EPE Special Opportunities

Report & Accounts | **January 2021**

Annual Report and Accounts
for the Year Ended 31 January 2021

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Annual Review

Chairman’s Statement

The performance of the Company in the year ended 31 January 2021 was pleasing in the face of acute disruption caused by the spread of COVID-19. The Board, Investment Advisor and the management of the portfolio companies have continued to prioritise the protection and wellbeing of colleagues, whilst safeguarding the financial position of the Company and its investments. The Board and IA are carefully monitoring the outlook for the UK economy as progress is made in vaccination programmes and public health restrictions are hopefully eased over the coming period.

The Net Asset Value (“NAV”) per share of the Company as at 31 January 2021 was 437.63 pence per share, representing an increase of 38.0 per cent. on the NAV per share of 317.18 pence as at 31 January 2020. The share price of the Company as at 31 January 2021 was 271.00 pence, representing an increase of 36.2 per cent. on the share price of 199.00 pence as at 31 January 2020.

Luceco plc’s share price performed well, achieving a 84.9 per cent. increase in the year ended 31 January 2021. The business announced strong trading for the year ended 31 December 2020, delivering year-on-year revenue growth, increased profitability and a reduction in leverage in the period. In November 2020, the Company sold 4.0 million shares in Luceco plc, returning £10.0 million cash to ESO, whilst retaining a 24.9 per cent. holding in the business.

Whittard of Chelsea’s (“Whittard”) business model was subject to unprecedented disruption during the year ended 31 December 2020 as a result of COVID-19. Whilst retail stores were Whittard’s largest and most profitable sales channel in 2019, sales from the channel contracted by 60 per cent. in 2020. Despite the disruption to the UK store estate, Whittard remained EBITDA positive due to growth in its ecommerce business. The Board is looking forward to the upcoming re-opening of Whittard’s stores, although it is carefully monitoring the outlook for inbound tourism to the UK, which contributed to sales through UK stores. Whittard has continued to pursue compelling international opportunities, with the business’s Asian operations trading strongly. Corporate gifting, online marketplaces and additional new geographies also provide encouragement for the future.

David Phillips has made pleasing progress, building on the profitable and growing platform established in the prior period. Sustainable profitability ahead of the prior year was achieved due to structural cost benefits gained as a result of the turnaround phase of ESO’s ownership and, more recently, through efficiencies identified in response to the COVID-19 crisis. The business has promising momentum, driven by a growing pipeline of large-scale projects in institutional build-to-rent and developer markets.

Pharmacy2U experienced a significant acceleration in sales as patients sought direct-to-home alternatives to collecting prescriptions in high street pharmacies, continuing its impressive growth trajectory. The business’s new distribution facility began dispensing live orders in November 2020, providing significant additional capacity to support future expansion.

On 1 September 2020, the Company completed a £1.9 million investment into Atlantic Credit Opportunities Fund, a credit opportunities hedge fund which focuses on European high yield credit. On 12 November 2020, the Company completed a further $2.5 million investment in a segregated account of Prelude Structured Alternatives Master Fund LP, a multi-manager hedge fund platform. Both funds are managed by a subsidiary of the Investment Advisor. The investments in these funds will provide ESO with the opportunity to generate uncorrelated returns over the multi-year aftermath of the significant dislocations in credit markets caused by the COVID-19 pandemic. In the year ended 31 December 2020, ACOF achieved a net return of 13.2 per cent, ahead of the high yield market and hedge fund peers.

The Company has liquidity of £28.0 million[1] as at 31 January 2021. The Company has £3.9 million of outstanding unsecured loan notes repayable in July 2022 and has no other third-party debt outstanding. The Company is considering raising additional funding by the way of a loan note in the coming year to provide funding for potential investments that are being considered in the pipeline.

At the forthcoming Annual General Meeting, Robert Quayle will be stepping down as a director of the Company. The Board would like to thank Robert for his dedication to the Company over his long period of service. On a personal note, the directors would like to thank him for his wise counsel and to wish him all the best for the future. The Company has commenced considerations for recruitment of a new independent Director to join the Board in due course.

I would like to thank my fellow directors, the Investment Advisor, the Company's other service providers and colleagues across the portfolio for their efforts over this challenging and unprecedented period. These efforts leave the Company well positioned for the future.

Clive Spears
Chairman
22 March 2021

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

Investment Advisor's Report

The year ended 31 January 2021 has been dominated by the outbreak and response to COVID-19, requiring the Investment Advisor ("IA") to focus on positioning the portfolio to safely navigate a rapidly changing trading environment. Encouragingly, the portfolio has proven to have overall resilience to the turbulence experienced. As the IA looks to the future, it is encouraged by the healthy pipeline of attractive investment opportunities under review with the reduced corporate finance activity in 2020 generating a backlog of demand in 2021. The challenging macro environment may also generate an increase in the number of well-priced opportunities and companies in need of external funding. The IA and the Board are both optimistic that the portfolio can build on the perseverance shown through 2020 and be augmented by the deployment of further capital in the near term.

The Company

The Net Asset Value ("NAV") per share of the Company as at 31 January 2021 was 437.63 pence per share, representing an increase of 38.0 per cent. on the NAV per share of 317.18 pence as at 31 January 2020. The share price of the Company as at 31 January 2021 was 271.00 pence, representing an increase of 36.2 per cent. on the share price of 199.00 pence as at 31 January 2020.

The Company maintains strong liquidity and prudent levels of third-party leverage. The Company has cash balances of £28.0 million[1] as at 31 January 2021, which are available to support the existing portfolio, meet committed obligations and to deploy into attractive investment opportunities. Net debt in the underlying portfolio stands at 0.3x EBITDA in aggregate. In November 2020, the Company partially sold down its stake in Luceco plc, returning £10.0 million cash to ESO to maintain liquidity and finance new acquisitions.

The Portfolio

The Company's portfolio is valued at a weighted average enterprise value to EBITDA multiple of 5.8x for mature assets (excluding assets investing for growth). The valuation has been derived by reference to relevant quoted comparables, after the application of an appropriate discount to adjust for the portfolio's scale and unquoted nature (i.e. an illiquidity discount). Given the use of quoted comparables/actuals generally, the valuation reflects the fair value of assets as at the balance sheet date. The IA notes that the fair market value of the portfolio remains exposed to a volatile macro environment and consequent equity valuations.

The share price of Luceco plc as at 31 January 2021 was 260.00 pence, representing an increase of 84.9 per cent. vs. the prior year. On 23 March 2021, Luceco plc released its results for the year ended 31 December 2020. The business reported year-on-year revenue growth of 2.4 per cent. despite disruption in the first half of 2020. In addition, the business achieved year-on-year gross margin gains (39.8 per cent. vs. 36.2 per cent. in the prior year) and increased profitability (£30.0 million operating profit vs. £18.0 million in the prior year) following the successful implementation of manufacturing improvements, a shift in sales mix towards high margin professional sales and tight control of overheads. Net debt improved by £9.1 million over the year to £18.0 million at 31 December 2020. In addition, dividends were reinstated at the interim point, including a catch-up payment for dividends suspended earlier in the year. On 13 November 2020, the Company sold down 9.1 per cent. of its investment in Luceco plc in the market, providing £10.0 million in funds for new investments.

Whittard of Chelsea ("Whittard") has experienced unprecedented adverse trading conditions during the COVID-19 pandemic. Performance was significantly impacted by the closure of the UK retail estate, the business's largest sales channel, following the announcement of government social distancing rules. Whittard's online channel performed exceptionally well in the period; partially compensating for sales lost as a result of the closure of the retail estate. Looking ahead, the business is focused on the re-opening of stores across its retail estate. Confidence in the outlook for Whittard is qualified by its exposure to tourism from overseas, which is expected to recover at a slower rate than the remainder of the UK economy. The business has continued to make pleasing progress in developing its multi-channel strategy, introducing corporate gifting and online marketplace channels in the period, and making further progress in developing its international presence.

David Phillips performed well in 2020, delivering sales in line with the prior year and achieving significantly improved profitability. The historic focus of management and the IA on improving the financial resilience and operational flexibility of the business during the turnaround phase meant that David Phillips was well positioned for the macro disruption caused by COVID-19. Positive steps have been taken in the last twelve months, most notably in the growing pipeline of large-scale projects, the addition of new management team members, and the refinancing of the Company's debt facilities to improve the long-term capital structure of the business. The IA and the management team are closely monitoring the property market to allow the business to respond to systemic market changes brought about by the COVID-19 crisis. The IA believes the business is well placed to take advantage of these trends given its diversified customer base, which encompasses both private landlords and the institutional residential property market.

Pharmacy2U experienced significant growth in both sales and registered patients in the period as a result of the increase in demand for direct-to-home pharmacy driven by the pandemic. Pharmacy2U's new Leicester facility was opened in September 2020, with the first live orders dispatched in November 2020. The new facility will provide the business with substantially increased capacity, enabling the business to support its future growth trajectory.

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 continues to distribute capital to the Company.

On 1 September 2020, the Company completed a £1.9 million investment into Atlantic Credit Opportunities Fund, a credit opportunities hedge fund which focuses on European high yield credit. On 12 November 2020, the Company completed a further $2.5 million investment in a segregated account of Prelude Structured Alternatives Master Fund LP, a multi-manager hedge fund platform. Both funds are managed by a subsidiary of the Investment Advisor. The investments in these funds will provide ESO with the opportunity to generate uncorrelated returns over the multi-year aftermath of the significant dislocations in credit markets caused by the COVID-19 pandemic. In the year ended 31 December 2020, ACOF achieved a net return of 13.2 per cent, ahead of the high yield market and hedge fund peers.

EPE would like to join the Board in extending its thanks to Robert Quayle for the years of the support he has provided to the Company. Robert has been a Board member since inception; during his tenure the Company has grown considerably and weathered several economic cycles. We are grateful for the support and encouragement Robert has shown EPE and its team members over the years of his directorship. We wish him the very best for the future.

The IA would like to thank the management and employees of the portfolio companies for their hard work and dedication during this unprecedented period. The IA is also grateful for the continued support and counsel of the Board and the Company's shareholders.

EPIC Private Equity LLP
Investment Advisor to the Company

22 March 2021

As at 31 January 2021

NAV per share	**437.63 pence**
Share price	**271.00 pence**
Portfolio returns	**7.4x MM / 26.7% IRR**
Mature unquoted asset valuation[2]	**5.8x EV/EBITDA**
Portfolio leverage	**0.3x Net Third Party Debt/EBITDA**

1 Company liquidity is stated inclusive of cash held by 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: Whittard of Chelsea

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:

7.4x Portfolio current money multiple	26.7% Portfolio current IRR	67.6% Premium to NAV on last three exits	671.4% 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 per cent. 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 per cent. IRR.
- September 2020: ESO invests £1.9 million in Atlantic Credit Opportunities Fund, a credit opportunities hedge fund.
- November 2020: ESO invests $2.5 million in a segregated account of Prelude Structured Alternatives Master Fund LP, a multi-manager hedge fund platform.
- November 2020: ESO realises £10.0 million from the sale of shares in Luceco plc and retains a 24.9 per cent. holding.

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 3.1x money multiple and 17.1 per cent. IRR on its investments to 31 January 2021.
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.
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 19 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 671.4 per cent. over the last 10 years. Current portfolio returns are 7.4x MM and 26.7 per cent. IRR to 31 January 2021.
Access to high quality portfolio	The Company offers investors access to a conservatively valued, high growth portfolio. Mature unquoted assets (exluding assets investing for growth) are valued at 5.8x EBITDA. The combined sales of the portfolio have grown at a CAGR* of 9.3 per cent. 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 is the largest investor in 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 Deutsche International Corporate Services Limited and Rathbone Investment Management International Limited.

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.

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 was previously non-executive Director and Chair of the Audit and Risk committee for GCP Infrastructure Investments (FTSE 250 listed company) until he retired in February 2021.

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 Partner and the founder of EPE. He is currently Non-executive Chairman of Whittard of Chelsea and 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$5bn under management. Prior to this, Giles worked in Mergers and Acquisitions at Baring Brothers in Paris and London. Giles read History at Bristol University.

Hiren Patel

Hiren Patel is the Managing Director of EPE Administration and is a Partner and the Finance Director and Compliance Officer of EPE. He has worked in the investment management industry for the past twenty years. Before joining EPE Administration, Hiren was Finance Director of EPIC Investment Partners. Prior to this, Hiren was employed at Groupama Asset Management where he was the Group Financial Controller.

Robert Fulford

Robert Fulford is a Managing Director at EPE. He previously worked at Barclaycard Consumer Europe before joining EPE. Whilst at Barclaycard, Robert was the Senior Manager for Strategic Insight and was responsible for identifying, analysing and responding to competitive forces. Prior to Barclaycard, Robert spent four years as a strategy consultant at Oliver Wyman Financial Services, where he worked with a range of major retail banking and institutional clients in the UK, mainland Europe, Middle East and Africa. At EPE, Robert manages the investments in Whittard of Chelsea and David Phillips. Robert read Engineering at Cambridge University.

James Henderson

James Henderson is a Managing Director at EPE. He previously worked in the Investment Banking division of 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. At EPE, James manages the investment in Pharmacy2U. James read Modern History at Oxford University and Medicine at Nottingham University.

Alex Leslie

Alex Leslie is a Managing Director at EPE. He previously worked in Healthcare Investment Banking at Piper Jaffray before joining EPE. Whilst at Piper Jaffray he worked on a number of M&A transactions and equity fundraisings within the Biotechnology, Specialty Pharmaceutical and Medical Technology sectors. At EPE, Alex manages the investment in Luceco plc. Alex read Human Biological and Social Sciences at the University of Oxford and obtained an MPhil in Management from the Judge Business School at the University of Cambridge.

Ian Williams

Ian Williams is a Managing Director at EPE. He was previously a Partner at Lyceum Capital Partners LLP, responsible for deal origination and engagement, 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 three credit fund investments.

Luceco plc
Supplier of wiring accessories and LED lighting

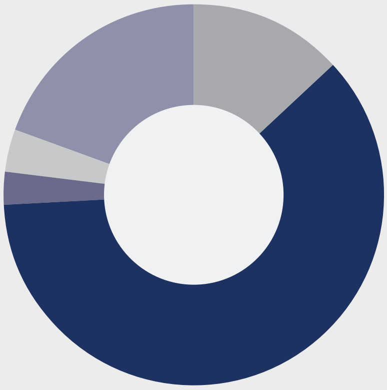
Whittard of Chelsea
Speciality tea, coffee and hot chocolate brand

David Phillips
Furniture provider to the UK property sector

Pharmacy2U
Leading online pharmacy in the UK

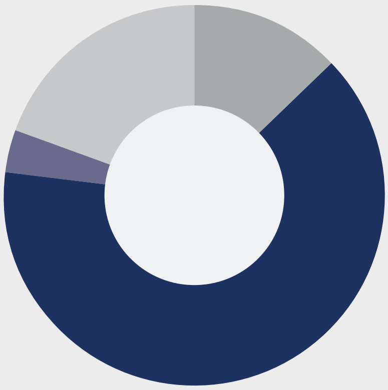
Credit Fund Investments
European Capital Private Debt Fund LP, Atlantic Credit Opportunities Fund and Prelude Structured Alternatives Master Fund LP

Sector Diversification



- Retail (13.3%)
- Engineering, Manufacturing and Distibution (61.1%)
- Healthcare (2.7%)
- Credit Funds (3.6%)
- Bank Deposits (19.3%)

Instrument Diversification



- Shareholder Loans (12.9%)
- Equity (64.2%)
- Credit Funds (3.6%)
- Bank Deposits (19.3%)

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:	**24.9%**
Financial year:	**December**
Latest sales:	**£176.2m (2020)**

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 23 March 2021, Luceco plc released its results for the year ended 31 December 2020. The business reported year-on-year revenue growth of 2.4 per cent. despite disruption in the first half of 2020. In addition, the business achieved year-on-year gross margin gains (39.8 per cent. vs. 36.2 per cent. in the prior year) and increased profitability (£30.0 million operating profit vs. £18.0 million in the prior year) following the successful implementation of manufacturing improvements, a shift in sales mix towards high margin professional sales and tight control of overheads. Net debt improved by £9.1 million over the year to £18.3 million at 31 December 2020. In addition, dividends were reinstated at the interim point, including a catch-up payment for dividends suspended earlier in the year.

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:	**£34.0m (2020)**

* 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 (45 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

Whittard of Chelsea has experienced unprecedented adverse trading conditions during the COVID-19 pandemic. Performance was significantly impacted by the closure of the UK retail estate, the business's largest sales channel, following the announcement of government social distancing advice. Whittard's online channel performed exceptionally well in the period; partially compensating for sales lost as a result of the closure of the retail estate. The business has continued to make pleasing progress in developing its multi-channel strategy, introducing corporate gifting and online marketplace channels in the period, and making further progress in developing its international presence.

Outlook

Retail trading is expected to be impacted in the medium term by decreased UK and international consumer footfall. The business is realigning its cost base and operations in line with expected levels of trading. The business has no external debt facilities and has taken 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:	**36.8%**
Financial year:	**March**
Latest sales:	**£40.4m (2020)**

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

David Phillips performed well in 2020, delivering sales in line with the prior year and achieving significantly improved profitability. The historic focus of management and the IA on improving the financial resilience and operational flexibility of the business during the turnaround phase meant that David Phillips was well positioned for the macro disruption caused by COVID-19. Positive steps have been taken in the last twelve months, most notably in the growing pipeline of large-scale projects, the addition of new management team members, and the refinancing of the Company's debt facilities to improve the long-term capital structure of the business.

Outlook

The IA and the management team are closely monitoring the property market to allow them to respond to systemic market changes brought about by the COVID-19 crisis. The IA believes the business is well placed to take advantage of trends towards build-to-rent and urban redevelopment given its diversified customer base, which encompasses both private landlords and the institutional residential property market. 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.

Pharmacy2U

Leading online pharmacy in the UK

Key facts

Location:	**West Yorkshire**
Sector:	**Healthcare**
Type of deal:	**Growth**
Equity holding*:	**1.8%**
Financial year:	**March**
Latest sales:	**£78.3m (2020)**

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 facilities in Leeds and Leicestershire which employ automated dispensing systems and have 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.

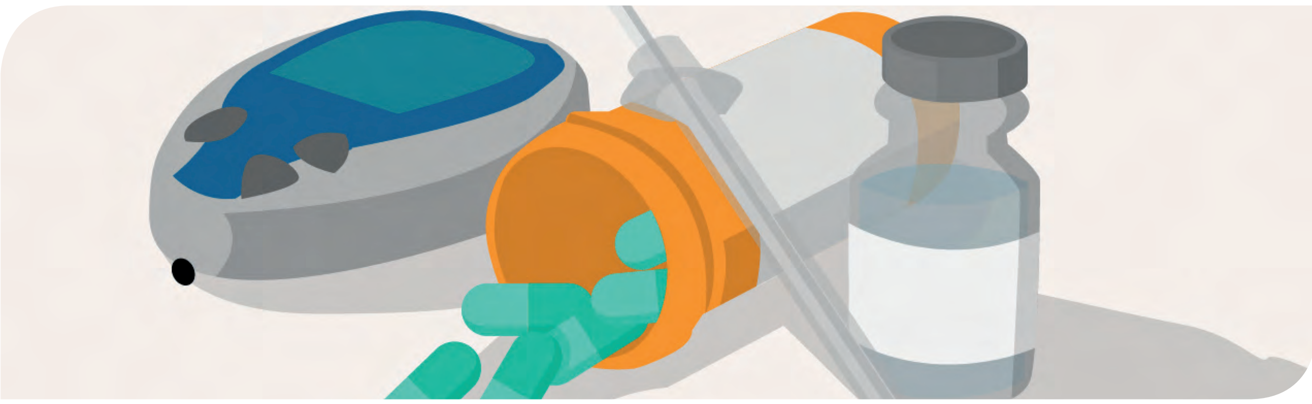
Recent developments

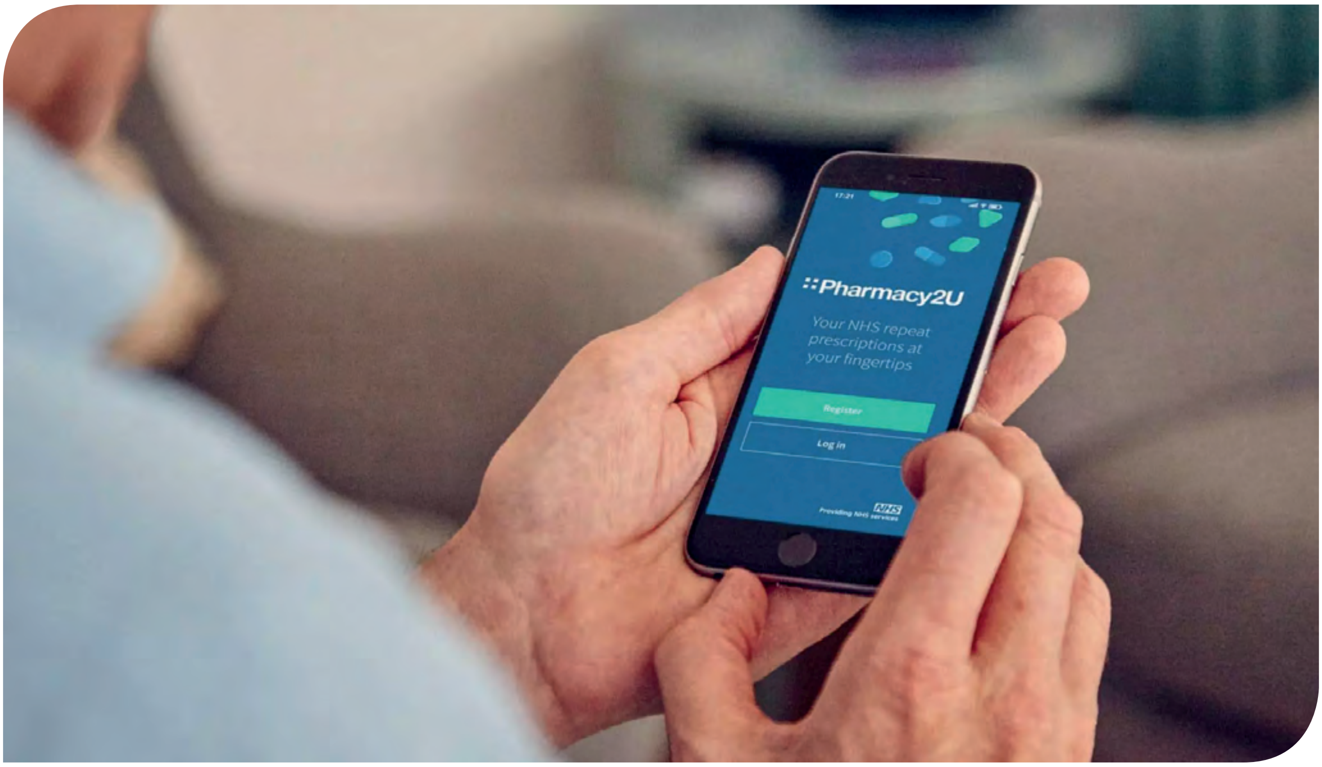
Pharmacy2U experienced significant growth in both sales and registered patients in the period as a result of the increase in demand for direct-to-home pharmacy driven by the pandemic. Pharmacy2U's new Leicester facility was opened in September 2020, with the first live orders dispatched in November 2020.

Outlook

Pharmacy2U remains focussed on consolidating its position as the UK's leading online pharmacy by acquiring patients with NHS repeat prescription requirements. The new Leicester facility will provide the business with substantially increased capacity, enabling the business to support its future growth trajectory.

* Post growth capital investment, in March 2018, March 2019 and March 2020 and on a non-diluted basis





ESO portfolio asset: Pharmacy2U

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.

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 regular calls (which will be replaced by physical meetings once travel restrictions permit).

During the past year the Risk and Audit Committee carried out an ongoing review of its own effectiveness. 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 compliance with 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 2021 is expected to be £64,000 (2020: £58,500).

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.

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 current year is the sixth year in which the audit has been undertaken by the current engagement partner at KPMG. The extension of the engagement beyond the typical five year limit has been agreed following the deferral of the audit tender process as a result of COVID-19.

The Board will review the performance and services offered by Langham Hall, as fund administrator and EPEA as fund sub-administrator on an ongoing basis. EPEA completed its triennial agreed upon procedures review during the period.

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
22 March 2021

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
22 March 2021

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 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. In the current year Board and Committee meetings have been conducted by video conference as a result of COVID-19 restrictions. 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. In the current year, this site visit has not been possible as a result of COVID-19 restrictions. 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.*

<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.* *Nick Wilson is the senior independent director of the Company.*
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 directors collectively review the succession plan for the Board on an annual basis, with recruitment of directors, when necessary, aligned to the skill reviews performed by the Board.*

Corporate Governance (continued)

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

QCA Code Application	Explanation of the Company's Compliance
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	
A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company. In particular, appropriate communication and reporting structures should exist between the board and all constituent parts of its shareholder base. This will assist: • the communication of shareholders' views to the board; and • the shareholders' understanding of the unique circumstances and constraints faced by the company. It should be clear where these communication practices are described (annual report or website).	*The annual 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 of Chelsea

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 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.

Place of business

During the year, the Company solely operated out of and was controlled from:

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

Results of the financial year

Results for the year are set out in the Statements of Comprehensive Income on page 49 and in the Statement of Changes in Equity on page 51.

Dividends

The Board does not recommend a dividend in relation to the current year (2020: 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.

Robert Quayle will be stepping down from the Board at the 2021 Annual General Meeting.

Audit and Risk Committee

The activities of the Audit and Risk Committee continued, 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 per cent. 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

Staff

At 31 January 2021 the Company employed no staff (2020: none).

Auditors

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

The current year is the sixth year in which the audit has been undertaken by the current engagement partner at KPMG. The extension of the engagement beyond the typical five-year limit has been agreed following the deferral of the audit tender process as a result of COVID-19.

On behalf of the Board

Heather Bestwick
Director

22 March 2021

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 statement 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

Our opinion is unmodified

We have audited the financial statements of EPE Special Opportunities Limited (“the Company”) For the year ended 31 January 2021 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 accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2021 and of the Company's profit for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards 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 FRC Ethical Standards, as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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

Key audit matters are those matters that, in our professional judgement, 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. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2020):

	The risk	Our response
Valuation of unquoted investments: **£28.4m** (2020: £25.4m). Refer to page 28 (Significant accounting matters identified by the Audit and Risk Committee), note 3 (accounting policies), note 2d (estimates and judgements, including impact of COVID-19), note 11 (investments at fair value through profit or loss) and note 12 (fair value of financial instruments).	**Subjective valuation:** 24% 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 valuation principles of International Financial Reporting Standard 13 (IFRS "13") 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 impact of COVID-19 on the economy has increased this uncertainty.	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 the valuation principles of IFRS 13, 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; **Use of KPMG specialists:** We involved KPMG specialists to examine the methodology adopted for the valuations and challenge the assumptions and key judgements in the valuations. **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.

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

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

Materiality for the financial statements as a whole was set at £1.2m (2020: £0.8m), determined with reference to a benchmark of total assets of £145.3m (2020: £109.2m), of which it represents approximately 0.83% (2020: 0.73%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the Company was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £0.9m (2020: £0.6m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.06m (2020: £0.04m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

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 its 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 its ability to continue as a going concern for at least a year from the date of approval of thefinancial statements (the "going concern period").

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. The risk that we considered most likely to affect the Company's financial resources or ability to continue operations over this period was the availability of capital to meet operating costs and other financial commitments.

We considered whether this risk could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from this risk against the level of available financial resources indicated by the Company's financial forecasts.

We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in the notes to the financial statements to be acceptable.

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 above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or impacts on the Company's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 4, 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.

The purpose of this report and restrictions on its use by persons other than the Company's members, as a body

This report is made solely to the Company's members, as a body, in accordance with the terms of engagement as detailed in our letter dated 4 August 2020. 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

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

22 March 2021

Statement of Comprehensive Income

For the year ended 31 January 2021

Note		Revenue £	Capital £	31 January 2021 Total £	31 January 2020 Total £
	Income				
4	Interest income	4,089	–	4,089	101,566
11	Gains on investments	–	42,012,143	42,012,143	39,568,491
	Total income	**4,089**	**42,012,143**	**42,016,232**	**39,670,057**
	Expenses				
5	Investment advisor's fees	(1,937,207)	–	(1,937,207)	(1,642,504)
6	Directors' fees	(154,000)	–	(154,000)	(154,264)
7	Share based payment expense	(682,525)	–	(682,525)	(71,158)
8	Other expenses	(669,769)	–	(669,769)	(1,257,703)
	Total expense	**(3,443,501)**	**–**	**(3,443,501)**	**(3,125,629)**
	Profit before finance costs and tax	**(3,439,412)**	**42,012,143**	**38,572,731**	**36,544,428**
	Finance charges				
15	Interest on unsecured loan note instruments	(319,685)	–	(319,685)	(319,685)
	Profit for the year before taxation	**(3,759,097)**	**42,012,143**	**38,253,046**	**36,224,743**
9	**Taxation**	**–**	**–**	**–**	**–**
	Profit for the year	**(3,759,097)**	**42,012,143**	**38,253,046**	**36,224,743**
	Other comprehensive income	–	–	–	–
	Total comprehensive income	**(3,759,097)**	**42,012,143**	**38,253,046**	**36,224,743**
17	**Basic earnings per ordinary share (pence)**	**(11.47)**	**128.16**	**116.69**	**112.86**
17	**Diluted earnings per ordinary share (pence)**	**(11.47)**	**128.16**	**116.69**	**112.86**

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, which are that the net gain/loss on investments is allocated to the capital column and all other income and expenses are allocated to the revenue column. 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 2021

Note		31 January 2021 £	31 January 2020 £
	Non-current assets		
11	Investments at fair value through profit or loss	117,256,810	83,382,923
		117,256,810	**83,382,923**
	Current assets		
13	Cash and cash equivalents	27,854,701	25,604,783
	Trade and other receivables	197,564	235,211
		28,052,265	**25,839,994**
	Current liabilities		
14	Trade and other payables	(659,645)	(1,028,704)
		(659,645)	**(1,028,704)**
	Net current assets	**27,392,620**	**24,811,290**
	Non-current liabilities		
15	Unsecured loan note instruments	(3,956,822)	(3,936,217)
		(3,956,822)	**(3,936,217)**
	Net assets	**140,692,608**	**104,257,996**
	Equity		
16	Share capital	1,730,828	1,726,953
	Share premium	13,619,627	13,489,826
	Capital reserve	126,297,577	84,285,434
	Revenue reserve	(955,424)	4,755,783
	Total equity	**140,692,608**	**104,257,996**
18	**Net asset value per share (pence)**	**437.63**	**317.18**

The financial statements were approved by the Board of Directors on 22 March 2021 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 2021

Note		Year ended 31 January 2021 Share capital £	Share premium £	Capital reserve £	Revenue reserve £	Total £
	Balance at 1 February 2020	1,726,953	13,489,826	84,285,434	4,755,783	104,257,996
	Total comprehensive income/(loss) for the year	–	–	42,012,143	(3,759,097)	38,253,046
	Contributions by and distributions to owners					
7	Share-based payment charge	–	–	–	682,525	682,525
7	Share ownership scheme participation	–	–	–	3,943	3,943
	Provision for future settlement	–	–	–	216,323	216,323
16	Purchase of shares	–	–	–	(2,068,761)	(2,068,761)
7	Share acquisition for JSOP scheme	–	–	–	(786,140)	(786,140)
16	Issue of new shares	3,875	129,801	–	–	133,676
	Total transactions with owners	**3,875**	**129,801**	**–**	**(1,952,110)**	**(1,818,434)**
	Balance at 31 January 2021	**1,730,828**	**13,619,627**	**126,297,577**	**(955,424)**	**140,692,608**

Note		Year ended 31 January 2020 Share capital £	Share premium £	Capital reserve £	Revenue reserve £	Total £
	Balance at 1 February 2019	1,503,286	3,867,209	44,716,943	9,725,035	59,812,473
	Total comprehensive income/(loss) for the 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
7	Share ownership scheme participation	–	–	–	64,980	64,980
	Provision for future issue of shares	–	–	–	(350,000)	(350,000)
16	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**

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

Statement of Cash Flows

For the year ended 31 January 2021

Note		31 January 2021 £	31 January 2020 £
	Operating activities		
	Interest income received	4,089	17,574
	Expenses paid	(2,896,656)	(2,903,818)
19	**Net cash used in operating activities**	**(2,892,567)**	**(2,886,244)**
	Investing activities		
11	Purchase of investments	(5,320,330)	(700,000)
11	Proceeds from investments	13,612,853	942,505
	Distributions from investments	–	768,650
	Net cash generated from investing activities	**8,292,523**	**1,011,155**
	Financing activities		
	Unsecured loan note interest paid	(299,080)	(299,080)
	Purchase of shares	(2,854,901)	(1,411,642)
	Share ownership scheme participation	3,943	64,980
	Net cash used in financing activities	**(3,150,038)**	**(1,645,742)**
	Increase/(decrease) in cash and cash equivalents	2,249,918	(3,520,831)
	Cash and cash equivalents at start of year	25,604,783	29,125,615
13	**Cash and cash equivalents at end of year**	**27,854,701**	**25,604,783**

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).

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.

As the Company is an investment entity per IFRS 10, interests in associates are measured at fair value.

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.

b. Basis of measurement

The financial statements have been prepared on the historical cost convention 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.

'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.

2 Basis of preparation continued

d. Use of estimates and judgements continued

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).

COVID-19 Impact:

The COVID-19 pandemic has had a significant impact on the valuation multiples, derived from quoted comparables, used in the preparation of the fair market valuation of the Company's unquoted investments. These quoted comparables are subject to both market volatility and uncertainty due to the impact of the pandemic and their trading outlook. The performance and financial position forecasted for the Company's portfolio is subject to the wider market uncertainty caused by the COVID-19 pandemic. These inputs have been used in the preparation of the fair market valuation of the Company's unquoted investments.

e. Unconsolidated structured entities

The Company invests in portfolio investments via three entities, which the Directors consider to be associates – see note 3(a) for an explanation of why these entities are not controlled but the Company has significant influence. The purpose of these entities is investment holding. These entities meet the definition of unconsolidated structured entities under IFRS 12. There are letters of support in place between the Company and ESO Investments 1 Limited and ESO Investments 2 Limited for the payment of expenses.

The total net assets of these three entities, inclusive of loan advanced by the Company, is £78,337,686 and the amount recognised in the Company's financial statements (as investments at fair value) is £117,256,810.

In respect of ESO Alternative Investments LP, the Company has 100% beneficial ownership of the entity and holds no voting rights.

In respect of ESO Investments 1 Limited, the Company has 80% beneficial ownership of the entity and holds no voting rights.

In respect of ESO Investments 2 Limited, the Company has 80% beneficial ownership of the entity and holds no voting rights.

There are no restrictions on the ability of the associates to transfer funds to the Company in the form of cash dividends or loan repayments.

f. Going concern

The Company's management has assessed the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3 Significant accounting policies

a. Basis of treatment of associates

Associates

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

The Company's portfolio investments are held via three entities in which the Company is the sole investor: ESO Investments 1 Limited, ESO Investments 2 Limited and ESO Alternative Investments LP (together the "Associates").

The primary activity of the Associates is to make, hold and realise investments with a view to profit. Any new investment made by the Company via the Associates is at the sole discretion of the Company. The Associates do not have any source of capital other than the Company and rely upon the Company for any investment funding. Investment funding advanced to the associates from the Company is contingent on it being used for the same investment. The associates are required to distribute any proceeds from each investment to the Company upon receipt. This indicates that the Company has significant influence over the primary activity of the Associates.

3 Significant accounting policies continued

a. Basis of treatment of associates continued

Associates continued

The Associates, via their general partner or their Board, have discretion over the management of their existing portfolio and on the realisation of those investments. The respective Boards, general partner and appointed investment managers of the Associates are independent of the Company and accordingly the Company does not control the investment activities of the Associates. This indicates that the Company does not have overall control over the primary activity of the Associates.

As the Company is the sole investor in the Associates, they do not meet the definition of a joint venture. The Company does not have control over the activities of the Associates and therefore the Directors consider that they do not meet the definition of subsidiaries. The Company has significant influence over the activities of the Associates and therefore the Directors consider that, for the reasons detailed above, they meet the definition of associates. The Company has taken advantage of the exemption from applying IAS 28 for investment entities and therefore the interests in these 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 comprise 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.
- 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.

3 Significant accounting policies continued

i. Financial assets and financial liabilities continued

i. Classification continued

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 the valuation principles of IFRS 13.

'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.

iii. Measurement continued

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.

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.

3 Significant accounting policies continued

i. Financial assets and financial liabilities continued

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 revenue reserves.

Capital Reserve and Revenue Reserve

The capital reserve comprises net gains and losses on investments. The revenue reserve comprises other income and expenses plus other items recorded directly in equity (excluding items recorded as share capital/share premium).

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 a share-based expense with a corresponding increase in revenue reserves within equity over the vesting period. Contributions received from employees as part of the JSOP arrangement are recognised directly in equity in the line share ownership scheme participation.

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 recognised by the Company as the Trust is considered to be an agent of the Company. 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

Several new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not adopted early the new or amended standards in preparing these financial statements.

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

	2021 Company £	2020 Company £
Cash balances	4,089	17,574
Bond interest income	–	83,992
Total	**4,089**	**101,566**

5 Investment advisory, administration and performance fees

Investment advisory fees

The investment advisory fee payable to EPIC Private Equity LLP ("EPE") is assessed and payable at the end of each fiscal quarter and is calculated as 2 per cent. 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 per cent. of the Company's NAV comprising Level 3 portfolio assets (i.e. unquoted assets), 1 per cent. 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 per cent. of the Company's net cash (if greater than nil), and 2 per cent. 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 £1,937,207 (2020: £1,642,504). The amount outstanding as at 31 January 2021 was £500,000 (2020: £500,000) (see note 14).

Administration fees

EPE Administration Limited provides accounting and financial administration services to the Company. The fee payable to EPE Administration Limited is assessed and payable at the end of each fiscal quarter and is calculated as 0.15 per cent. 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 per cent. of £100 million plus a fee of 0.1 per cent. of the excess of the Company's NAV above £100 million.

The charge for the current year was £163,212 (year ended 31 January 2020: £125,732).

Other administration fees during the year were £66,234 (2019: £72,499).

Performance fees paid by associates

The associates are stated at fair value. Performance fees are paid to the Investment Advisor based on the performance of the associates and deducted in calculating the fair value of associates.

Performance fee 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 cent. per annum has been achieved, the Investment Advisor is entitled to receive 20 per cent. of the increase in the base value of investment. For the year ended 31 January 2021, £767,311 has been credited to the profit share account of the Investment Advisor in the records of ESO Investments 1 Limited (2020: £2,718,340 credited).

Performance fee 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 cent. per annum has been achieved, the Investment Advisor is entitled to receive 20 per cent. of the increase in the base value of investment. For the year ended 31 January 2021, £16,125,708 has been credited to the profit share account of the Investment Advisor in the records of ESO Investments 2 Limited (2020: £4,726,677 credited).

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 (see note 7).

6 Directors' fees

	2021 Company £	2021 Share-based payment £	2020 Company £	2020 Share-based payment £
C.L. Spears (Chairman)	32,000	11,222	32,000	1,899
R.B.M. Quayle	30,000	10,440	30,000	4,062
N.V. Wilson	30,000	10,928	30,000	1,899
H. Bestwick	30,000	11,222	30,000	–
D.R. Pirouet	32,000	4,776	16,264	–
G.O Vero	–	–	16,000	–
Total	**154,000**	**48,588**	**154,264**	**7,860**

In addition to above, during the year, C.L. Spears and H. Bestwick, received Directors' fees for their directorship in ESO Investments 1 Limited and ESO Investments 2 Limited amounting to £3,000 each. The share-based payment expense is calculated as set out in note 7.

7 Share-based payment expense

The cost of equity-settled transactions to Participants in the JSOP Scheme are measured at fair value at the grant date. 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 the rest of the ordinary shares.

The Trust held 1,419,004 (2020: 956,569) matching shares at the year-end which have traditionally not voted (see note 16).

Nil shares vested to Participants in the year ended 31 January 2021 (2020: 79,055). 271,995 shares were awarded to Participants in the year ended 31 January 2021 (2020: 856,058).

The share-based payment expense in the Statement of Comprehensive Income has been calculated on the basis of the fair value of the equity instruments at the grant date 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 share-based payment expense in the year ended 31 January 2021 was £682,525 (2020: £71,158) of which £531,224 related to expenses incurred in the year ended 31 January 2021 and £151,301 related to expenses incurred in the year ended 31 January 2020. Of the total share-based payment expense in the year ended 31 January 2021, £48,588 related to the Directors (2020: £7,860) and the balance related to members, employees and consultants of the Investment Advisor.

8 Other expenses

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

	31 January 2021 Total £	31 January 2020 Total £
Administration fees	(229,446)	(198,231)
Directors' and officers' insurance	(22,356)	(22,665)
Professional fees	(221,697)	(780,440)
Board meeting and travel expenses	(1,981)	(16,425)
Auditors' remuneration	(55,000)	(50,000)
Bank charges	(659)	(1,095)
Irrecoverable VAT	(675)	(600)
Sundry expenses	(33,111)	(50,916)
Nominated advisor and broker fees	(60,710)	(55,740)
Listing fees	(44,134)	(81,591)
Other expenses	**(669,769)**	**(1,257,703)**

9 Taxation

The Company is a tax resident of Jersey and is subject to 0 per cent. corporation tax (2020: 0 per cent.). The Limited Liability Partnerships and Limited Partnerships are transparent for tax purposes.

ESO Alternative Investments LP is transparent for tax purposes.

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

10 Dividends paid and proposed

No dividends were paid or proposed for the year ended 31 January 2021 (2020: £nil).

11 Investments at fair value through profit or loss

	31 January 2021 £	31 January 2020 £
Investments at fair value through profit and loss*	117,256,810	83,382,923
	117,256,810	**83,382,923**

11 Investments at fair value through profit or loss continued

Investment roll forward schedule

	31 January 2021 £	31 January 2020 £
Investments at 1 February	83,382,923	34,793,620
Purchase of investments	5,320,330	700,000
Income from investments	(13,612,853)	(942,505)
Distributions (non-cash distribution in current year)	(66,664)	(768,650)
Buy out of accrued carried interest	–	9,846,284
Fair value movements	42,012,143	39,568,491
Loan to associates	220,931	185,683
Investments at 31 January	**117,256,810**	**83,382,923**

* Comprises associates stated at fair value in accordance with accounting policy set out in note 3(a) (ESO Investments 1 Limited, ESO Investments 2 Limited and ESO Alternative Investments LP).

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.

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).

12 Fair value of financial instruments continued

Unquoted private equity investments and third-party fund investments

Private equity investments and fund investments are classified as Level 3 in the IFRS 13 fair value hierarchy. The Company's investments in Whittard, David Phillips, Pharmacy2U, European Capital Private Debt Fund LP, EPE Junior Aggregator LP and Atlantic Credit Opportunities Fund Limited 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 per cent. and 25 per cent. 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 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.

31 January 2021	Level 1 £	Level 3 £	Total £
Financial assets at fair value through profit or loss			
Unquoted private equity investments (including debt)	–	23,156,643	23,156,643
Unquoted fund investments		5,265,686	5,265,686
Quoted equity investments	88,737,691	–	88,737,691
Investments at fair value through profit or loss	**88,737,691**	**28,422,329**	**117,160,020**
Other asset and liabilities (held at cost)	–	–	96,790
Total	**88,737,691**	**28,422,329**	**117,256,810**

12 Fair value of financial instruments continued

Fair value hierarchy – Financial instruments measured at fair value continued

31 January 2020	Level 1 £	Level 3 £	Total £
Financial assets at fair value through profit or loss			
Unquoted private equity investments (including debt)	–	23,892,971	23,892,971
Unquoted fund investments	–	1,512,259	1,512,259
Quoted private equity investments	57,227,830	–	57,227,830
Investments at fair value through profit or loss	**57,227,830**	**25,405,230**	**82,633,060**
Other asset and liabilities (held at cost)	–	–	749,863
Total	**57,227,830**	**25,405,230**	**83,382,923**

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.

Unquoted investments (including debt)	31 January 2021 £	31 January 2020 £
Balance as at 1 February	25,405,230	14,209,340
Additional investments	5,339,953	700,000
Capital distributions from investments	(223,018)	(247,693)
Change in fair value through profit & loss	(2,099,836)	10,743,583
Balance as at 31 January	**28,422,329**	**25,405,230**

Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 January 2021 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 31 January 2021 £	Significant unobservable inputs
Unquoted private equity investments (including debt)	23,156,643	Sales/EBITDA multiple
Unquoted fund investments	5,265,686	Reported net asset value

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).
- 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 manager. Adjustments are made to third party valuations where considered necessary to arrive at the Director's estimate of fair value.

12 Fair value of financial instruments continued

Significant unobservable inputs used in measuring fair value continued

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 5.8x (weighted by each asset's total valuation) (2020: 5.6x). 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 per cent. higher, the value of the Level 3 assets and profit for the year would have been £ 3,767,551 higher. If these inputs had been taken to be 25 per cent. lower, the value of the Level 3 assets and profit for the year would have been £4,629,372 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 1.6x (weighted by each asset's total valuation) (2020: 0.5x). 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 per cent. higher, the value of the Level 3 assets and profit for the year would have been £932,486 higher. If these inputs had been taken to be 25 per cent. lower, the value of the Level 3 assets and profit for the year would have been £932,486 lower. A corresponding increase or decrease in the asset's financial forecasts would have a similar impact on the Company's assets and profit.

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 2021

	At fair value £	At amortised cost £	Total £
Financial assets			
Investments at fair value through profit or loss	117,256,810	–	117,256,810
Cash and cash equivalents	–	27,854,701	27,584,701
Trade and other receivables	–	98,200	98,200
	117,256,810	**27,952,901**	**145,209,711**
Financial liabilities			
Trade and other payables	–	659,645	659,645
Unsecured loan note instruments*	–	3,956,822	3,956,822
	–	**4,616,467**	**4,616,467**

12 Fair value of financial instruments continued

Classification of financial assets and liabilities continued

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	–	135,745	135,745
	83,382,923	**25,740,528**	**109,123,451**
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**

*The directors consider that the fair value of the unsecured loan note instruments is equal to carrying value.

13 Cash and cash equivalents

	2021 £	2020 £
Current and call accounts	27,854,701	25,604,783
	27,854,701	**25,604,783**

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

14 Trade and other payables

	2021 £	2020 £
Trade payables	688	–
Accrued administration fee	47,677	38,569
Accrued audit fee	43,466	24,136
Accrued professional fee	53,131	103,166
Accrued investment advisor fees	500,000	500,000
Accrued Directors' fees	12,833	12,833
Provision for future issue of shares	–	350,000
Other payables	1,850	–
Total	**659,645**	**1,028,704**

15 Non-current liabilities

The Company has issued Unsecured Loan Notes ("ULN") which pay interest at 7.5 per cent. per annum and are redeemable on 23 July 2022 (subject to voluntary early redemption by the Company). At 31 January 2021, £3,987,729 (2020: £3,987,729) of ULNs in principal amount were outstanding. 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 issue costs expensed in the year ended 31 January 2021 was £20,605 (2020: £20,605). The carrying value of the ULNs in issue at the year-end was £3,956,822 (2020: £3,936,217). The total interest expense for the ULNs for the year is £319,685 (2020: £319,685). This includes the amortisation of the issue costs.

16 Share capital

	2021 Number	2021 £	2020 Number	2020 £
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	34,616,554	1,730,828	34,539,061	1,726,953
Ordinary shares of 5p each held in treasury	(2,467,731)	–	(1,668,251)	–
	32,148,823	**1,730,828**	**32,870,810**	**1,726,953**

During the year ended 31 January 2021, 77,493 ordinary shares of 5 pence each were issued at a price of 172.50 pence each. Therefore, the share capital of the Company increased by £3,875 (£223,667 as at 31 January 2020) and the share premium increased by £129,801 (£9,622,617 as at 31 January 2020).

During the year ended 31 January 2021, the Company repurchased 799,480 shares (2020: 752,001 shares) with a total value of £2,068,761 (2020: £1,411,642). These shares are held as treasury shares.

During the year ended 31 January 2021, the Trust purchased 462,435 shares (2020: nil) with a total value of £786,140 (2020: nil). At the year-end 1,419,004 shares were held by the Trust (2020: 956,569) (see note 7).

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 £38,253,046 (2020: £36,224,743) divided by the weighted average number of shares outstanding during the year of 32,782,089 after excluding treasury shares (2020: 32,095,510 shares).

Diluted profit per share is calculated by dividing the profit of the Company for the year attributable to ordinary shareholders of £38,253,046 (2020: £36,224,743) 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 32,782,089 after excluding treasury shares (2020: 32,095,510 shares).

18 NAV per share (pence)

The Company's NAV per share of 437.63 pence (2020: 317.18 pence) is based on the net assets of the Company at the year-end of £140,692,608 (2020: £104,257,996) divided by the shares in issue at the end of the year of 32,148,823 after excluding treasury shares (2020: 32,870,810).

The Company's diluted NAV per share of 437.63 pence is based on the net assets of the Company at the year-end of £140,692,608 (2020: £104,257,996) divided by the shares in issue at the end of the year, as adjusted for the effects of dilutive potential ordinary shares of 32,148,823 after excluding treasury shares (2020: 32,870,810).

19 Net cash used in operating activities

Reconciliation of profit before finance cost and tax to net cash used in operating activities:

	2021 Company £	2020 Company £
Profit before finance cost and tax (Revenue)	(3,439,412)	(3,024,062)
Adjustments:		
Adjustment for accrued interest on loan to Hamsard 3463 Limited	–	(151,776)
Share-based payment expense	682,525	71,158
Movement in loans from associates	(154,268)	(33,907)
	(2,911,155)	**(3,138,587)**
Non-cash items		
Movement in trade and other receivables	37,647	66,517
Movement in trade and other payables	(19,059)	185,826
Net cash used in operating activities	**(2,892,567)**	**(2,886,244)**

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, loans 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.

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 2021	Less than 1 month £	1 – 3 Months £	3 months to 1 year £	1 – 5 years £	Over 5 years £	No stated maturity £
Financial liabilities						
Trade and other payables	659,645	–	–	–	–	–
Loan note instruments	–	–	4,436,341		–	–
Total	**659,645**	**–**	**–**	**4,436,341**	**–**	**–**

20 Financial instruments continued

Residual contractual maturities of financial liabilities continued

31 January 2020	Less than 1 month £	1 – 3 Months £	3 months to 1 year £	1 – 5 years £	Over 5 years £	No stated maturity £
Financial liabilities						
Trade and other payables	1,028,704	–	–	–	–	–
Loan note instruments	–	–	4,735,415		–	–
Total	**1,028,704**	**–**	**–**	**4,735,415**	**–**	**–**

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 of the combination of all securities including third party debt that determines the Company's view of each investment.

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

	2021 £	2020 £
Cash and cash equivalents	27,854,701	25,604,783
Trade and other receivables	98,200	135,745
Total	**27,952,901**	**25,740,528**

Cash balances are placed with HSBC Bank plc, Barclays Bank plc, both of which have the credit rating of A1 Negative (Moody's) and Santander International which has the credit rating of A2 (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. Luceco plc was quoted on the Main Market of the London Stock Exchange at 31 January 2021. If Luceco plc's share price had been 5.0 per cent. higher than actual close of market on 31 January 2021, EPE Special Opportunities Limited's NAV/share would have been 2.96 per cent. higher than reported. If Luceco's share price had been 5.0 per cent. lower than actual close of market on 31 January 2021, EPE Special Opportunities Limited's NAV/share would have been 2.96 per cent. lower than reported. Such movement would have had a corresponding effect on the profit for the year.

20 Financial instruments continued

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 2021 **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	–		–	–	98,200	98,200
Cash and cash equivalents	27,854,701	–	–	–	–	27,854,701
Total financial assets	**27,854,701**	**–**	**–**	**–**	**98,200**	**27,952,901**
Liabilities						
Financial liabilities measured at amortised cost						
Trade and other payables	–	–	–	–	(659,645)	(659,645)
Unsecured loan note instruments	–	–	(3,956,822)	–	–	(3,956,822)
Total financial liabilities	**–**	**–**	**(3,956,822)**	**–**	**(659,645)**	**(4,616,467)**

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	–	–	–	–	(1,028,704)	(1,028,704)
Unsecured loan note instruments	–	–	(3,936,217)	–	–	(3,936,217)
Total financial liabilities	**–**	**–**	**(3,936,217)**	**–**	**(1,028,704)**	**(4,964,921)**

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's has no significant exposure to foreign currency risk.

20 Financial instruments continued

Exposure to other market price risk

The investment advisor 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.

	2021 %	2020 %
Retail	13.3	21.2
Engineering, Manufacturing and Distribution	61.2	52.5
Healthcare	2.7	0.7
Credit Funds	3.6	1.4
Bank Deposits	19.2	24.2
	100.0	**100.0**

The Company notes that there was a concentration on the Engineering, Manufacturing and Distribution sector, representing 61.2 per cent. of investments for the year ended 31 January 2021 (31 January 2020: 52.5 per cent.). The Company monitors carefully the sector concentration risk across the portfolio.

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 (both at the Company and at its 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 limitation 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.

20 Financial instruments continued

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

Five of the Directors have interests in the shares of the Company as at 31 January 2021 (2020: four). Nicholas Wilson holds 131,265 ordinary shares (2020: 128,764). Robert Quayle holds 112,577 ordinary shares (2020: 109,979). Clive Spears holds 133,270 ordinary shares (2020: 129,270). Heather Bestwick holds 19,263 ordinary shares (2020: 13,888). David Pirouet holds 11,162 ordinary shares (2020: nil).

22 Related parties

Directors' fees expense during the year amounted to £154,000 (year ended 31 January 2020: £154,264) of which £12,833 is accrued as at 31 January 2021 (2020: £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.

In August 2020, the Investment Advisor acquired a controlling interest in Atlantic Capital Management Limited ("ACML"). ACML is the manager of Atlantic Credit Opportunities Fund and the sub-advisor to the segregated account of Prelude Structured Alternatives Master Fund LP. On 1 September 2020, the Company completed a £1.9 million investment into Atlantic Credit Opportunities Fund. On 12 November 2020, the Company completed a further $2.5 million investment in a segregated account of Prelude Structured Alternatives Master Fund LP. The Company will not pay any management or performance fees to ACML in relation to these two investments.

23 Subsequent events

Following the year end, the Directors purchased 6,088 ordinary shares in the Company at a price of 271.00 pence per ordinary share on 18 February 2021 and 2,911 ordinary shares at 278.80 pence per ordinary share on 12 February 2021.

Schedule of shareholders holding over 3% of issued shares

As at 31 January 2021

	Percentage holding
Giles Brand	32.10%
Corporation of Lloyds	9.92%
Premier Miton Investors	6.75%
Canaccord Genuity Wealth Management	6.22%
Boston Trust Company Limited (Trustee to the ESO JSOP Scheme)	4.47%
Lombard Odier Darier Hentsch	3.11%
Total over 3% holding	**62.57%**

Company Information

Directors	C.L. Spears *(Chairman)* H. Bestwick D.R. 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 Santander International PO Box 545 19-21 Commercial Street St Helier Jersey JE4 8XG
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
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