £
Trade payables	–	50,176
Accrued administration fee	38,569	7,726
Accrued audit fee	24,136	12,224
Accrued professional fee	103,166	101,465
Accrued investment advisor fees	500,000	308,454
Accrued Directors' fees	12,833	12,833
Provision for future issue of shares	350,000	–
Total	**1,028,704**	**492,878**

15 Non-current liabilities

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 year ended 31 January 2020 was £20,605 (2019: £20,605). The carrying value of the ULNs in issue at the year-end was £3,936,217 (2019: £3,915,612). The total interest expense on the ULNs for the year is £319,685 (2019: £469,225). This includes the amortisation of the issue costs.

16 Share capital

At the year end 956,569 shares were held by the Trust (2019: 1,035,624) (see note 7).

	2020 Number	2020 £	2019 Number	2019 £
Authorised share capital				
Ordinary shares of 5p each	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
Ordinary shares of 5p each held in treasury	(1,668,251)	–	(916,250)	–
	32,870,810	**1,726,953**	**29,149,464**	**1,503,286**

During the year ended 31 January 2020, 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 £223,667 (nil as at 31 January 2019) and the share premium increased by £9,622,617 (nil as at 31 January 2019).

17 Basic and diluted profit per share (pence)

Basic profit per share is calculated by dividing the profit of the Company for the year attributable to the ordinary shareholders of £36,224,743 (2019: loss of £6,671,302) divided by the weighted average number of shares outstanding during the year of 32,095,510 after excluding treasury shares (2019: 28,420,881 shares).

Diluted profit per share is calculated by dividing the profit of the Company for the year attributable to ordinary shareholders of £36,224,743 (2019: loss of £6,671,302) divided by the weighted average number of ordinary shares outstanding during the year, as adjusted for the effects of all dilutive potential ordinary shares, of 32,095,510 after excluding treasury shares (2019: 28,420,881 shares).

18 NAV per share (pence)

The Company's NAV per share of 317.18 pence (2019: 205.19 pence) is based on the net assets of the Company at the year-end of £104,257,996 (2019: £59,812,473) divided by the shares in issue at the end of the year of 32,870,810 after excluding treasury shares (2019: 29,149,464).

The Company's diluted NAV per share of 317.18 pence is based on the net assets of the Company at the year-end of £104,257,996 (2019: £59,812,473) divided by the shares in issue at the end of the year, as adjusted for the effects of dilutive potential ordinary shares of 32,870,810 after excluding treasury shares (2019: 29,149,464).

19 Net cash used in operating activities

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

	2020 Company £	**2019 Company** £
Net investment expense	(3,024,062)	(2,337,630)
Adjustments:		
Adjustment for accrued interest on loan to Hamsard 3463 Limited	(151,776)	–
Share based payment expense	71,158	120,544
Movement in loans from associates	(33,907)	–
Provision for future issue of shares	(350,000)	–
	(3,488,587)	(2,217,086)
Non-cash items		
Movement in trade and other receivables	66,517	(215,872)
Movement in trade and other payables	535,826	28,556
Net cash used in operating activities	**(2,886,244)**	**(2,404,402)**

20 Financial instruments

The Company's financial instruments comprise:

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

Financial risk management objectives and policies

The main risks arising from the Company's financial instruments are liquidity risk, credit risk, market price risk and interest rate risk. None of those risks are hedged. These risks arise through directly held financial instruments and through the indirect exposures created by the underlying financial instruments in the associates. These risks are managed by the Directors in conjunction with the Investment Advisor. The Investment Advisor is responsible for day to day management of financial instruments in the associates.

20 Financial instruments continued

Capital management

The Company's capital comprises share capital, share premium and reserves and is not subject to externally imposed capital requirements.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's liquid assets comprise cash and cash equivalents and trade and other receivables, which are readily realisable.

Residual contractual maturities of financial liabilities

31 January 2020	Less than 1 month £	1 month to 1 year £	1 – 5 years £	Over 5 years £	No stated maturity £
Financial liabilities					
Trade and other payables	678,704	–	–	–	–
Loan note instruments	–	–	3,936,217	–	–
Loans from associates	–	–	–	–	–
Total	**678,704**	**–**	**3,936,217**	**–**	**–**

31 January 2019	Less than 1 month £	1 month to 1 year £	1 – 5 years £	Over 5 years £	No stated maturity £
Financial liabilities					
Trade and other payables	492,878	–	–	–	–
Loan note instruments	–	–	3,915,612	–	–
Loans from associates	–	–	–	–	–
Total	**492,878**	**–**	**3,915,612**	**–**	**–**

Credit risk

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

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

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

20 Financial instruments continued

Credit risk continued

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

	2020 £	2019 £
Cash and cash equivalents	25,604,783	29,125,615
Trade and other receivables	135,745	180,103
Total	**25,740,528**	**29,305,718**

Cash balances are placed with HSBC Bank plc and Barclays Bank plc both of which have the credit rating of A1 Negative (Moody's).

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is exposed to a market price risk via its equity investments held through its interests in associates, which are stated at fair value.

Market price risk sensitivity

The Company is exposed to market price risk with regard to its investment in the partnerships, which own equity interests in a number of quoted and unquoted companies which are stated at fair value. Sensitivity analysis cannot be performed with any reliability on the unquoted equity investments. Luceco plc was quoted on the Main Market of the London Stock Exchange at 31 January 2020. If Luceco plc's share price had been 5.0% higher than actual close of market on 31 January 2020, EPE Special Opportunities Limited's NAV / share would have been 2.38% higher than reported. If Luceco's share price had been 5.0% lower than actual close of market on 31 January 2020, EPE Special Opportunities Limited's NAV / share would have been 2.38% lower than reported. Such movement would have had a corresponding effect on the profit for the year.

Interest rate risk

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

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

31 January 2020 **Assets**	Less than 1 month £	1 month to 1 year £	1 – 5 years £	Over 5 years £	Non- interest bearing £	Total £
Receivables and cash						
Trade and other receivables	–	–	–	–	135,745	135,745
Cash and cash equivalents	25,604,783	–	–	–	–	25,604,783
Total financial assets	**25,604,783**	**–**	**–**	**–**	**135,745**	**25,740,528**
Liabilities						
Financial liabilities measured at amortised cost						
Trade and other payables	–	–	–	–	(678,704)	(678,704)
Unsecured loan note instruments	–	–	(3,936,217)	–	–	(3,936,217)
Total financial liabilities	**–**	**–**	**(3,936,217)**	**–**	**(678,704)**	**(4,614,921)**
Total interest rate sensitivity gap	**25,604,783**	**–**	**(3,936,217)**	**–**	**–**	**–**

20 Financial instruments continued

Interest rate risk continued

31 January 2019 Assets	Less than 1 month £	1 month to 1 year £	1 – 5 years £	Over 5 years £	Non-interest bearing £	Total £
Receivables and cash						
Trade and other receivables	–	–	–	–	180,103	180,103
Cash and cash equivalents	29,125,615	–	–	–	–	29,125,615
Total financial assets	**29,125,615**	**–**	**–**	**–**	**180,103**	**29,305,718**
Liabilities						
Financial liabilities measured at amortised cost						
Trade and other payables	–	–	–	–	(492,878)	(492,878)
Unsecured loan note instruments	–	–	(3,915,612)	–	–	(3,915,612)
Total financial liabilities	**–**	**–**	**(3,915,612)**	**–**	**(492,878)**	**(4,408,490)**
Total interest rate sensitivity gap	**29,125,615**	**–**	**(3,915,612)**	**–**	**–**	**–**

Interest rate sensitivity

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

Currency risk

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

Exposure to other market price risk

The investment advisors monitors the concentration of risk for equity and debt securities based on counterparties and industries (and geographical location). The Company's equity and debt investments are concentrated in the following industries.

	2020 %	2019 %
Retail	21.2	19.2
Engineering, Manufacturing and Distribution	52.5	33.1
Healthcare	0.7	1.5
Third Party Funds	1.4	2.9
Bank Deposits	24.2	43.2
	100.0	**100.0**

The Company notes that there was a concentration on the Engineering, Manufacturing and Distribution sector, representing 52.5% of investments for the year ended 31 January 2020 (31 January 2019: 33.1%). The Company monitors carefully the sector concentration risk across the portfolio.

20 Financial instruments continued

Operational risk

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities with financial instruments, either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The Company's objective is to manage operational risk so as to balance the limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures;
- requirements for:
  - appropriate segregation of duties between various functions, roles and responsibilities;
  - reconciliation and monitoring of transactions; and
  - periodic assessment of operational risk faced;
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective.

The Company's key service providers include the following:

- Administrator: Langham Hall Fund Management (Jersey) Limited
- Investment Advisor: EPIC Private Equity LLP
- Financial Administrator: EPE Administration Limited
- Nominated Advisor and Broker: Numis Securities Limited

The directors' assessment of the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via regular discussions with the service providers as well as site visits to their offices. The Company also undertakes periodic third party reviews of service providers' activities.

21 Directors' interests

Four of the Directors had interests in the shares of the Company as at 31 January 2020 (2019: five). Nicholas Wilson holds 128,764 ordinary shares (2019: 120,894). Robert Quayle held 109,979 ordinary shares (2019: 107,201). Clive Spears held 129,270 ordinary shares (2019: 125,105) and Heather Bestwick held 13,888 ordinary shares (2019: 12,500).

22 Related parties

Directors' fees expense during the year amounted to £154,264 (year ended 31 January 2019: £154,000) of which £12,833 is accrued as at 31 January 2020 (2019: £12,833)

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 7).

Details of remuneration 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 (see note 16).

23 Subsidiary companies

On 29 October 2005, the Company incorporated EPIC Reconstruction Property Company (IOM) Limited, in the Isle of Man, which was incorporated to allow the Company to look into possible investments in IOM which did not transpire the way it was intended to. As a result, there has been no trading activity being carried out through the subsidiary. EPE Special Opportunities Limited owns 100% ordinary shares of EPIC Reconstruction Property Company (IOM) Limited.

On 16 November 2012, the Company incorporated Corvina Limited, in the Isle of Man, whose principal activity is that of acquiring shares in the Company, which are held as treasury shares (see note 16). EPE Special Opportunities Limited owns 100% ordinary shares of Corvina Limited ordinary shares.

The Company is deemed to have control of its Trust, which is therefore considered a subsidiary of the Company. EPE Special Opportunities owns 100% ordinary shares of the Trust.

24 Subsequent events

Following the year end, the Directors purchased 21,473 ordinary shares in the Company at a price of 200.00 pence per ordinary share.

COVID-19

Since the end of the review period on 31 January 2020, the spread of COVID-19 has accelerated with significant social, humanitarian and economic impacts being experienced globally. These impacts are anticipated to continue, if not increase, in the near term; the outlook thereafter remains uncertain.

The Board and IA have provided a review of how the spread of COVID-19 is likely to impact the Company and its investments in the Chairman's Statement and Investment Advisors Report, respectively.

The Company maintains strong liquidity of £26.4 million and operates with modest committed outgoings. The Company has £3.9 million of outstanding ULNs and could in extremis defer the proposed repayment of £2.0 million in July 2020 to July 2022. The Company has no other third -party debt outstanding.

On 24 March 2020, Luceco, the Company's largest asset, updated the market, in light of the spread of COVID-19, on its financial position and outlook in a RNS announcement. Luceco has traded on budget for first quarter of 2020, has modest financial debt of 1.1x net debt to EBITDA and significant available liquidity with £24 million undrawn against committed banking facilities (as at 31 December 2019).

On 26 March 2020, the Company updated the market, in light of the spread of COVID-19, on its financial position and outlook in a RNS announcement. The Company detailed its current liquidity, the steps taken to maintain operational efficiency and the position of the portfolio companies.

On 3 April 2020, the Company updated the market on its financial position in a RNS announcement. The Company disclosed that, as at 31 March 2020, the Company estimated its NAV to be 244.95 pence per ordinary share. As at 31 March 2020, the share price of Luceco, the Company's largest asset, was 76.20 pence.

Schedule of shareholders holding over 3% of issued shares

As at 31 January 2020

	Percentage holding
Giles Brand	31.28%
Corporation of Lloyds	8.97%
Miton Asset Management	4.65%
Cannacord Genuity Wealth Management	4.15%
Total over 3% holding	**49.05%**

For your notes

Company Information

Directors	C.L. Spears *(Chairman)* H. Bestwick D. Pirouet R.B.M. Quayle N.V. Wilson
Investment Advisor	EPIC Private Equity LLP Audrey House 16-20 Ely Place London EC1N 6SN
Auditors and Reporting Accountants	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM1 1LA
Bankers	Barclays Bank plc 1 Churchill Place Canary Wharf London E14 5HP HSBC Bank plc 1st Floor 60 Queen Victoria Street London EC4N 4TR
Administrator and Company Address	Langham Hall Fund Management (Jersey) Limited Liberation House Castle Street, St Helier Jersey JE1 2LH
Nominated Advisor and Broker	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Registered Agent (Bermuda)	Conyers Dill & Pearman Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Registrar and CREST Providers	Computershare Investor Services (Jersey) Limited Queensway House Hilgrove Street St. Helier JE1 1ES
Investor Relations	Richard Spiegelberg Cardew Company 5 Chancery Lane London EC4A 1BL

EPE Special Opportunities
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 Aquis Stock Exchange and is advised by EPIC Private Equity LLP.