EPE Special Opportunities plc

Interim Report | **July 2014**

Interim Report & Unaudited Financial Statements
For the six months ended 31 July 2014

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Biographies of the Directors

Geoffrey Vero FCA

Geoffrey Vero qualified as a chartered accountant with Ernst & Young and then worked for Savills, chartered surveyors, and The Diners Club Limited. He has been active in venture capital since 1985, initially with Lazard Development Capital Limited and then from 1987 to 2002 as a director of Causeway Capital Limited which became ABN Amro Capital Limited. In 2002, he set up The Vero Consultancy specialising in corporate advisory services and recovery situations. He has considerable experience in evaluating investment opportunities and dealing with corporate recovery. While at Causeway Capital, Mr Vero was a Founder Director of Causeway Invoice Discounting Company Limited, which was subsequently sold to NM Rothschild. He is also a non-executive director of Numis Corporation plc and Chairman of Albion Development VCT plc.

Robert Quayle

Robert Quayle qualified as an English solicitor at Linklaters & Paines in 1974 after reading law at Selwyn College, Cambridge. He subsequently practiced in London and the Isle of Man as a partner in Travers Smith Braithwaite. He served as Clerk of Tynwald (the Isle of Man's parliament) for periods totalling 12 years and holds a number of public and private appointments, and is active in the voluntary sector. Mr. Quayle is Chairman of the Isle of Man Steam Packet Company Limited, AXA Isle of Man Limited, W.H. Ireland (IOM) Limited and a number of other companies in the financial services, manufacturing and distribution sectors.

Clive Spears

Clive Spears retired from the Royal Bank of Scotland International Limited in December 2003 as Deputy Director of Jersey after 32 years of service. His main activities prior to retirement included Product Development, Corporate Finance, Trust and Offshore Company Services and he was Head of Joint Venture Fund Administration with Rawlinson & Hunter. Mr Spears is an Associate of the Chartered Institute of Bankers and a Member of the Chartered Institute for Securities & Investment. He has accumulated a well spread portfolio of directorships centring on private equity, infrastructure and corporate debt. His appointments currently include being Chairman of Nordic Capital Limited and sitting on the board of Jersey Finance Limited.

Nicholas Wilson

Nicholas Wilson has over 35 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 Qatar Investment Fund Plc, a premium listed company, and, until recently, was chairman of Alternative Investment Strategies Limited, the longest running quoted fund of hedge funds and a FTSE all share constituent. In addition, he sits on the boards of several other public companies. He is resident in the Isle of Man.

Profile of Investment Advisor

EPIC Private Equity LLP ("EPE" or the "Investment Advisor") was founded in June 2001 and is independently owned by its Partners. EPE focuses on niche investment opportunities throughout the UK with a focus on special situations, distressed, growth and buyout transactions.

Giles Brand is a Partner and the founder of EPE. He is currently a non-executive director of a number of portfolio companies: Whittard, Nexus Industries and Pharmacy2U. Before joining EPE, Giles was a founding Director of EPIC Investment Partners, a fund management business which at sale to Syndicate Asset Management plc had US$5bn under management and spent five years working in Mergers and Acquisitions at Baring Brothers in Paris and London. Giles read History at Bristol University.

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

Alex Leslie is an Investment Director of 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. He manages the Company's investment in Process Components where he is currently a non-executive director. Alex read Human Biological and Social Sciences at Oxford University and obtained an MPhil in Management from the Judge Business School at Cambridge University.

Robert Fulford is an Investment Director of EPE. He previously worked at Barclaycard Consumer Europe before joining EPE. Whilst at Barclaycard, Robert was the Senior Manager for Strategic Insight and was responsible for identifying, analysing and responding to competitive forces. Prior to Barclaycard, Robert 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, specialising in strategy and risk modelling. He manages the Company's investments in Nexus Industries and Whittard of Chelsea, where he is currently a non-executive director. Robert read Engineering at Cambridge University.

Daniel Roddick is Head of Investor Relations and Placement at EPE. He has over ten years' experience in corporate finance, private equity and strategy consulting; most recently as a consultant and trusted advisor to a number of London-based private equity firms. Prior to EPE, Daniel was a Vice President at Campbell Lutyens where he led the marketing of funds across the Nordic region and assisted in raising private equity funds and on the sale and restructuring of private equity assets. Before Campbell Lutyens, he was at McKinsey & Co., working across London, Munich and Amsterdam in the Corporate Finance and Strategy Practice. Daniel read Engineering, Economics and Management at Oxford University and is a CFA charter holder.

Chairman's Statement

In the six months to July 2014, the UK enjoyed its best economic performance in six years, with an annualised GDP growth rate of c.3.2%, and GDP levels have now surpassed the 2008 peak. Growth has been driven by consumption of services as well as the construction sector, suggesting an improved economic environment across various sectors. Other macroeconomic indicators have also been positive, with the unemployment rate dropping to 6.4% in the second quarter and inflation decreasing to 1.6% at the end of the period, and seem to support the theory that more stable, long term growth could have returned. Despite outperforming its neighbours and economic partners, the UK remains heavily tied to the outlook of international markets, where the recovery is also well under way, albeit more timidly. Overall, we are optimistic that it appears that the recovery has picked up pace in the first half of 2014, and we expect it to continue to do so for the remainder of the year.

EPE Special Opportunities plc ("ESO" or the "Company") did not complete any new acquisitions in the period. Improving economic conditions may however yield investment opportunities and the Company continues to actively source deals.

The period proved encouraging for the portfolio, most notably the Company's largest investment, Nexus Industries. Over the course of 2014, Nexus once more traded ahead of budget and is continuing to increase sales and margins, notably buoyed by accelerating sales of its new LED lighting range. Nexus is budgeting organic sales and EBITDA growth for the remainder of the year and expects to finish the financial year ahead of budget, a performance which could be further supplemented by its bolt-on acquisition strategy. Whittard of Chelsea, under a new CEO, has seen significant investment for growth in order to support its premium repositioning strategy and deliver growth across the business. The first half proved challenging as Whittard's premium positioning adopted in 2014 traded against the lower margin and more volume orientated strategy of H1 2013. Your Board is optimistic that the improving economic conditions will support the continued progression of the Company's portfolio.

On 19 February 2014, the Company exited its investment in Bighead Holdings Limited to management, generating a total return to ESO Investments 1 LP ("ESO 1 LP") since September 2010 of 3.6x Money Multiple and a 51.7% IRR.

The Board and the Investment Advisor are currently investigating the possibility of raising additional funds for the Company by way of senior debt, mezzanine finance or bonds. Should the Company decide to raise funds by way of debt or debt-like instruments, it would anticipate that those instruments and any existing Convertible Loan Notes in aggregate would be more than 3.0x covered by the Gross Assets of the Company. Any new funds raised would be used, *inter alia*, to retire existing Convertible Loan Notes ("CLNs") in light of the December 2015 end date (extendable to December 2016 at the Company's behest), buy-in minorities in the existing investments, and support new investments.

The 31 July 2014 Net Asset Value ("NAV") of 135.44 pence per share represents an increase of 0.05% on the NAV per share of 135.37 pence as at 31 January 2014. The share price as at 31 July 2014 for the Company was 112.50 pence, representing an increase of 29.3% on the share price of 87.00 as at 31 January 2014.

I would like to extend my thanks to the Investment Advisor, EPE, as well as my fellow Directors and the Company's professional advisors, for their concerted efforts over the last six months. I look forward to once again updating you at the end of the financial year.

Geoffrey Vero
Chairman
19 September 2014

Investment Advisor's Report

In the six month period since 31 January 2014, the Investment Advisor has focused on maintaining and creating value from within the existing portfolios held by the Company. The Investment Advisor continues to undertake revenue improvement and cost saving measures in investee companies to increase the value of the current portfolio. At the same time, the Investment Advisor has endeavoured to find new opportunities by way of platform or bolt-on investment opportunities. All new investments will be made via ESO Investments 2 LP ("ESO 2 LP"), in which the Company is the sole investor.

During the first half of 2014, the UK economy saw growth pick up pace markedly, which has benefited the portfolio. Inflation stood at 1.6% in July 2014 versus 2.0% in December 2013, and the unemployment rate fell to 6.4% in the second quarter, down from 7.1% in December. GDP growth was driven by the services and construction sector, with the former in particular generally perceived as a sign of positive growth expectations.

The portfolio has performed satisfactorily since January 2014. Nexus finished the period to 31 July 2014 ahead of budget, bolstered by strong demand for the LED lighting ranges, as well as solid performance in the retail channel. Development of LED lighting ranges is a major focus for the business. The gathering momentum behind the lighting technology switch to LED provides Nexus with an opportunity to enter and build market share in the category at a point of disruptive transition as traditional solutions are superseded. Nexus is well positioned to both source and manufacture LED products in China, delivering the same quality and value proposition it brings to wiring accessories. Whilst a nascent strategy, indications are positive for LED lighting sales.

Whittard of Chelsea delivered a steady performance in 2014 to date. The first half proved challenging as Whittard's premium positioning adopted in 2014 traded against the lower margin and more volume orientated strategy of H1 2013. The business continues to show encouraging growth in web, both at the sales and gross margin level, compared to the previous year. Together, Nexus and Whittard represent 50.5% of the Company's Gross Asset Value ("GAV").

Indicia underperformed against budget in the half year due to underperformance in existing clients, which has been offset by a strong start to the year in new business, securing seven new major client wins, including Majestic and AXA UK.

Process Components finished the year to June 2014 behind sales budget but on budget at EBITDA level and both sales and EBITDA were significantly ahead of June 2013 results, in large part due to a reversal of underperformance in the US via a repositioning of the sales infrastructure. Growth continues to be driven by investment in sales, marketing and product development.

On 19 February 2014, the Company disposed its investment in Bighead Holdings Limited to Management, generating a total return to ESO 1 LP since September 2010 of 3.6x Money Multiple and a 51.7% IRR. Such disposal has had a positive impact on the Company as it was completed at a 31.4% premium to Bighead's prevailing December 2013 holding value.

The exit of Bighead above its prevailing holding value, provided continued validation of the Company's NAV approach. These exits follow the disposals of Palatinate at a 31.4% premium to NAV in June 2013, Pinnacle Regeneration Group at a 5.7% premium to NAV in June 2011, and Ryness at a 40.3% premium to NAV in May 2011.

Company highlights

The NAV per share as at 31 July 2014 for the Company was 135.44 pence, calculated on the basis of 27.5 million ordinary shares (versus 30.0 million at issue), representing an increase of 0.05% on the NAV per share of 135.37 pence as at 31 January 2014. The share price as at 31 July 2014 for the Company was 112.50 pence, representing an increase of 29.3% on the share price of 87.00 pence as at 31 January 2014.

Based on the latest NAV, as set out above, Gross Asset Cover for the outstanding CLNs of £6.0 million is now 7.2x. Net cash now stands at £3.1 million with CLN interest coverage of 20.1x per annum. Overall liquidity allowing for facilities available in the structure is £10.7 million.

Third party debt in the current portfolio stands at 1.8x EBITDA, whilst arithmetic average Net Debt to EBITDA across the portfolio is 2.0x. The portfolio remains conservatively valued with a weighted average Enterprise Value equating to an EBITDA multiple of 6.4x with 40.6% of the portfolio's GAV comprised of yielding loans[1]. By comparison, listed European Private Equity competitors' average Enterprise Value to EBITDA multiple is 9.5x[2].

Investment highlights from the inception of the Company to date include:

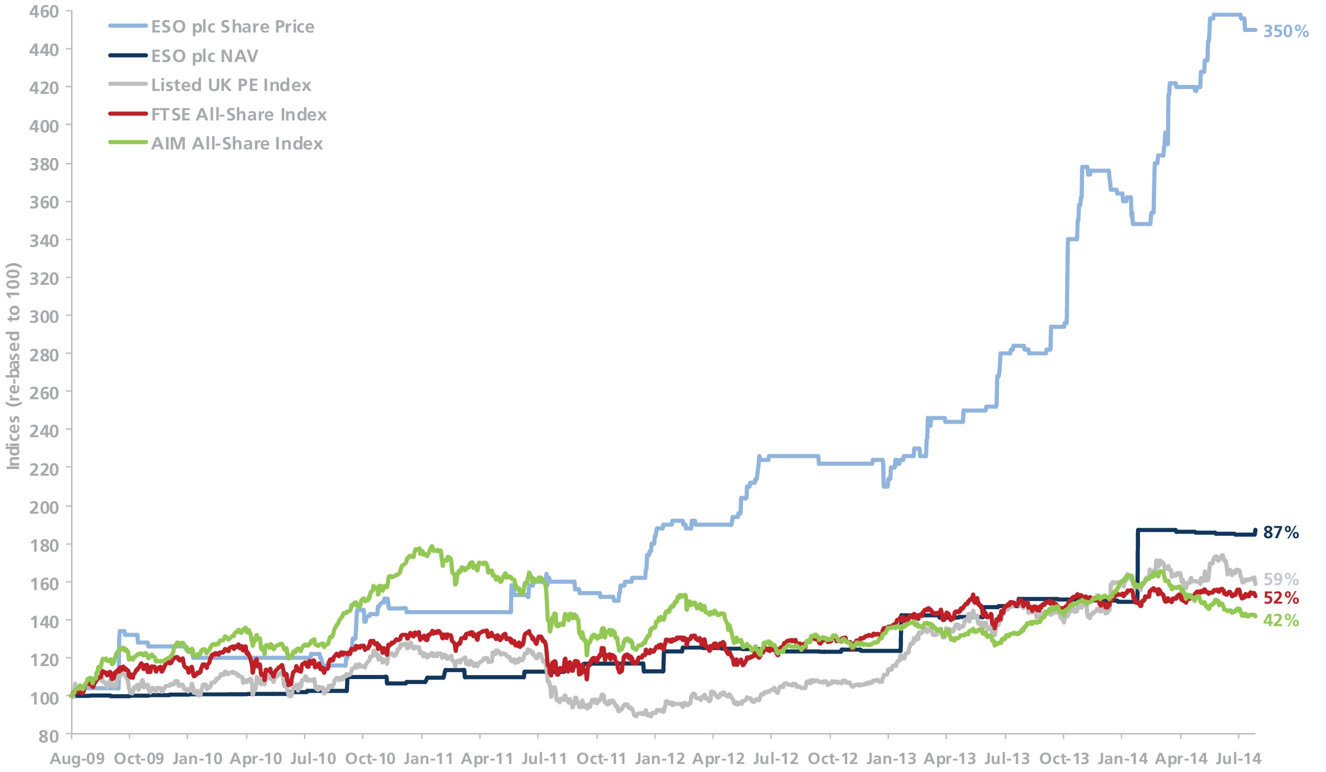
- Deployed £65 million of capital;
- Returned over £58 million to the Company in capital and income;
- The current portfolio, as at 31 July 2014, has a gross 3.5x money multiple and 30.8% IRR (Internal Rate of Return).

Performance summary

As at 31 July 2014	Six Months	One Year	Three Years	Five Years
ESO plc Share Price	29%	58%	181%	350%
ESO plc NAV Per Share	0%	24%	66%	87%
Listed European PE Index*	0%	6%	36%	59%
FTSE All-Share Index	3%	2%	18%	52%
AIM All-Share Index	(10%)	7%	(11%)	42%

* Listed European PE Index constituents: 3i, Better Capital, Dunedin Enterprise, Electra Private Equity, HgCapital Trust, Graphite and Oakley Capital Investments. The Index has been constructed by weighting the daily share price of each constituent by its market capitalisation as at 31 July 2014.

ESO plc NAV per share and share price performance versus various alternative indices



[1] Excludes two assets which represent 0.8% or £0.4 million of the Portfolio GAV.

[2] Sources: Latest Report and Accounts for 3i, Better Capital, Dunedin Enterprise, Electra Private Equity, HgCapital Trust, Graphite and Oakley Capital Investments.

Investment Advisor's Report
(continued)

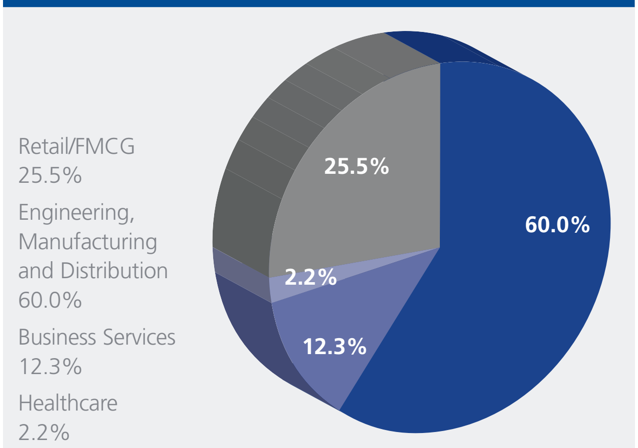
Recent developments

- June 2013: sale of Palatinate at 2.4x Money Multiple and 43% IRR.
- July 2013: passed Continuation Vote to extend life of Company to December 2020, five year votes thereafter.
- January 2014: Mark Dunhill, former TM Lewin International Director, appointed new CEO of Whittard.
- February 2014: sale of Bighead at 3.6x Money Multiple and 52% IRR.

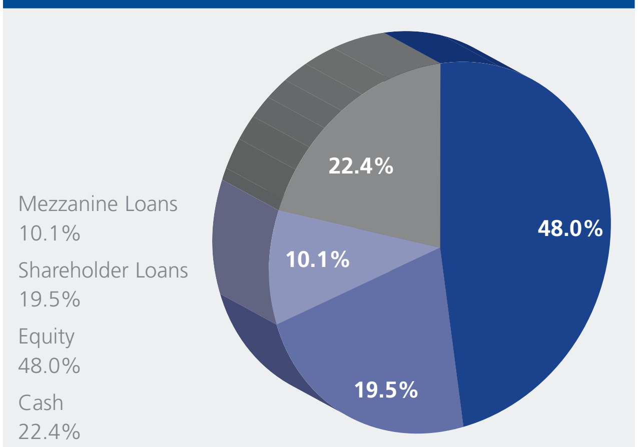
Current portfolio diversification

The current portfolio is diversified by sector and instrument as follows:

Sector Diversification



Instrument Diversification



Current portfolio: ESO 1 LP

Nexus Industries

Nexus Industries ("Nexus") is a manufacturer and distributor of electrical accessories in the UK, operating under the brand names Masterplug and British General, supplying both the retail and wholesale markets. The development of the Luceco LED lighting ranges is a major focus for the business. The gathering momentum behind the lighting technology switch to LED provides Nexus with an opportunity to enter and build market share in the category at a point of disruptive transition as traditional solutions are superseded. Nexus is differentiated by its positioning as a Chinese manufacturer, where the Company has built a 250,000 square foot wholly-owned production facility in Jiaxing, with British product quality, brand and service standards supplying into a global market.

Indicia

Indicia is a marketing services agency focussed on customer engagement, which uses data to help brands understand and communicate more successfully with their customers. Indicia was created through the acquisition and consolidation of three separate businesses.

Whittard of Chelsea

Whittard of Chelsea ("Whittard" or the "Company") is a retailer of specialty tea, coffee and hot chocolate. A 'quintessentially British' brand, it was established in 1886 and commands both strong brand recognition and customer loyalty in the UK and abroad. The main channel for the Company is the portfolio of 55 stores across the UK. These stores are positioned in prime locations on the high street, in tourist centres and outlets, with sales generated from both gifting and regular self-purchases. The Investment Advisor has focussed on developing the Whittard of Chelsea brand by growing the online, wholesale and franchise channels. The strategy has driven a turnaround in profitability since the date of investment.

Pharmacy2U

Pharmacy2U is an online pharmacy business, delivering National Health Service and private prescriptions direct to the home using an innovative technology developed in conjunction with the NHS, the Electronic Prescription Service.

Investment Advisor's Report
(continued)

Current portfolio: ESO Investments (PC) LLP ("ESO (PC) LLP")

Process Components

Process Components is an engineering parts and equipment supplier to the powder processing industries, primarily food, agriculture and pharmaceuticals. Customers are blue chip global manufacturers, and the business has been growing its international supply operations.

Outlook

The Investment Advisor is focussed on consolidation with a view to preserving and creating value in its core investments, as well as on making new investments to increase portfolio diversification and generate attractive returns for shareholders. The Investment Advisor expects to achieve continued cost savings and revenue improvement measures in portfolio companies, especially those in manufacturing and consumer focussed sectors. New investment opportunities are being pursued as positive economic signs continue. All new investments will be made via ESO 2 LP, in which the Company is the sole investor.

Strategic Report

Objectives and opportunities

The Company is an investment company and has been quoted on the Alternative Investment Market ("AIM") since September 2003. Its objective is to provide long-term return on equity for its shareholders by way of investment in a portfolio of private equity assets. This includes the pursuit of private equity investment opportunities as well as the use of share and CLN buybacks where appropriate. Since September 2010, the Company has retired £7.4 million of par value CLNs and ordinary shares at a cost of £5.0 million.

The Investment Advisor to the Company is EPE, which was founded in June 2001 and is an independent investment manager wholly owned by its Partners. Since 2001, EPE has made 45 investments. EPE manages the Company's investments in accordance with guidelines determined by the Directors and as specified in the limited partnership and in management and investment guideline agreements. EPE was appointed as the Investment Advisor in September 2003.

Investment policy

The Investment Advisor believes that the current economic environment continues to create a wide range of investment opportunities in UK small and medium sized enterprises ("SMEs"). As a result, the Investment Advisor continues to use proprietary deal sourcing approaches to identify these opportunities, as well as engaging actively with the wider restructuring and advisory community to communicate the Company's investment strategy. The Company seeks to target growth and buyout opportunities, as well as special situations and distressed transactions, making investments where it believes pricing to be attractive and the potential for value creation strong. The Company will continue to target the following types of investments:

- Growth, Buyout and Pre-IPO opportunities: leveraging the Investment Advisor's investment experience, contacts and ability. The Company is particularly focussed on making investments in sectors where the opportunity exists to create a unique asset via the consolidation of a number of smaller companies, taking advantage of the lack of liquidity in the SME market and the attraction to secondary buyers of larger operations.

- Special Situations: investment opportunities where the Investment Advisor believes that assets are undervalued due to specific, event-driven circumstances and where asset-backing may be available and the opportunity exists for recovery and significant upside. Target companies may or may not be distressed as a result of the situation. The Investment Advisor will aim to use its restructuring and refinancing expertise to resolve the situation and achieve a controlling position in the target company. The Company seeks to acquire distressed debt, undervalued equity or the assets of target businesses in solvent or insolvent situations.

- Private Investment in Public Equities (PIPEs): the Company may consider making investments in a number of smaller quoted companies, primarily ones whose shares are admitted to AIM. The Company will either seek to acquire and de-list the target company or make an investment in the ordinary equity of a quoted target company. The Company may offer ordinary shares in the Company as all or part of the consideration for such investments.

- Secondary portfolios/LP positions (Secondary or Primary)/EPE Funds: the Company is able, through EPE's Placement business, to invest as a limited partner in various Private Equity funds on substantially improved terms. On occasion, the Company will seek to take advantage of these commitments. The EPE skill-set and experience is well suited to the requirements of co-investing in funds.

The Company will consider most industry sectors, including consumer, retail, manufacturing, financial services, healthcare, support services and media industries. The Company partners with management and entrepreneurs to maximise value by combining financial and operational expertise in each investment.

The Company will seek to invest between £2 million and £10 million in a range of debt and equity instruments with a view to generating returns through both yield (c.5 to 15% per annum) and capital gain. Whilst in general the Company aims to take controlling equity positions, it may seek to develop companies as a minority investor.

Occasionally the Board may authorise investments of less than £2 million. For investments larger than £10 million, the Company may seek co-investment from third parties or additional public market fundraisings.

The Company looks to invest in businesses with strong fundamentals, including defensible competitive advantage, opportunity for strong future cashflow and dynamic management teams.

Current and future development

A detailed review of the year and outlook is contained in the Chairman's Statement and the Investment Advisor's Report.

The Board regularly reviews the development and strategic direction of the Company. The Board's main focus continues to be on the Company's long term investment return. It is believed that the Company has foundations in place to build a successful and durable investment vehicle given its supportive shareholder base, with EPE executives owning 26.6% of the Company[3], and the provision of equity funding until at least December 2020, with five year extensions thereafter, via the passing of the Continuation Vote in July 2013.

The Board and the Investment Advisor are investigating the possibility of raising additional funds for the Company to be used, inter alia, to retire existing Convertible Loan Notes in light of the December 2015 end date (extendable to December 2016 at the Company's behest), buy-in minorities in the existing investments, investment behind key assets such as Nexus, Whittard and Process Components and support new investments.

The Board believes that the current investment strategy remains effective in the light of existing market conditions.

Performance

A detailed review of performance is contained in the Chairman's Statement and the Investment Advisor's Report. A number of key indicators are considered by the Board and the Investment Advisor in assessing the progress and performance of the Company. These are well established industry measures and are as follows:

- Return on equity over the long term
- Movement in NAV per ordinary share
- Movement in share price

Further details of these key performance indicators can be found on pages 5 and 6.

Risk management

All risks associated with the Company are the responsibility of the Board, which reviews and manages these either directly or through EPE. The main risks which the Company faces are as follows:

Macroeconomic risks

The performance of the Company's underlying portfolio of assets as well as the Company's ability to exit these assets is materially influenced by the macroeconomic conditions, including the current business environment and market conditions, the availability of debt finance, the level of interest rates, as well as the number of active buyers. Considerable effort continues to be taken by the Investment Advisor to position the portfolio companies to cope and take advantage of the changing macroeconomic climate.

Share price volatility and liquidity

The market price of the 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's interim or full year operating results and business developments of the Company and/or competitors. The market price of the shares may not reflect the underlying value of the Group and, from time to time, the market price of the shares will trade at a discount to NAV.

[3] Excluding awards made under the Joint Share Ownership Plan

Long term strategic risks

The Company is subject to the risk that share price performance and long-term strategy fail to meet the expectations of its shareholders. The Board monitors share price to NAV per share discount, and considers the most effective methodologies to keep this at a minimum. These methodologies include the share buyback policy. Directors will continue to seek shareholder authority on an annual basis to enable them to purchase shares for cancellation when they believe it will be in the best interests of shareholders. Since September 2010, the Company has retired c.£7.4 million of par value CLNs and ordinary shares at a cost of £5.0 million. In addition, the Board regularly reviews the Objectives and Investment Policy in light of prevailing investor sentiment to ensure the Company remains attractive to its shareholders.

Investment risks

The Company operates in a very competitive market. Changes in the number of market participants, the availability of investable assets, the pricing of investable assets, or in the ability of EPE to access and execute deals could have a significant effect on the Company's competitive position and on the sustainability of returns.

Adequate sourcing and execution of deals is primarily dependent on the ability of EPE to attract and retain key investment executives with the requisite skills and experience.

Adequate performance of portfolio assets once acquired is primarily dependent on macroeconomic conditions, conditions within each asset's market and the ability of the respective management teams of each asset to execute their business strategy. Any one of these factors could have an impact on the valuation of a portfolio company and upon the Company's ability to make a profitable exit from the investment within the desired timeframe.

The Company may at certain times hold a relatively concentrated investment 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.

A rigorous process is put in place by EPE for managing the relationship with each portfolio company. This includes regular asset reviews, an assessment of concentration of the investment portfolio at any given period and board representation by one or more EPE executives. The Board reviews both the performance of EPE and its incentive arrangements on a regular basis to ensure that both are appropriate to the objectives of the Company.

Gearing risks

Gearing can cause both gains and losses in the asset value of the Company to be magnified. Gearing can also have serious operational impacts on the Company if a breach of its banking covenants occurs. Secondary risks relate to whether the cost of gearing is too high and whether the length of the gearing is appropriate. The Board regularly monitors the headroom available under banking covenants and reviews the impact of the various forms of gearing and their cost to the Company. The Company uses gearing directly via its CLNs and an overdraft facility at ESO 1 LP, and indirectly via gearing in individual portfolio assets.

Foreign exchange risk

The base currency of the Company is Sterling. Certain of the Company's assets may be 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.

Valuation risks and methodology

The Investment Advisor determines asset values using BVCA and IPEV guidelines and other valuation methods with reference to the valuation principles of IFRS 13: Fair Value Measurement. This determination is subject to many assumptions and requires considerable judgment. As all investments are unquoted, the valuation principles adopted are classified as Level 3 in the IFRS

13 fair value hierarchy. BVCA and IPEV guidelines recommend the use of comparable quoted company metrics and comparable transaction metrics to determine an appropriate enterprise value, to which a marketability discount is applied given the illiquid nature of private equity investments. The Investment Advisor also seeks to confirm value using discounted cash flow and other methods of valuation, and by applying a range approach. The Investment Advisor adopts a conservative approach to valuation with reference to the aforementioned methodology having regard for on-going volatile market conditions.

The Company announces an estimated net asset value per ordinary share on a monthly basis following a review of the valuation of the Company's investments.

Operational risks

The Company's investment management and administration are provided or arranged for the Company by EPE. The Company is therefore exposed to internal and external operational risks at EPE, including regulatory, legal, information technology, human resources and deficiencies in internal controls. The Company monitors the provision of services by EPE to ensure they meet the Company's business objectives.

Sources of funds

The Company considers a number of sources for funds. These include its own cash resources as well as third party funds. Own cash resources originate via income from ESO 1 LP and ESO (PC) LLP and capital from asset realisations and refinancings. The focus on utilising these cash resources allows the Company to minimise dilution from public market fundraisings and provides sufficient capital for small share buybacks and the execution of one to two new investment opportunities per annum.

The Company's own cash resources may be supplemented by additional third party funding. One route of third party funding includes the provision of co-investment capital alongside the Company in ESO 2 LP, either as private investment capital directly into ESO 2 LP or on a deal by deal basis. The Company may also seek opportunistic public market fundraisings, in particular when considering transformational investment opportunities such as the acquisition of the EPIC plc private equity portfolio in 2010. Alternatively, third party debt funding may be sourced, comprising zero dividend preference shares, preference shares, senior and mezzanine debt, such as the £10 million of CLNs raised in 2010 to part-fund the EPIC plc portfolio acquisition.

Geoffrey Vero
Chairman
19 September 2014

Review report by KPMG Audit LLC

to EPE Special Opportunities plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 July 2014, which comprises the consolidated statement of comprehensive income, the consolidated statement of assets and liabilities, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

The annual financial statements of the Group are prepared in accordance with IFRSs, as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly report for the six months ended 31 July 2014 is not prepared, in all material respects, in accordance with IAS 34 and the AIM Rules.

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

19 September 2014

Consolidated Statement of Comprehensive Income

For the six months ended 31 July 2014

Note		1 Feb 2014 to 31 Jul 2014 Revenue (unaudited) £	Capital (unaudited) £	Total (unaudited) £	1 Feb 2013 to 31 Jul 2013 Total (unaudited) £	1 Feb 2013 to 31 Jan 2014 Total (audited) £
	Income					
	Interest income	7,723	–	7,723	1,680	11,033
	Total income	**7,723**	**–**	**7,723**	**1,680**	**11,033**
	Expenses					
5	Investment advisor's fees	(369,973)	–	(369,973)	(266,165)	(594,952)
	Administration fees	(38,890)	–	(38,890)	(34,150)	(74,967)
	Directors' fees	(62,000)	–	(62,000)	(62,000)	(124,000)
	Directors' and Officers' insurance	(2,069)	–	(2,069)	(2,062)	(5,728)
	Professional fees	(18,878)	–	(18,878)	(17,388)	(107,468)
	Board meeting and travel expenses	(5,129)	–	(5,129)	(6,207)	(15,227)
	Auditors' remuneration	(26,946)	–	(26,946)	(19,766)	(31,766)
	Bank charges	(442)	–	(442)	(349)	(938)
	Irrecoverable VAT	(103,992)	–	(103,992)	(97,382)	(205,162)
	Share based payment expense	(105,374)	–	(105,374)	(72,453)	(145,520)
	Sundry expenses	(14,426)	–	(14,426)	(14,817)	(40,287)
	Listing fees	(8,840)	–	(8,840)	(9,589)	(22,258)
	Nominated advisor and broker fees	(24,725)	–	(24,725)	(32,147)	(60,449)
	Total expenses	**(781,684)**	**–**	**(781,684)**	**(634,475)**	**(1,428,722)**
	Net income/(expense)	**(773,961)**	**–**	**(773,961)**	**(632,795)**	**(1,417,689)**
	Gains on investments					
6	Share of profit of equity accounted investees	–	920,685	920,685	2,375,921	10,454,358
	Deconsolidation of subsidiary	–	–	–	(9,003)	(9,003)
	Gain for the period/year on investments	**–**	**920,685**	**920,685**	**2,366,918**	**10,445,355**
	Finance charges					
12	Interest on convertible loan note instruments	(242,081)	–	(242,081)	(241,222)	(483,303)
	Profit/(loss) for the period/year before taxation	**(1,016,042)**	**920,685**	**(95,357)**	**1,492,901**	**8,544,363**
	Taxation	–	–	–	–	–
	Profit/(loss) for the period/year	**(1,016,042)**	**920,685**	**(95,357)**	**1,492,901**	**8,544,363**
	Other comprehensive income	–	–	–	–	–
	Total comprehensive income/(loss) for the period/year	**(1,016,042)**	**920,685**	**(95,357)**	**1,492,901**	**8,544,363**
10	**Basic earnings/(loss) per ordinary share (pence)**	**(3.69)**	**3.35**	**(0.34)**	**5.31**	**30.62**
10	**Diluted earnings/(loss) per ordinary share (pence)**	**(3.69)**	**3.21**	**(0.34)**	**5.19**	**29.51**

The total column of this statement represents the Group's Consolidated Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under Board approved guidelines in relation to the allocation between revenue and capital. All items in the above statement derive from continuing activities.

The notes form an integral part of these financial statements

Consolidated Statement of Financial Position

As at 31 July 2014

Note		31 July 2014 (unaudited) £	31 January 2014 (audited) £	31 July 2013 (unaudited) £
	Non-current assets			
6	Investment in equity accounted investees	32,477,270	34,050,939	25,972,474
6,8	Loans to equity accounted investees and related companies	722,499	1,298,017	1,495,027
		33,199,769	**35,348,956**	**27,467,501**
	Current assets			
	Cash and cash equivalents	9,629,208	7,862,252	8,824,502
	Trade and other receivables	504,281	77,822	98,696
		10,133,489	**7,940,074**	**8,923,198**
	Current liabilities			
	Trade and other payables	(52,817)	(42,518)	(44,985)
		(52,817)	**(42,518)**	**(44,985)**
	Net current assets	**10,080,672**	**7,897,556**	**8,878,213**
	Non-current liabilities			
12	Convertible loan note instruments	(6,020,732)	(6,005,994)	(5,991,256)
		(6,020,732)	**(6,005,994)**	**(5,991,256)**
	Net assets	**37,259,709**	**37,240,518**	**30,354,458**
	Equity			
9	Share capital	1,534,411	1,534,411	1,540,146
	Share premium	1,815,385	1,815,385	1,815,385
	Capital reserve	7,100,148	6,179,463	(1,898,974)
	Revenue reserve	26,809,765	27,711,259	28,897,901
	Capital redemption reserve	–	–	–
	Total equity	**37,259,709**	**37,240,518**	**30,354,458**
11	**Net asset value per share (pence)**	**135.44**	**135.37**	**109.15**

The notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

For the six months ended 31 July 2014

Six months ended 31 July 2014 (Unaudited)

	Share capital £	Share premium £	Capital redemption reserve £	Capital reserve £	Revenue reserve £	Total £
Balance at 1 February 2014	**1,534,411**	**1,815,385**	**–**	**6,179,463**	**27,711,259**	**37,240,518**
Total comprehensive income for the period	–	–	–	920,685	(1,016,042)	(95,357)
Contributions by and distributions to owners						
Share based payment charge	–	–	–	–	105,374	105,374
Cash received from JSOP participants	–	–	–	–	9,174	9,174
Total transactions with owners	**–**	**–**	**–**	**–**	**114,548**	**114,548**
Balance at 31 July 2014	**1,534,411**	**1,815,385**	**–**	**7,100,148**	**26,809,765**	**37,259,709**

Year ended 31 January 2014 (Audited)

	Share capital £	Share premium £	Capital redemption reserve £	Capital reserve £	Revenue reserve £	Total £
Balance at 1 February 2013	**1,540,146**	**1,815,385**	**4,437**	**(4,265,892)**	**29,950,543**	**29,044,619**
Total comprehensive income for the year	–	–	–	10,445,355	(1,900,992)	8,544,363
Contributions by and distributions to owners						
Cancelled ordinary shares	(5,735)	–	–	–	5,735	–
Removal of capital redemption reserve	–	–	(4,437)	–	4,437	–
Share based payment charge	–	–	–	–	145,520	145,520
Cash received from JSOP participants	–	–	–	–	31,511	31,511
Purchase of treasury shares	–	–	–	–	(525,495)	(525,495)
Total transactions with owners	**(5,735)**	**–**	**(4,437)**	**–**	**(338,292)**	**(348,464)**
Balance at 31 January 2014	**1,534,411**	**1,815,385**	**–**	**6,179,463**	**27,711,259**	**37,240,518**

Six months ended 31 July 2013 (Unaudited)

	Share capital £	Share premium £	Capital redemption reserve £	Capital reserve £	Revenue reserve £	Total £
Balance at 1 February 2013	**1,540,146**	**1,815,385**	**4,437**	**(4,265,892)**	**29,950,543**	**29,044,619**
Total comprehensive income for the period	–	–	–	2,366,918	(874,017)	1,492,901
Contributions by and distributions to owners						
Share based payment charge	–	–	–	–	47,453	47,453
Cash received from JSOP participants	–	–	–	–	17,599	17,599
Purchase of treasury shares	–	–	–	–	(248,114)	(248,114)
Removal of capital redemption reserve	–	–	(4,437)	–	4,437	–
Total transactions with owners	**–**	**–**	**(4,437)**	**–**	**(178,625)**	**(183,062)**
Balance at 31 July 2013	**1,540,146**	**1,815,385**	**–**	**(1,898,974)**	**28,897,901**	**30,354,458**

The notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

For the six months ended 31 July 2014

	1 Feb 2014 to 31 July 2014 (unaudited) £	1 Feb 2013 to 31 July 2013 (unaudited) £	1 Feb 2013 to 31 Jan 2014 (audited) £
Operating activities			
Interest income received	7,723	1,680	11,033
Expenses paid	(1,094,993)	(643,389)	(1,323,823)
Net cash used in operating activities	**(1,087,270)**	**(641,709)**	**(1,312,790)**
Investing activities			
Loan repayments from investee companies	578,038	80,000	572,644
Net receipts from associate and related companies	2,494,357	5,433,000	5,140,000
Deconsolidation of ERPC II Limited	–	(6,706)	(6,706)
Net cash generated from investing activities	**3,072,395**	**5,506,294**	**5,705,938**
Financing activities			
Convertible loan note interest paid	(227,343)	(227,343)	(454,687)
Purchase of treasury shares	–	(248,114)	(525,495)
Share ownership scheme participation	9,174	17,599	31,511
Net cash used in financing activities	**(218,169)**	**(457,858)**	**(948,671)**
Increase in cash and cash equivalents	1,766,956	4,406,727	3,444,477
Cash and cash equivalents at start of period/year	7,862,252	4,417,775	4,417,775
Cash and cash equivalents at end of period/year	**9,629,208**	**8,824,502**	**7,862,252**

The notes form an integral part of these financial statements

Notes to the Unaudited Interim Financial Statements

For the six months ended 31 July 2014

1 The Company

The Company was incorporated with limited liability in the Isle of Man on 25 July 2003. The Company then re-registered under the Isle of Man Companies Act 2006, with registration number 008597V. The Company's ordinary shares are listed on the Alternative Investment Market ("AIM") and the ICAP Securities and Derivatives Exchange ("ICAP").

The interim consolidated financial statements as at and for the six months ended 31 July 2014 comprise the Company and its subsidiaries (together "the Group"). The interim consolidated financial statements are unaudited.

The consolidated financial statements of the Group as at and for the year ended 31 January 2014 are available upon request from the Company's registered office at IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP, or at www.epicpe.com.

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

The Company also has interests in two partnerships that are accounted for as associates. The partnerships comprise one limited liability partnership, ESO Investments (PC) LLP, and one limited partnership, ESO Investments 1 LP. The Company also has an interest in a third partnership, ESO Investments 2 LP, through which new investments will be made. As at 31 July 2014, ESO Investments 2 LP had made no investments.

Following the approval of the Share Matching Plan at the Annual General Meeting on 20 July 2012, the Company established an employee benefit trust located in the Isle of Man to administer the scheme.

2 Statement of compliance

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

The interim consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 January 2014.

The interim consolidated financial statements were approved by the Board of Directors on 19 September 2014.

3 Significant accounting policies

The accounting policies applied by the Group in these interim consolidated financial statements are the same as those applied by the Group as at and for the year ended 31 January 2014.

Subsidiaries

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

4 Financial risk management

The Group financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 January 2014.

5 Investment advisory fees

The investment advisory fee payable to EPIC Private Equity LLP was, until 31 August 2010, calculated at 2% of the Group's Net Asset Value ("NAV"), with a minimum of £325,000 payable per annum. On 31 August 2010, the Investment Advisor agreed to waive the fee from the Company for a period of two years in return for a priority profit share paid from ESO Investments 1 LP. Consequently the payment of fees has resumed at a rate of 2% per annum of the Company's NAV (including its share of the Fund) plus VAT. The charge for the current period was £369,973 (period ended 31 July 2013: £266,165, year ended 31 January 2014: £594,952).

6 Non-current assets

	31 July 2014	31 July 2013	31 January 2014
	Group	Group	Group
	£	£	£
Financial assets			
Investments in equity accounted investees	32,477,270	25,972,474	34,050,939
Loans to equity accounted investees and related companies	722,499	1,495,027	1,298,017
	33,199,769	**27,467,501**	**35,348,956**

The Investment Advisor has applied appropriate valuation methods with reference to BVCA and IPEV guidelines and other valuation methods with reference to the valuation principles of IFRS 13. As all investments are unquoted, the valuation principles adopted are classified as Level 3 in the IFRS 13 fair value hierarchy. The investment advisor has also applied these methods with regard to the underlying investments held by the equity accounted investees.

Investment in equity accounted investees

Investments in equity accounted investees comprise the investment in ESO Investments 1 LP and ESO Investments (PC) LLP (formerly ESO Investments 2 LLP) which are stated at cost plus the share of profit and loss to date. The equity accounted investees have accounted for their equity investments at fair value.

During the period, the Company received £2,494,357 (year ended 31 January 2014: £5,140,000) from ESO Investments 1 LP.

Fair value hierarchy – Financial instruments measured at fair value

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

6 Non-current assets (continued)

Summary of financial information of equity accounted investees as at 31 July 2014 is as follows:

	31 July 2014			31 January 2014		
	ESO Investments (PC) LLP	**ESO Investments 1 LP**	**Total**	**ESO Investments (PC) LLP**	**ESO Investments 1 LP**	**Total**
	£	£	£	£	£	£
Non-current assets	5,077,936	43,737,943	48,815,879	5,100,000	47,428,504	52,528,504
Current assets	289,556	5,800,007	6,089,563	100	3,324,791	3,324,891
Total assets	**5,367,492**	**49,537,950**	**54,905,442**	**5,100,100**	**50,753,295**	**55,853,395**
Current liabilities	–	(2,964,474)	(2,964,474)	(285,962)	(1,015,559)	(1,301,521)
Total liabilities	**–**	**(2,964,474)**	**(2,964,474)**	**(285,962)**	**(1,015,559)**	**(1,301,521)**
Group's share of net assets	**4,345,788**	**28,131,482**	**32,477,270**	**3,899,128**	**30,151,811**	**34,050,939**
Income	55,974	616,439	672,413	80,000	1,753,679	1,833,679
Gains on investments	500,000	465,859	965,859	799,644	15,004,508	15,804,152
Expenses	(2,520)	(112,261)	(114,781)	(14,633)	(222,538)	(237,171)
Profit	**553,454**	**970,037**	**1,523,491**	**865,011**	**16,535,649**	**17,400,660**
Group's share of profit	**446,659**	**474,026**	**920,685**	**701,927**	**9,752,431**	**10,454,358**

In total, ESO 1 LP has now distributed £24.0 million: £15.1 million to ESO plc and £8.9 million to ESD. At the current portfolio valuation the ESD minority interest equates to £11.4 million via the waterfall, which, together with £8.9 million of distributions received to date by ESD, equates to a £20.2 million total, or 2.0x money multiple.

To date ESD have received distributions representing a 0.9x realised money multiple. Further distributions will therefore continue to be apportioned between the limited partners in the ratio 63% ESO: 37% ESD. This will continue until ESO 1 LP has reached £43.9 million of distributions (representing £20.0 million of new distributions) and £15.0 million to ESD (1.5x money multiple), at which point the value will be apportioned 75% ESO: 25% ESD.

At the current portfolio valuation ESD has achieved the 2.0x investment hurdle. Further increases in the value of the portfolio will therefore continue to be apportioned between the limited partners in the ratio 82% ESO: 18% ESD.

7 Financial assets and liabilities

Fair values of financial instruments

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

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

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

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data;

7 Financial assets and liabilities (continued)

- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments. All of the Group's underlying investments held by equity accounted investees are deemed as level 3 in the fair value hierarchy.

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

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

Valuation framework

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

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

Fair value hierarchy – Financial instruments measured at fair value

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

31 July 2014	Level 3 £	Total £
Financial assets at fair value through profit or loss		
Unlisted private equity investments	28,975,434	28,975,434
Debt securities, unlisted	20,785,383	20,785,383
Total investments	**49,760,818**	**49,760,818**

Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 July 2014 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 31 July 2014 £	Valuation technique
Unlisted private equity investments	28,975,434	EBITDA multiple

7 Financial assets and liabilities (continued)

Significant unobservable inputs are developed as follow:

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

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

8 Loans to/(from) equity accounted investees and related companies

	31 July 2014	31 July 2013	31 January 2014
	Group	**Group**	**Group**
	£	£	£
ESO Investments 1 LP	512,055	512,055	512,055
EPIC Structured Finance Limited	500,000	500,000	500,000
ESO Investments (PC) LLP	(289,556)	482,972	285,962
	722,499	**1,495,027**	**1,298,017**

The loans to equity accounted investees and related companies are unsecured, interest free and not subject to any fixed repayment terms.

9 Share capital

	31 July 2014		31 July 2013		31 January 2014	
	Number	£	**Number**	£	**Number**	£
Authorised share capital						
Ordinary shares of 5p each	33,000,000	1,650,000	33,000,000	1,650,000	33,000,000	1,650,000
Called up, allotted and fully paid						
Ordinary shares of 5p each	30,688,222	1,534,411	30,802,911	1,540,146	30,688,222	1,534,411
Ordinary shares of 5p each held in treasury	(3,178,030)	–	(2,992,719)	–	(3,178,030)	–
	27,510,192	**1,534,411**	**27,810,192**	**1,540,146**	**27,510,192**	**1,534,411**

10 Basic and diluted earnings per ordinary share

The basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period of 27,510,192 (six month period ended 31 July 2013: 28,119,630 after share consolidation, year ended 31 January 2014: 27,900,351).

The diluted earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period, as adjusted for the effects of all dilutive potential ordinary shares of 28,700,472 (six month period ended 31 July 2013: 28,778,809 after share consolidation, year ended 31 January 2014: 28,953,683).

11 Net asset value per share (pence)

The net asset value per share is based on the net assets at the period end of £37,259,709 divided by 27,510,192 ordinary shares in issue at the end of the period (31 July 2013: £30,354,458 and 27,810,192 ordinary shares, 31 January 2014: £37,240,518 and 27,510,192 ordinary shares).

The diluted net asset value per share of 129.82 pence, is based on the net assets of the Group and the Company at the year-end of £37,259,709 divided by the shares in issue at the end of the year, as adjusted for the effects of dilutive potential ordinary shares, of 28,700,472, after excluding treasury shares (31 July 2013: £30,354,458 and 28,469,371 ordinary shares, 31 January 2014: £37,240,518 and 28,563,524 ordinary shares).

12 Non-current liabilities

	31 July 2014	31 July 2013	31 January 2014
	Group	**Group**	**Group**
	£	£	£
Convertible loan note instruments	6,020,732	5,991,256	6,005,994
	6,020,732	**5,991,256**	**6,005,994**

Convertible loan note instruments were issued on 31 August 2010 to The Equity Partnership Investment Company plc. The notes carry interest at 7.5% per annum and are convertible at the option of the holder at a price of 170 pence per ordinary share. The convertible shares fall under the definition of compound financial instruments within *IAS 32 Financial Instruments: Presentation*. The Directors are required to assess the element of liability contained with the compound instrument. The Directors consider that the instrument has no equity element.

Issue costs of £129,696 have been offset against the value of the convertible loan note instruments and are being amortised over the life of the instrument at an effective interest rate of 0.24% per annum.

The convertible loan notes are repayable on 31 December 2015 unless the shareholders of the Company pass a resolution on or before 30 September 2015 for the continuation of the Company beyond 31 December 2016, in which case the final repayment date shall be 31 December 2016, but each noteholder has the right to require the redemption of some or all of their notes on 31 December 2015 by providing the Company with written notice up to the close of business on 30 November 2015.

13 Financial commitments and guarantees

Under the terms of the limited partnership agreement the Company is committed to provide a maximum of £2.0 million additional investment to ESO Investments 1 LP. To date no draw downs have been made.

14 Subsequent events

There were no significant subsequent events.

For your notes

Company Information

Directors	GO Vero *(Chairman)* RBM Quayle CL Spears NV Wilson
Secretary	PP Scales
Registrar and Registered Office	IOMA Fund and Investment Management Limited IOMA House Hope Street Douglas Isle of Man IM1 1AP
Nominated Advisor and Broker	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Bankers	Barclays Bank plc 1 Churchill Place Canary Wharf London E14 5HP
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 IM99 1HN

EPE Special Opportunities plc

Registered in the Isle of Man number 008597V. EPE Special Opportunities plc is listed on the Alternative Investment Market and the ICAP Securities and Derivatives Exchange and is advised by EPIC Private Equity LLP.