

**EPE Special Opportunities Plc (“ESO” or the Company”)  
Additional information to Schedule 1 Announcement dated 1 August 2018**

Following the release of the Schedule 1 announcement (the “Schedule 1 Announcement”) and the announcement titled “Proposed Migration to Bermuda, Publication of Circular and Notice of General Meeting” on 1 August 2018, the Company discloses the following information equivalent to that required for an admission document which, was not, prior to the release of the Schedule 1 Announcement, public.

Terms defined in the Schedule 1 Announcement shall have the same meanings when used in this document.

**Risk Factors**

**RISKS RELATING TO THE COMPANY’S BUSINESS**

**The Company’s objectives may not be fulfilled**

The value of an investment in the Company is dependent upon the Company achieving its aims. There can be no guarantee that the Company will achieve the level of success that its board of directors (the “Board”) targets. There is no guarantee or assurance or certainty that the investment objectives of the Company will be met.

**The Company’s investments**

The Company’s underlying investments (the “Portfolio”) includes equity interests in, and debt owed by, unquoted private companies which may be difficult to value and/or realise.

The Portfolio includes equity interests in a quoted public company which is subject to market price volatility and may be difficult to realise given the liquidity of the market in the security relative to the size of the holding. The Portfolio also includes an interest in a private debt fund managed by a third-party which may be difficult to value and/or realise before the end of the fixed life of the fund.

The future success of the Company is dependent upon the performance of the Portfolio and the identification and acquisition of suitable investment opportunities. There can be no guarantees that such investments can or will be acquired or that its current or future investments will be successful.

The performance of the Portfolio will be subject to a variety of business, economic and market factors including, without limitation, the availability of investment opportunities, asset mix, value, volatility, holding periods, investment liquidity, borrower default, key man risk, changes in current market conditions, customer demand, supply chains, litigation, financial reporting inaccuracies, interest rates, government regulations or other policies, the worldwide economic environment, changes in law and taxation, natural disasters, terrorism, social unrest and civil disturbances, all of which may adversely affect the Company’s ability to achieve its targeted level of performance of the Portfolio.

The Company has invested and may invest in growth investments, which may require significant operational and sales development to achieve acceptable returns to the Company. Although such investments may result in significant returns they involve a degree of risk and may not show acceptable returns to the Company for an extended period of time. The level of development and funding required for a successful investment in companies undergoing rapid growth may be high. Whilst the Company’s investment adviser, EPIC Private Equity LLP (“EPE” or the “Investment Adviser”) has prior experience of such

investments, there is no assurance of a successful implementation of these growth strategies.

The Company may invest in special purpose acquisition companies or in public equities which may require significant management (akin to the management required in growth or distressed investments described in this risk factor) and public market investor management. Whilst the Investment Adviser has prior experience advising quoted vehicles (including the Company), there is no assurance of a successful investment given market volatility and the operational performance required for a successful investment.

The Company has invested and may invest in distressed and insolvent companies which have experienced significant operating issues and may have associated financial distress, including companies involved in insolvency proceedings. Although such purchases may result in significant returns, they involve a substantial degree of risk and may not show any return for a considerable period of time.

The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant operating issues and associated financial distress is unusually high. Whilst the Investment Adviser seeks to minimise credit risk and undertake due diligence (as considered appropriate) prior to the Company making an investment, there is no assurance that the Investment Adviser will correctly evaluate the nature and magnitude of the various factors that will affect the prospects for a successful reorganisation or similar action.

Additionally, it is frequently difficult to obtain accurate information as to the condition of such entities prior to investment, and indeed such information may not exist.

Investors should be aware that the Company may seek to leverage its activities. Although the use of leverage may increase the return on investments, it also creates greater potential for loss.

The Company holds the Portfolio via limited partnerships, a limited liability partnership and a private limited company (the "Investment Vehicles"). The Investment Vehicles are managed by the Investment Adviser or affiliates of the Investment Adviser.

### **The Company's investments in distressed businesses could subject the Company to an increased risk of loss**

Significant risks associated with distressed companies include:

- such companies generally have less predictable operating results;
- such companies may have highly indebted capital structures that make them more vulnerable to adverse financial or business developments than less highly indebted companies and they may be at a heightened risk of breaching financial covenants under any financing arrangements to which they are party;
- such companies may be exposed to substantial litigation with less resources to contest claims than more stable companies; and/or
- such companies are generally dependent on the management talents and efforts of a small group of persons. The death, disability, incapacity or resignation of one or more of those persons could have a material adverse impact on their business and prospects and the investment made.

Such risks could lead to the partial or total loss of the Company's investment in an investee company and there can be no assurance that any such losses will be offset by gains realised on the Company's other investments.

**Failure by the Company's and the Investment Vehicles' service providers to perform their obligations could materially disrupt or damage the business of the Company with adverse effects on its business or performance**

The Company has no employees and relies upon the performance of third-party service providers to perform its executive functions. In particular, the Company is reliant on advice provided by the Investment Adviser. Similarly, the limited partnerships in which the Company has invested a substantial proportion of the Company's assets (the "Limited Partnerships") are reliant on the performance of their general partners (the "General Partners"). The General Partners are affiliates of the Investment Adviser, and the General Partners are reliant on the Investment Adviser and its affiliates.

In particular, the Company's performance is likely to be dependent on the effectiveness of the General Partners' management of the Limited Partnerships' investments, and the managers appointed by the General Partners to provide investment advisory services to the General Partners, and the effectiveness of the Investment Adviser. Failure by any service provider to carry out its obligations to the Company or any of the Investment Vehicles in accordance with the terms of its appointment without exercising due care and skill, or to perform its obligations to the Investment Vehicles at all as a result of insolvency or other causes could have a material adverse effect on the Investment Vehicles' performance and returns to the Company. Furthermore, where a service provider requires a regulatory licence, authorisation, permission or consent in order to be able to provide its services to the Company or an Investment Vehicle (e.g. such as, in the case of the Investment Adviser, a permission under the Alternative Investment Fund Managers Directive), the Company or the Investment Vehicle (as applicable) is dependent on such service provider maintaining the relevant licence, authorisation, permission or consent.

The termination of any relationship between any of the Investment Vehicles and any third-party service provider, or any delay in appointing a replacement for such service provider, could materially disrupt the business of the relevant Investment Vehicle and could have a material adverse effect on such Investment Vehicle's performance and returns to the Company.

**The Company's performance may be adversely affected should certain individuals cease to provide their services to the Investment Vehicles and/or the Company**

The success of the Investment Vehicles and, in turn, the Company depend on the diligence, skill and business contacts of the Investment Adviser and certain of its affiliates. Consequently, in the event that certain employees of the Investment Adviser cease to be actively involved in the management of the Investment Adviser, the Company has the right to remove the General Partner as the general partner of the relevant Limited Partnerships.

In addition, the success of the Company and the Investment Vehicles will depend upon the effectiveness of the Investment Adviser providing its services, which in turn will depend on the continued service, in their respective positions, of certain individuals. The Company cannot predict the impact that any such departures would have on the Investment Vehicles and, in turn, the Company's ability to achieve its investment objectives. The departure of any of these individuals for any reason, or the failure to appoint qualified or effective successors in the event of such departures, could have a material adverse effect on the performance of the Investment Vehicles and returns to the Company.

## **Due diligence processes may not reveal all material facts or circumstances**

Before the Company makes any investment, the Investment Adviser may undertake an information gathering exercise. The objective of this exercise is to enable the Investment Adviser to identify attractive investment opportunities based on the facts and circumstances surrounding an investment. When making an assessment regarding an investment, the Investment Adviser will rely on resources available to it, the target of the investment or, in the case of co-investments, the party with whom the Company is co-investing. Accordingly, there can be no assurance that any research and information gathering exercise carried out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful to the Investment Adviser in evaluating such investment opportunity. This could lead to an acquisition being materially overvalued, which could have a significant adverse effect on the performance of the Company.

Additionally, the due diligence undertaken in respect of these investments may be insufficient to reveal all of the past and future liabilities relating to the operations of such investee companies. Such liabilities could include liabilities arising from litigation, breach of environmental regulations, government fines, contractual liabilities and pensions deficits, amongst others. Furthermore, in some unusual circumstances the limited liability status of investee companies and/or their subsidiaries might not be upheld, and the Company could lose some or all of its investment in such companies, which could have a material adverse effect on the performance of and returns achieved by the Company. The Company will, however, typically seek to avoid exposure to such liabilities.

## **The Portfolio's performance is dependent on the Investment Adviser**

All decisions with respect to the investment of the Company's resources and the management of Portfolio will be undertaken by the Investment Adviser. The growth in value of the Portfolio is substantially dependent upon the effective performance by the Investment Adviser of its obligations, and the ability to achieve the Company's investment objectives and strategies depends on the skills and expertise of the Investment Adviser in selecting appropriate investments and implementing the various aspects of the investment strategies.

The Company has a broad investing policy. These policies will provide the Investment Adviser with substantial discretion when selecting, acquiring, monitoring and disposing of investments, including in determining the type of investments that it deems appropriate, the investment approach that it follows when making investments and the timing of investments. While the Board will periodically review the Investment Adviser's compliance with these investment policies, and the Investment Adviser may periodically notify or seek informal consent in respect of investments made by the Investment Vehicles, the Board's consent is not required to approve individual investment decisions (noting that the Company's investments in the Investment Vehicles are approved by the Board). It may be difficult or impossible to unwind investments that are not consistent with these investment policies by the time they are reviewed by the Board.

Any failure by the Investment Adviser to manage the Investment Vehicles' future growth or to effectively implement the Investment Vehicles' investment strategies could have a material adverse effect on the performance of the Investment Vehicles and returns to the Company.

## **Difficulty and cost of terminating the appointment of the General Partners in respect of the Limited Partnerships**

The Company may only terminate the appointment of the General Partners under the limited partnership agreements for the Limited Partnerships in very limited circumstances. Such

termination may be difficult to obtain in practice. In certain circumstances, if the Limited Partnerships are unable to terminate the appointment of the relevant General Partner, the performance of the Limited Partnership and returns to the Company, as well as the market price of the Company's Ordinary Shares could suffer. If the relevant General Partner's appointment is terminated, it may be difficult (or impossible) to appoint a replacement general partner and, in such circumstances, the relevant Limited Partnership may be dissolved.

### **Successful implementation of corporate and management strategies**

It is expected that certain of the investments that the Company makes will be in the form of investments for which market quotations are not available. Decisions by the Investment Adviser as to whether to make particular investments and when to exit such investments will be based to a significant extent on an analysis and assessment of both the present value and the expected future value of the relevant investment. Estimates of the future value of investments are inherently uncertain and may not reflect the value the Company is eventually able to realise on such investments due to various factors, including a deterioration in an investee company's trading position or reputation in the market, poor implementation of an investee company's corporate and management strategies, subsequent illiquidity in the market for an investee company's securities or a deterioration in the overall economic climate. The Company's performance and returns could be adversely affected if the value estimates made by the Investment Adviser at the time of investment are materially higher than the values that are ultimately realised on the disposal of such investments.

### **Valuation of the Portfolio**

The Portfolio comprises interests in unquoted private equity assets. In the absence of a traded market for these assets, determining appropriate portfolio valuation is difficult. International Private Equity and Venture Capital Valuation Guidelines state that portfolio companies should be valued on a sales or an EBITDA multiple basis using publicly quoted comparables and/or transaction comparables, then discounting the equity value by an appropriate percentage to account for marketability considerations. It is then possible to determine on a case by case basis whether it makes more sense to value the investment at "cost" or "fair value". If there is sufficient evidence that the value at which the investment is held needs review, fair value is applied. All unquoted private equity investments in the Portfolio are valued with reference to the aforementioned methodology but also having regard for ongoing volatile market conditions and credit restraints.

The Portfolio includes quoted equity assets which are valued at the prevailing market value, per IFRS fair value standards. These mark to market valuations are subject to market price volatility, which may impact upon the Company's Portfolio value.

### **Concentration of investments**

The Company aims to hold between two and 10 assets as part of the Portfolio. The Company could be subject to significant losses if it, for example, holds a large position in a particular investment that declines in value. Such losses could have a material adverse effect on the performance of and returns achieved by the Company.

As at 31 January 2018, approximately 30% of the Company's NAV was made up of the Company's indirect holding in Luceco plc.

### **Illiquidity of underlying investments**

Certain investments made by the Company are expected to comprise unquoted interests in companies which are not publicly traded or freely marketable and for which a sale may occasionally require the consent of other interested parties. Such investments may therefore be difficult to value and/or realise, and their management and realisation may involve significant time and cost. The illiquidity of these investments may make it difficult to sell investments if the need arises or if the Investment Adviser determines such sale would be in the Company's best interests. In addition, if the Company were to be required to liquidate all or a portion of an investment quickly, the Company may realise significantly less than the value at which the investment was previously recorded, which could result in a decrease in the NAV.

### **The Company has very limited ability to redeem or transfer its investments in the Limited Partnerships that it is invested in**

A substantial portion of the Company's funds are invested in the Limited Partnerships. Pursuant to the terms of the limited partnership agreements for the Limited Partnerships, without the consent of EPE GP Limited and EPE General Partner LLP, the General Partners in respect of the Limited Partnerships, the Company may not transfer or redeem its interest in, or otherwise withdraw from, the Limited Partnerships. If a material adverse event occurs in relation to the Company or the market generally, the ability of the Company to avoid or mitigate further adverse exposure is limited by its limited ability to redeem its interest in, or otherwise withdraw from, the Limited Partnerships. This could have a material adverse effect on the value of Ordinary Shares and the ability of investors to dispose of their Ordinary Shares at a satisfactory price, or at all.

### **The NAV of the Company will fluctuate over time by reference to the performance of the Portfolio**

The Company's NAV is expected to fluctuate over time with the performance of the Portfolio. The holders of Ordinary Shares (the "Shareholders") may not fully recover their initial investment upon sale of their Ordinary Shares. Moreover, valuations of Portfolio investments may not reflect the price at which such investments can be realised.

The Portfolio includes quoted equity assets which are valued at the prevailing market value, per IFRS fair value standards. These mark to market valuations are subject to market price volatility, which may impact upon the Portfolio value.

### **Ordinary shares in investee companies will usually rank behind all other claims and the Investment Vehicles could fail to recover all or part of its investment**

The Investment Vehicles will hold equity securities of investee companies. Equity securities generally represent the most subordinated security in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of equity securities generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available, after making interest, dividend and any other required payments in more senior securities of the issuer. Moreover, in the event of an insolvency or winding-up of a company in which any of the Investment Vehicles hold investments, the claims of shareholders such as the Investment Vehicles will rank behind all other claims. After repaying holders of more senior securities, such a company may not have any remaining assets to use for repaying amounts owed in respect of an investment by any of the Investment Vehicles. To the extent that any assets remain, holders of claims that rank equally with the investment by any of the Investment Vehicles would be entitled to share on

an equal and rateable basis in distributions that are made out of those assets. Resulting losses to any of the Investment Vehicles could have a material adverse effect on the performance of the relevant Investment Vehicle and returns to the Company.

### **The Company's investments may, directly or indirectly, be in companies that are highly indebted**

The Company may invest in companies whose capital structures have a significant degree of debt. In addition, companies that are not or do not become highly leveraged at the time an investment is made may increase their leverage after the time of investment. Investments in highly indebted companies are inherently more sensitive to declines in profitability, increases in expenses and interest rates and adverse economic, market and industry developments. In addition, the incurrence of a significant amount of indebtedness by a company may, among other things:

- limit the company's ability to respond to changing market conditions to the extent additional cash is needed for the response, to make necessary capital expenditures or to take advantage of growth opportunities;
- limit the company's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to those of its competitors who have relatively less debt;
- limit the company's ability to engage in strategic acquisitions that may be desirable to generate attractive returns or further growth; and/or
- limit the company's ability to refinance its debt and/or obtain additional financing on attractive terms or at all.

Additionally, if any investee company breaches any covenants under its financing arrangements and the relevant lender declares the entire amount of such company's indebtedness due and payable or forecloses on any assets pledged as collateral, the Company may lose some or all of its investment in such company, which could have a material adverse effect on the performance of the Company.

### **The amount which the Company invests may exceed the amount realised upon exit**

There can be no guarantee that investments will ultimately be realised for an amount exceeding the amount invested by the Company. Some or all of the Company's investments may be difficult to realise in a timely manner or at an appropriate price, or at all.

### **Risks relating to the Company's borrowings**

Borrowings could adversely affect the Company's NAV and the level of any distributions that may be paid by the Company. Distributions owed to the Shareholders are structurally subordinate to the interest payable on the Company's unsecured loan notes. There is no guarantee that holders of the unsecured loan notes will be satisfied in part or in full from either a capital or interest repayment perspective, thus potentially compromising the return of capital to the Shareholders.

### **Carried interest may not fully align the Limited Partnerships' interests with the interests of the General Partners and/or the Investment Adviser**

The existence of carried interest may create an incentive for the Investment Adviser to and/or the General Partners to direct the Limited Partnerships' activities towards, riskier or more speculative investments than would be the case in the absence of the arrangement.

### **There may exist conflicts of interest between the Company and other parties involved in the Company's business**

There may exist conflicts of interests, including in relation to the allocation of investment opportunities, as a result of certain relationships between the Company, the Investment Vehicles (including the Limited Partnerships), the General Partners, the Investment Adviser and certain of the directors, members and officers thereof.

## **RISKS RELATING TO THE ORDINARY SHARES AND DEPOSITARY INTERESTS AS AN INVESTMENT**

### **Suitability of Ordinary Shares as an investment**

The Ordinary Shares may not be a suitable investment for all recipients of this document. Before making a decision, investors are advised to consult an appropriate independent investment adviser authorised through the Financial Services Markets Act 2000 ("FSMA") who specialises in advising on investments of this nature and to review the Company's Key Information Document available on the Company's website. The value of Ordinary Shares can go down as well as up and investors may get back less than their original investment.

### **Market information and nature of Ordinary Shares**

The market value of the Ordinary Shares, as well as being affected by the Company's NAV and the performance of the Portfolio, will take into account their dividend yield and prevailing interest rates. As such, the market value of an Ordinary Share may vary considerably from the prevailing NAV per Ordinary Share. Potential investors should be aware that the value of shares can rise or fall and that there may not be proper information available for determining the market value of an investment in the Company at all times. An investment in a share which is traded on AIM or the NEX Exchange Growth Market, such as the Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all or part of his/her investment.

### **Share price volatility and liquidity**

The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in investor sentiment regarding the Company or the industry in which the Company operates or in response to specific facts and events, including positive or negative variations in the Company and its subsidiaries' (the "Group") interim or full year operating results and business developments of the Group and/or competitors. The market price of the Ordinary Shares may not reflect the underlying value of the Group and it is possible that the market price of the Ordinary Shares will trade at a discount to NAV. Potential investors should be aware that the value of shares and the income from them can go down as well as up and that investment in a share which is traded on AIM might be less realisable and might carry a higher risk than a share quoted on the official list maintained by the Financial Conduct Authority (the "Official List").

An investment in the Company should be regarded as long-term in nature. Past performance of similar investments is not necessarily a guide to future performance of the Company or its investments.



## **Shareholders will have no right of redemption and must rely, in part, on the existence of a liquid market in order to realise their investment**

Whilst the Company is applying for re-admission of the Ordinary Shares to trading on AIM and the NEX Exchange Growth Market, there can be no assurance that an active market for the Ordinary Shares will ensue, or that it will be maintained. The AIM and NEX Exchange Growth Market markets are designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. The AIM Rules and the NEX Exchange Growth Market Rules for Issuers (the "NEX Rules") are less demanding than those applying to companies admitted to the Official List and an investment in shares traded on AIM or the NEX Exchange Growth Market may carry a higher risk than an investment in shares admitted to the Official List. In addition, the market in shares traded on AIM and the NEX Exchange Growth Market may have limited liquidity, making it more difficult for an investor to realise its investment on AIM and the NEX Exchange Growth Market than to realise an investment in a company whose shares are admitted to the Official List. There may be a limited number of shareholders and this may contribute to infrequent trading on AIM and the NEX Exchange Growth Market. As a result, the market price of the Ordinary Shares may be more volatile than that of shares admitted to the Official List, and may not reflect the underlying value of the net assets of the Company. Investors may, therefore, not be able to sell at a price which permits them to recover their original investment and could lose their entire investment.

Shareholders will not be entitled to have their Ordinary Shares redeemed by the Company. While the Directors retain the right to effect repurchases of Ordinary Shares with a view to reducing any discount to NAV per Ordinary Share, they are under no obligation to use such powers at any time and the Shareholders should not place any reliance on the willingness of the Directors to do so. Shareholders wishing to realise their investment in the Company will therefore be required to dispose of their Ordinary Shares through trades on AIM or negotiate transactions with potential purchasers. Accordingly, Shareholders' ability to realise their investment is in part dependent on the existence of a liquid market in the Ordinary Shares and on the extent of its liquidity. Investors should not expect that they will necessarily be able to realise, within a period which they would otherwise regard as reasonable, their investment in the Company, nor can they be certain that they will be able to realise their investment on a basis that necessarily reflects the value of the underlying investments held by the Company.

## **The Ordinary Shares may trade at a discount to NAV**

The Ordinary Shares may trade at a discount to NAV per Ordinary Share for a variety of reasons, including market and liquidity concerns, the actual or expected performance of the Company, and concerns that regulatory and legislative attitudes to such funds may alter in such a way as to adversely affect the Company. There can be no guarantee that any measures put in place by the Company to mitigate any such discount will be successful or that the use of discount control mechanisms will be possible or advisable.

## **Issuance of additional Ordinary Shares**

Under Isle of Man laws, to which the Company is currently subject, and under Bermuda law, to which the Company will be subject on completion of the Migration, there are no rules restricting the ability of the Directors to issue additional Ordinary Shares on a non pre-emptive basis at any time. If the Directors were to issue further Ordinary Shares in the future with or without shareholders' consent, this could have a detrimental effect on the market price of the Ordinary Shares.

## **Loss of Code Protections**

From completion of the Migration, Shareholders will lose the protections afforded to them by the City Code on Takeovers and Mergers (the “Code”). In particular, the rules relating to mandatory offers set out in Rule 9 of the Code will no longer apply. Rule 9 of the Code requires a mandatory offer to be made broadly where: (i) any person acquires shares which (taken together with shares in which persons acting in concert with him are interested) carry 30% or more of the voting rights of a company; or (ii) if any person, together with any persons acting in concert with him, is interested in shares carrying not less than 30% of the voting rights of a company but not more than 50% of such voting rights and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested.

For the avoidance of doubt, if any person or persons acting in concert (including the Concert Party (as defined in the Circular)) (an “Acquirer”) acquires Ordinary Shares after completion of the Migration which result in the Acquirer’s percentage shareholding in the Company exceeding 30%, there will be no obligation on the Acquirer to make a mandatory offer for the entire issued Ordinary Shares in the Company.

## **The Depositary Interests**

Holders of depositary interests, being dematerialised interests in the Ordinary Shares (the “Depositary Interests”) which are proposed to be issued following Admission must rely on the depositary or the custodian to exercise rights attaching to the underlying Ordinary Shares for the benefit of the holders of Depositary Interests. The Company intends to enter into depositary interest arrangements to enable investors to settle and pay for Ordinary Shares through the CREST system. The rights of holders of Depositary Interests will be governed by, among other things, the relevant provisions of the CREST Manual and the CREST Rules (as defined in the CREST Terms and Conditions issued by Euroclear UK & Ireland). As the registered shareholder, the depositary will have the power to exercise voting and other rights conferred by Bermuda law and the Bye-Laws of the Company on behalf of the relevant holder. Consequently, the holders of Depositary Interests must rely on the depositary to exercise such rights for the benefit of the holders of Depositary Interests. Although the Company will enter into arrangements whereby Euroclear UK & Ireland will make a copy of the register of the names and addresses of holders of Depositary Interests available to the Company to enable the Company to send out notices of shareholder meetings and proxy forms to its holders of Depositary Interests and pursuant to Euroclear UK & Ireland’s omnibus proxy arrangements, subject to certain requirements, the depositary will be able to give each beneficial owner of a Depositary Interest the right to vote directly in respect of such owner’s underlying Ordinary Shares, there can be no assurance that such information, and consequently, all such rights and, entitlements, will at all times be duly and timely passed on or that such proxy arrangements will be effective.

## **GENERAL RISKS**

### **Changes in law or regulations**

For regulatory, tax and other purposes, the Company and the Ordinary Shares may be treated differently in different jurisdictions. For instance, in certain jurisdictions and for certain purposes, the Ordinary Shares may be treated as units in a collective investment scheme. Moreover, in certain jurisdictions, the status of the Company and/or the Ordinary Shares may be uncertain or subject to change, or it may differ depending on the availability of certain information or disclosures by the Company. Changes in the status or treatment of the Company or the Ordinary Shares may have unforeseen effects on the ability of investors to hold the Ordinary Shares or the consequences of so doing.

The regulatory environment for funds that are similar to the Company and for the managers of similar funds is evolving. The Company is subject to laws and regulations enacted by national and local governments. Additional laws may apply to the Portfolio companies in which the Company makes investments. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Any change in the laws and regulations affecting the Company or any change in the regulations affecting similar funds or private equity fund managers generally, or any failure by the Company to comply with such laws or regulations, may have a material adverse effect on the Company's ability to carry on its activity of investing, which in turn could have a material adverse effect on the Company's performance and returns to Shareholders.

### **United Kingdom exit from the European Union**

On 23 June 2016, a majority of UK voters voted in favour of the United Kingdom's exit from the EU (commonly referred to as "Brexit") in a national referendum, and on 29 March 2017, the UK government triggered Article 50 of the Treaty on European Union, which initiated the withdrawal procedure and set the United Kingdom on track to exit the EU by no later than April 2019. Brexit has created significant political, social and macroeconomic uncertainty for the United Kingdom and Europe and could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which EU laws to replace or replicate. Brexit could have significant impact on the Company.

It was announced on 8 December 2017 that the UK had reached a deal with the European Union on the terms of its exit. Nevertheless, significant uncertainty remains surrounding the future relationship between the United Kingdom and the European Union including with respect to the laws and regulations that will apply as the United Kingdom determines which European Union-derived laws to replace or replicate in the event of a withdrawal.

There is also a risk that the vote by the UK to leave could result in other member states reconsidering their respective membership of the European Union. Although it is not possible to predict fully the effects of the UK's exit from the European Union, any of these risks, taken singularly or in the aggregate, could have a material adverse effect on the Company's business, revenue, financial condition, profitability, prospects and results of operations.

### **Foreign exchange risk**

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

The Company's current investment in European Capital Private Debt Fund is denominated in Euro.

### **Historical returns may not be indicative of future performance**

There can be no assurances that future performance will generate similar returns to managed accounts or funds previously managed or advised by the Investment Adviser. No guarantee is made in relation to the performance of the Company, the Investment Vehicles or the Ordinary Shares. There can be no assurances that an investment in the Company and/or by any of the Investment Vehicles will have a return on invested capital that is similar to the historical returns of accounts or funds managed or advised by any directors of the Company or by the Investment Adviser. Past performance may not be an accurate predictor

of future performance or returns, nor is there any guarantee that future market conditions will allow for similar performance. An investment in the Company is subject to all of the risks and uncertainties associated with an investment business of the Company's type, including the risk that the Company will not achieve its investment objectives and that the value of the Ordinary Shares could decline substantially.

## **RISKS RELATING TO TAXATION**

### **Taxation**

The Company has been advised that the tax treatment of its operations should be as described in the Circular based on existing law and published practice in the Isle of Man, Bermuda, Jersey and the United Kingdom. There can be no guarantee that the relevant taxation authorities will accept this analysis and, if they fail to do so, the Company's income and/or gains could be subject to a higher level of taxation, thus reducing the profits available for distributions and/or the NAV.

The levels of, and reliefs from, taxation may change. Any change in the tax status or tax residence of the Company, or in tax legislation or practice, may have an adverse effect on the returns available on an investment in the Company.

### **Adverse changes in the tax position of the Company**

The structure under which the Company holds its investments is based on the Directors' understanding of the current tax law and the practice of the tax authorities of the UK (where the Company's assets are expected to be predominantly located), Jersey (where the Company's operations are based), the Isle of Man (where the Company is incorporated) and Bermuda (where the Company will become incorporated following completion of the Migration). Such law (including applicable rates of taxation) or tax authority practice is subject to change, possibly with retrospective effect. Any change in the Company's tax position or status or in tax legislation or proposed legislation, or in the interpretation of tax legislation or proposed legislation by tax authorities or courts, or tax rates could adversely affect the value of investments held by the Company or affect the Company's ability to achieve its investment objective. Any such change could adversely affect the net amount of any distributions payable to Shareholders or the tax treatment of distributions received by Shareholders.

The Company is currently liable to Isle of Man taxation at a standard rate of tax of 0 per cent. save in certain limited circumstances that are not expected to arise. At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or by its Shareholders in respect of its shares. The Company intends to apply for an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 31, 2035, be applicable to the Company or to any of its operations or to our shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by the Company in respect of real property owned or leased by us in Bermuda.

If the Company were to be considered to be resident for taxation purposes in any jurisdiction other than Isle of Man, Bermuda, Jersey or otherwise subject to taxation in another jurisdiction, its total income or capital gains or those attributable to or effectively connected with such other jurisdiction may be subject to tax in that other jurisdiction and this could have a material adverse effect on the Company's results of operations, financial condition or business prospects.

Non-UK tax residence or non-trading status of the Company could be challenged or transactions could be taxed under certain UK anti-avoidance rules.

The Company must conduct its operations in a manner that ensures that it is not treated as being tax resident or as having a taxable presence outside Isle of Man, Bermuda or Jersey. Given the location of the assets is expected to be predominantly in the UK, the most likely alternative jurisdiction in which the Company may be tax resident is the UK. It is intended that the affairs of the Company will continue to be conducted so that the central management and control of the Company is not exercised in the UK and, consequently, so that the Company is not UK tax resident. However, it cannot be guaranteed that HM Revenue and Customs (“HMRC”) will not challenge the position. In order to maintain its non-UK tax residence status, the Company is required to be centrally managed and controlled outside the UK. The composition of the Board, the manner in which the Board conducts its business and the location(s) in which the Board makes decisions will be important in determining and maintaining the non-UK tax residence of the Company. While the Company is administered in Jersey and a majority of its directors are resident outside the UK, continued attention must be paid to ensure that major decisions by the Company are not made in the UK, to avoid the risk that the Company may lose its non-UK tax residence status.

There is a risk that management errors could potentially lead to the Company being considered UK tax resident. If so, this is likely to result in the Company paying more UK tax than is anticipated, which would negatively affect its financial and operating results and accordingly reduce returns (including dividends) payable to Shareholders. In addition, even where a company maintains its non-UK tax residence status, it will potentially be subject to UK income or corporation tax if it is carrying on a trade in the UK, in which case the relevant company will be subject to UK income or corporation tax on the income profits and capital gains attributable to its UK trade, or if it acquires UK real estate (either directly or through a real estate-owning vehicle). It is intended that the Company will not undertake any UK trading activities. It cannot be guaranteed that HMRC will not seek to contend that the Company has acquired one or more of its assets as trading stock and, consequently, is carrying on a trade in the UK. If any such contention were correct, this is likely to result in the Company paying more UK tax than is anticipated, which would negatively affect its financial results and returns to Shareholder.

### **Changes in tax legislation could result in the imposition of additional and material tax liabilities on Shareholders**

Laws in relation to tax (including applicable rates of taxation) and tax authority practice are subject to change. Any change in tax legislation or proposed legislation, or in the interpretation of tax legislation or proposed legislation by tax authorities or courts, or tax rates could adversely affect the after tax return to Shareholders from their investment in the Company, possibly with retrospective effect.

Were the Company to be classified as a “offshore fund” for UK tax purposes, holders of Ordinary Shares who are within the scope of UK taxation may be taxed on the gains realised on the disposal of their Ordinary Shares as income (resulting in the payment of income tax or corporation tax on income), rather than as a capital gain (resulting in the payment of capital gains tax or corporation tax on chargeable gains). This may have a material adverse impact on the after tax returns received by Shareholders.

If the Company were an offshore fund, at any time in a relevant period, and if the Company’s market value of “qualifying investments” (which includes, inter alia, money placed at interest and securities) exceeds 60 per cent. of the market value of all the assets of the Company (excluding cash awaiting investment), then a dividend or any distribution paid by the

Company will be treated when received by a UK tax resident individual as interest (at tax rates applicable to interest) and not as a dividend or any other type of distribution. When considering the position of the Company, it is necessary to include its interest in the Portfolio. Shareholders subject to UK corporation tax may be taxed on their holdings in the Company as though that holding were a loan relationship and on the basis of fair value accounting.

If the Company were classified as an “offshore fund”, and none of the exclusions from the offshore funds regime apply, investors within the scope of UK taxation may be subject to UK taxation on the Company’s income profits whether or not those profits are distributed. This may have a material and adverse impact on the after tax returns received by Shareholders. Prospective investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

### **Base Erosion and Profit Shifting**

The Organisation for Economic Co-operation and Development (“the OECD”) has conducted a project called Base Erosion and Profit Shifting (“BEPS”) which has fundamentally changed the way the international taxation system works. This means that increasing the number of jurisdictions involving a tax footprint for the Company naturally increases the possibility of scrutiny into the Company (and by extension the shareholders) tax affairs.

Broadly BEPS is comprised of 15 action points that are based around three core principles of coherence, substance and transparency. The coherence measure measures are designed to make sure that appropriate corresponding treatment is applied on a particular cross-border transaction. For example, if there is a tax deduction in one jurisdiction it must follow that there is a corresponding tax pick up in another. Any such transactions must carry the necessary substance to justify the manner in which they are structured. Inevitably there is a risk that tax authorities may take a different view to management regarding whether the transaction in question has sufficient substance.

Perhaps the biggest BEPS related risk area pertains to the measures around transparency. There is now an unprecedented level of co-operation and understanding involving governments working together on international tax matters. A key example is that most governments, including those in the UK, Isle of Man, Guernsey and Bermuda have signed up to information exchange agreements. There is therefore a risk that tax related information and data may be shared between the relevant tax authorities.

It should be noted that the OECD BEPS package is a guiding set of rules and governments will still have to enact domestic legislation to implement their view of how these rules should be adopted domestically. Management will therefore have to make sure that they fully comply with all of the relevant incoming domestic BEPS measures that are in the process of being adopted by various governments around the world. The relevant incoming domestic BEPS measures may give rise to, or increase, taxation on the Company and this may have an adverse effect on the returns available on an investment in the Company

### **Director Information**

Director name (or previous names, if applicable): Geoffrey Vero

Director age: 71

Number of Ordinary Shares held: 105,532

Current directorships / partnerships: Numis Corporation plc, Albion Development Capital VCT plc, R&A Trust Co No. 1 Ltd, R&A Trust Co No. 2 Ltd, Lt Dalzell MC Memorial Trust Ltd

Previous directorships / partnerships held in the last 5 years: Govern Finance Limited, Aurelia Skincare Limited

Director name (or previous names, if applicable): Heather Bestwick

Director age: 60

Number of Ordinary Shares held: nil

Current directorships / partnerships: Andium Homes Limited, Deutsche International Corporate Services Limited, Equiom (Jersey) Limited, Equiom (Guernsey) Limited, Highland CLO Fundings Limited, Sole Shipping SO II GP Limited, Sole Shipping SO Advisor Limited, Sole Shipping SO Co-Invest GP

Previous directorships / partnerships held in the last 5 years: Rokos Capital Management (GP) Ltd, Rokos Intermediate (Jersey) Ltd, Equiom Trust Company (CI) Limited, GCP Infrastructure OEIC Limited, Triton Advisers Limited, Invision Capital Partners IV Limited, Invision IV Co-invest General Partner Limited, Invision Capital Partners V Limited, AEP 2003 Limited, AEP 2008 Limited, AEP 2012 Limited, Fundamental Global Corporate Secured Loan Fund Limited, Century Limited, Cyan Blue Topco Limited, BSREP Marina Village Limited, Altamas Resources Limited, Altair Partners Limited, Jersey Finance Limited

Director name (or previous names, if applicable): Robert Quayle

Director age: 68

Number of Ordinary Shares held: 87,883

Current directorships / partnerships: Ellan Vannin Fuels Limited, Bba Group Insurance Limited, Christopher Insurance Limited, Enpet Insurance Limited, Hellenic Mutual War Risks Association (Iom) Limited, International P&I Reinsurance Company Limited, Ipsley Insurance Limited, Lawnet Insurance Limited, Ridings Insurance Limited, Through Transport Mutual Insurance Association (I.O.M) Limited, Atim Limited Epic Special Opportunities Plc, General Nominees (Isle Of Man) Limited, Quaerere Academies Trust, Isle of Man Steam Packet Co.

Previous directorships / partnerships held in the last 5 years: Flinex Investments Limited, Swift Textiles Europe Limited, The With Profits Plus Fund Plc, Aegis Motor Insurance Limited, Axa Isle Of Man Limited, Avis Budget Europe International Reinsurance Limited, Communicator Limited, W H Ireland (IoM) Limited, Meridies Insurance Limited, Quaerere Academy Trading Company Limited

Director name (or previous names, if applicable): Clive Lee Spears

Director age: 64

Number of Ordinary Shares held: 105,787

Current directorships / partnerships: Meridian Asset Management [C.I.] Limited, Nordic Capital Limited, Nomura European Mezzanine Fund GP 1 Limited, Gorey Investments Limited, ICG Europe Fund V GP Limited, ICG Europe Fund V GP No .1 Limited, Partnership ICG Europe Fund V Jersey Limited, ICG Europe Fund V Limited, Partnership ICG Europe Fund V CIP Limited, Partnership ICG Europe Fund V Investor Feeder Limited, Partnership ICG Fund V Dutch CIP Limited, Partnership ICG EFV MLP Limited, ICG EFV MLP GP Limited, Invesco Perpetual Enhanced Income Fund Limited, Kreos Capital Group Limited, Nordic Capital VIII Limited, General Partner GCP Infrastructure Investments Limited, ICG Asia Pacific Fund III GP Limited, ICG Europe Fund VI GP Limited, ICG Fund VI Treasury Limited, Kreos Capital Group V Limited, Nordic Capital IX Limited, General Partner Match Jersey Limited, ICG SDP Treasury Limited, Nordic Capital Cooperation Group Limited, ICG Europe Fund VII Treasury Limited, ICG Progress Ltd.

Previous directorships / partnerships held in the last 5 years: GCP Infrastructure OEIC Limited, Nordic VII Limited, Lema Fund Limited, Nomura Fund of Funds GP Limited.

Director name (or previous names, if applicable): Nicholas Wilson

Director age: 73

Number of Ordinary Shares held: 105,744

Current directorships / partnerships: Gulf Investment Vehicle plc (Isle of Man), Epicure Qatar Opportunities Holdings Ltd (BVI), Beresford Gabler Securities Ltd (Isle of Man)

Previous directorships / partnerships held in the last 5 years: Armagid Commodity Trading Fund plc, Neville James International Funds PCC Pie (IOM), Alternative Investment Strategies Limited.

Compulsory liquidations of companies which the director was a director of (or, within the preceding 12 months was a director): Unit Furniture Ltd in 1986, and Island Holdings Ltd in 1987.

### **Related Party Transaction**

Geoffrey Vero is a non-executive Director of Numis Corporation plc and a former non-executive Director of Numis, the nominated adviser of the Company. Since the year ended 31 January 2018, broker fees of £24,083 were payable to Numis.

### **Information on legal or arbitration proceedings**

The Company has not within the last 12 months been, and is not currently, party to any legal or arbitration proceedings and is not aware of any such proceedings which are pending or threatened against the Company.

### **Introduction Agreement**

On 1 August 2018, Numis and the Company entered into an agreement (the "Introduction Agreement") relating to the application to be made for Admission.

The terms of the Introduction Agreement include the following:

- the Company has agreed upon Admission to pay a fee to Numis and the Company has also agreed to pay all costs, charges and expenses of, or incidental to, the matters contemplated by the Introduction Agreement;
- the Company has given certain customary warranties and indemnities to Numis;
- Numis' obligations under the Introduction Agreement are conditional on the satisfaction of certain conditions, including the passing of the resolutions at the extraordinary general meeting to approve the Migration, the Migration taking effect and Admission occurring by no later than 8.00 a.m. on 21 September 2018 (or such later date as Numis and the Company may agree, being no later than 21 October 2018); and
- Numis may terminate its obligations under the Introduction Agreement prior to Admission in certain specific circumstances customary for a transaction of this nature upon which the fee referred to in (a) above may in certain circumstances become payable by the Company to Numis.