

13 May 2009

THIS ANNOUNCEMENT IS NOT FOR RELEASE, PUBLICATION, ISSUE OR DISTRIBUTION IN WHOLE OR IN PART IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA, JAPAN OR THE REPUBLIC OF SOUTH AFRICA OR ANY OTHER JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION.

THIS ANNOUNCEMENT IS NOT A CIRCULAR AND INVESTORS SHOULD NOT SUBSCRIBE FOR OR PURCHASE ANY SHARES REFERRED TO IN THIS ANNOUNCEMENT EXCEPT ON THE BASIS OF INFORMATION IN THE CIRCULAR EXPECTED TO BE PUBLISHED BY EPE SPECIAL OPPORTUNITIES PLC TODAY IN CONNECTION WITH THE PROPOSED PLACING AND OPEN OFFER.

13 May 2009

EPE Special Opportunities plc
(the 'Company')

**Placing and Open Offer of up to 100,000,000 new Ordinary Shares
at 5 pence per new Ordinary Share
and
Notice of Extraordinary General Meeting**

EPE Special Opportunities plc (formerly EPIC Reconstruction plc) is pleased to announce its intention to raise up to £5 million (before expenses) by way of a Placing and Open Offer (the 'Placing and Open Offer') of up to 100,000,000 new ordinary shares (the 'Offer Shares') at 5 pence per share. The Placing is to be made to certain institutional and other investors in respect of up to 57,000,000 of the Offer Shares, subject to clawback to satisfy valid applications under the Open Offer. In addition, certain Shareholders have given irrevocable undertakings to take up Offer Shares pursuant to the Open Offer representing 30,560,000 Offer Shares in aggregate. The Open Offer is a conditional offer to qualifying shareholders to subscribe for Offer Shares on the basis of 3.0574 new Ordinary Shares for every 1 existing Ordinary Share.

The proceeds of the Placing and Open Offer will increase the Company's cash balances allowing for new investment, including bolt-on acquisitions to existing investments, and enable the Company to take advantage of current market conditions. The Placing and Open Offer is conditional, inter alia, upon Shareholders passing a resolution to increase the Company's authorised share capital at an Extraordinary General Meeting to be held on 8 June 2009, and upon Admission.

It is also proposed that, immediately following completion of the Placing and Open Offer, the Ordinary Shares (including the Offer Shares) be consolidated on the basis of one Ordinary Share of 5p replacing every five existing Ordinary Shares of 1p each, thus reducing the number of Ordinary Shares with a resulting adjustment in the market price of the Ordinary Shares.

In addition, the Board is seeking authority to purchase in the market up to 6,635,375 issued Ordinary Shares (33,176,877 if the Consolidation is not approved by Shareholders), equivalent to up to 25 per cent. of the issued Ordinary Shares following completion of the Placing and Open Offer (assuming full take up of Offer Shares under the Placing and Open Offer).

Geoffrey Vero, Chairman, commented: "Given current economic conditions, the Board believes that the opportunity for distressed investing is becoming increasingly attractive and that the Investment Advisor is well placed to take advantage of these circumstances. This was most recently demonstrated by the acquisition of Whittard of Chelsea in December 2008. Therefore, the Company is proposing to raise funds through the Placing and Open Offer to enable it to make new investments, including bolt-on acquisitions for existing investments."

The Investment Advisor

- EPIC Private Equity was founded in 2001 as part of EPIC Investment Partners. Following the restructuring of EPIC plc's investment management arrangements in 2006, EPE is now a privately owned partnership made up of investment professionals from investment banking, accounting and consulting backgrounds and supported by specialist operating and financial partners.
- EPE has significant experience in SME and distressed company investing, having arranged approximately £88 million in approximately £270 million enterprise value in 42 transactions over the last eight years (17 of which were distressed private equity transactions via ESO). EPE advises up to £35 million in EPIC plc and currently manages £14.9 million of net assets in ESO. The current combined portfolio of EPIC plc and ESO has approximately £39 million of invested capital in businesses with an aggregate annual turnover of more than £240 million.
- EPE has a disciplined approach to investing with highly evolved criteria for selecting deals and conducting due diligence. Through a large number of well established relationships, EPE has access to significant deal flow (around 250 deals are seen per annum).

Enquiries:

EPIC Private Equity LLP Giles Brand +44 (0) 20 7553 2341

IoMA Philip Scales +44 (0) 1624 681 250

Cardew Group Richard Spiegelberg/Catherine Maitland +44 (0) 20 7930 0777

Numis Securities Ltd Tel: +44 (0) 02 7260 1000

Nominated Advisor: Lee Aston/Stuart Skinner

Corporate Broker: Alex Ham

This summary should be read in conjunction with the detailed announcement which follows.

Paragraph 14 of the full announcement contains the definitions of certain terms used in this summary and the full announcement. This announcement does not constitute, or form part of, an offer to sell, or the solicitation of an offer to subscribe for or buy, any of the Offer Shares to be issued in connection with the Placing and Open Offer.

The Directors of EPE Special Opportunities plc have taken all reasonable care to ensure that the information contained in this announcement is, to the best of their knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

Numis, which is authorised and regulated in the UK by the Financial Services Authority, is acting as Nominated Adviser and broker exclusively to the Company and no one else in connection with the Placing and Open Offer and the admission of the Offer Shares to trading on AIM and will not be responsible to anyone other than the Company for providing the protection afforded to clients of Numis or for providing advice in relation to the Placing and Open Offer, the proposed admission to trading on AIM, or any other matters referred to in this announcement.

The release, publication, issue or distribution of this announcement into certain jurisdictions other than the UK may be restricted by law and therefore persons in such jurisdictions into which this announcement is released, published, issued or distributed should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulation of such jurisdictions.

A circular to shareholders (the 'Circular') is expected to be dispatched today. The Circular contains a notice of a General Meeting to approve certain resolutions necessary to implement the proposals set out in the Circular, expected to be held at IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP on 8 June 2009 at 10.30 am. The Circular gives further details of the Placing and Open Offer, the Offer Shares to be offered pursuant to the Placing and Open Offer and the Company's business.

This announcement is not for release, publication or distribution, directly or indirectly, in whole or in part, in or into the United States, Australia, Canada, Japan or the Republic of South Africa and does not constitute, or form part of, an offer or the solicitation of an offer, or inducement, or invitation to subscribe for, buy, underwrite or otherwise acquire, any rights, shares or other securities, nor the solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issue or transfer of shares in the Company in any jurisdiction in contravention of applicable law. Any offer, invitation or inducement to acquire shares in the Company will be made solely by means of the Circular and the Application Form and any decision to keep, buy or sell shares in the Company should be made solely on the basis of the information contained in such document(s).

The Offer Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Offer Shares or the accuracy or adequacy of this announcement or the Circular. The securities referred to herein have not been and will not be registered under the US Securities Act and may not be sold or offered in the United States unless registered under the US Securities Act or any applicable exemption from such registration. No public offering of Offer Shares will be made in the United States, Australia, Canada, Japan or the Republic of South Africa.

This announcement includes statements that are, or may be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'believes', 'estimates', 'plans', 'anticipates', 'targets', 'aims', 'continues', 'expects', 'intends', 'may', 'will', 'would' or 'should' or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth strategies and the markets in which the Company operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation: market position of the Company, earnings, financial position, cash flows, return on capital, anticipated investments and capital expenditures, changing business or other market conditions and general economic

conditions. These and other factors could adversely affect the outcome and financial effects of the events described herein and the Company. Forward-looking statements contained in this announcement based on these trends or activities should not be taken as a representation that such trends or activities will continue in the future.

THIS ANNOUNCEMENT IS NOT FOR RELEASE, PUBLICATION, ISSUE OR DISTRIBUTION IN WHOLE OR IN PART IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA, JAPAN OR THE REPUBLIC OF SOUTH AFRICA OR ANY OTHER JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION.

THIS ANNOUNCEMENT IS NOT A CIRCULAR AND INVESTORS SHOULD NOT SUBSCRIBE FOR OR PURCHASE ANY SHARES REFERRED TO IN THIS ANNOUNCEMENT EXCEPT ON THE BASIS OF INFORMATION IN THE CIRCULAR EXPECTED TO BE PUBLISHED BY EPE SPECIAL OPPORTUNITIES PLC TODAY IN CONNECTION WITH THE PROPOSED PLACING AND OPEN OFFER.

13 May 2009

EPE Special Opportunities plc
(the 'Company')

**Placing and Open Offer of up to 100,000,000 new Ordinary Shares
at 5 pence per new Ordinary Share
and
Notice of Extraordinary General Meeting**

1. Introduction

Your Board is announcing today that it proposes to raise up to £5 million (before expenses) by way of a Placing and Open Offer. The Placing is to be made to certain institutional and other investors in respect of up to 57,000,000 of the Offer Shares, subject to clawback to satisfy valid applications from Qualifying Shareholders under the terms of the Open Offer. In addition, certain Shareholders have given irrevocable undertakings to take up Offer Shares pursuant to the Open Offer representing 30,560,000 Offer Shares, in aggregate.

A resolution is to be proposed to the Extraordinary General Meeting to increase the authorised share capital of the Company from £500,000 to £1,650,000.

The terms of the Open Offer are described in the Circular. Qualifying Shareholders may also apply for shares above their basic entitlement under the Open Offer if they so wish under an excess application facility. Further particulars of the excess application facility are described in Part II of the Circular.

The net proceeds of the Placing and Open Offer are expected to be approximately £4.7 million (assuming full take up of Offer Shares under the Placing and Open Offer) and will increase the Company's cash balances allowing for new investment, including bolt-on acquisitions to existing investments, and enable the Company to take advantage of current market conditions. The Placing and Open Offer is conditional, *inter alia*, upon Shareholders passing Resolution 1 set out in the notice convening the Extraordinary General Meeting, which is set out at the end of the Circular, and upon Admission.

The increase in the Company's authorised share capital which is proposed to be authorised at the Extraordinary General Meeting by Resolution 1 is sufficient to issue and allot the Offer Shares and up to an additional 32,292,491 Ordinary Shares, equivalent to 24.3 per cent. of the Ordinary Shares in issue following completion of the Placing and Open Offer (assuming full take up of Offer Shares under the Placing and Open Offer). Your Board envisages using such additional Ordinary Shares as consideration for its investment in companies, primarily quoted companies, as set out in paragraph 2 of this announcement under the heading *Investment in quoted companies*.

It is also proposed that the Ordinary Shares be consolidated on the basis of one Ordinary Share of 5p replacing every five existing Ordinary Shares of 1p each. Your Board is of the view that it would benefit the Company and Shareholders to reduce the number of Ordinary Shares, with a resulting adjustment in the market price of the Ordinary Shares. Further details of the proposed Consolidation are set out in paragraph 5 of this announcement.

Your Board is also seeking authority to purchase in the market up to 6,635,375 issued Ordinary Shares (33,176,877 if the Consolidation is not approved by Shareholders), equivalent to up to 25 per cent. of the issued Ordinary Shares following completion of the Placing and Open Offer (assuming full take up of Offer Shares under the Placing and Open Offer). Further details are set out in paragraph 4 of this announcement.

The purpose of the Circular is to:

- provide you with information about the background to and the rationale for the Proposals; and
- explain why the Board considers the Proposals to be in the best interests of the Company and its Shareholders as a whole and why the Directors recommend that shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

2. Background to and rationale for the Proposals

Overview

The Company invests in distressed or insolvent businesses or special situations where it perceives the opportunity for acquisition of undervalued assets, through a range of debt and equity instruments with a view to generating returns through both yield and capital gain.

The Company's existing portfolio is performing satisfactorily. Since December 2006 the Company has made limited new investments, primarily due to the peaking of the economic cycle between early 2007 and late 2008. In the Board's view, company distress during this period resulted largely from weak fundamentals and unsustainable business models, making assets unattractive. However, given current economic conditions, the Board believes that the opportunity for distressed investing is becoming increasingly attractive and that the Investment Advisor is well placed to take advantage of these circumstances. This was most recently demonstrated by the acquisition of Whittard of Chelsea in December 2008. Therefore, the Company is proposing to raise funds through the Placing and Open Offer to enable it to make new investments, including bolt-on acquisitions for existing investments.

As far as the Directors are aware, the Company is the only private equity investor focussed solely on distressed assets that is quoted on a UK stock exchange.

Investment highlights

Since the placing in September 2003, which raised £28.1 million after expenses (93.8p per Ordinary Share on the basis of 30 million Ordinary Shares), the Company has achieved the following investment highlights:

- the Company has generated gross income of £11.6 million;
- the Company has paid dividends of £5 million (exclusive of the scrip dividend in 2008);
- the Company's portfolio is currently valued at 0.9 times Money Multiple (both exited and current investments);
- the Company has deployed over £39 million of capital and over £25 million has already been returned to the Company in capital and income;
- over 550 opportunities have been investigated by or on behalf of the Company since its inception and 17 transactions have been completed to date;
- the Investment Advisor has been actively involved in acquiring distressed assets via the Company since 2003 and has built up an extensive network of deal sources, advisory partners and financing partners; and
- the Company's investment strategy has evolved significantly since incorporation, with a "watershed" change in direction in 2005 towards a lower volume of larger transactions, a core in-house investment team at the Investment Advisor and a focus on capital appreciation rather than yield. Since then, returns have improved significantly to 1.2 times Money Multiple and 12.1 per cent. IRR.

Portfolio summary

The Company typically structures its investments through senior yielding debt instruments and large equity positions.

Autocue (2005)

Autocue is a manufacturer of prompting equipment for the media industry, as well as the developer and provider of a range of software for a similar customer base. The business went into administration early in 2005 due to an inability to service the finance leverage raised to expand the software division of the business, a strategy which subsequently proved disastrous. The Company bought the business out of administration alongside another private equity provider. The Company teamed up with another private equity provider to buy the business out of administration, employing a new management team who have looked to fundamentally restructure the business, via the removal of a number of unnecessary excess costs, and a realignment of the business to its core prompter (rather than software) sales. The Company has a £0.875 million debt exposure to Autocue, yielding 15 per cent. per annum. Autocue has made significant progress in the development of new products over the last 12 months and is seeing improved performance due to a reduction in overheads and sales growth from developing countries.

Kemutec (2005)

Kemutec is a manufacturer of mixing and sifting equipment for the chemical, pharmaceutical and food industries. The business has sales of approximately £10 million and has approximately £1.3 million of loans outstanding to the Company yielding 15 per cent. per annum. The Company invested £3.95 million in Kemutec. A property acquired with the business was sold for £2.55 million in January 2006 and the cash returned to the Company. During the last year, initiated by a dip in trading performance for the year ended March 2008, a review focussed on contracts and costs was undertaken. Kemutec has emerged more efficient. The order book remains adequate, but recent order in-take levels have lead to management embarking on a new programme of continuous cost-cutting and efficiency improvement to deal with the downturn in the economy. Both management and the Investment Advisor continue to seek strategic acquisitions to supplement organic growth.

Morada Home Limited (2005)

In 2005 the Company backed a management buyout of the Morada Home business from the administration of Morada International. The Company has a £0.99 million debt exposure to Morada Home yielding 15 per cent. per annum. The business was originally focussed on contracts with the MoD to supply curtains and blinds for MoD living accommodation. The

business is now stable, and the current focus is on diversification away from the reliance upon the MoD contract, including developing the contract and wholesale channels. Morada has recently recruited a new managing director and the business has begun to experience strong performance. The Investment Advisor expects continued improved trading.

Past Times (2006)

Past Times is a niche retailer of historically inspired jewellery, gifts, books and house-wares. Past Times was acquired in December 2005 from the administrators of Retail Variations plc. The Company has provided debt of £7.75 million yielding 15 per cent. per annum although interest payments in the year to 31 December 2008 were accrued, rather than paid, to assist financing the expansion of the business. Past Times has undergone a major restructuring process, with the number of stores reduced, the head office cost base reduced, and the product range improved. The business is now experiencing the benefits of these improvements and is expanding the number of stores under the guidance of the chief executive officer Mike Taylor. Management have stated that Past Times has achieved double digit sales growth for the year ended 30 April 2009 and growth in EBITDA for the same period.

Whittard of Chelsea (2008)

Whittard of Chelsea, a specialist retailer of tea and coffee, was acquired from Baugur in December 2008 for a net acquisition cost of £0.48 million. The business had previously been acquired by Baugur in 2005 at an enterprise value of approximately £21.5 million, incorporating £20 million of Landsbanki debt funding. The Company now holds approximately 75 per cent. of the equity, with its £0.48 million investment structured as high yielding loan notes. The Company acquired a significant level of stock in the transaction, providing asset backing along with the opportunity for stock profit. A restructuring of the business is now being undertaken with the number of stores being substantially reduced and the overhead base slimmed down, providing the opportunity for strong cash generation in the financial year ending 31 December 2009. Following this restructuring, the business is expected to have annual sales of around £30 million.

Investment Advisor

EPIC Private Equity was founded in 2001 as part of EPIC Investment Partners. Following the restructuring of EPIC plc's investment management arrangements in 2006, EPE is now a privately owned partnership made up of investment professionals from investment banking, accounting and consulting backgrounds and supported by specialist operating and financial partners.

EPE has significant experience in SME and distressed company investing, having arranged approximately £88 million in approximately £270 million enterprise value in 42 transactions over the last eight years (17 of which were distressed private equity transactions via ESO). EPE advises up to £35 million in EPIC plc and currently manages £14.9 million of net assets in ESO. The current combined portfolio of EPIC plc and ESO has approximately £39 million of invested capital in businesses with an aggregate annual turnover of more than £240 million.

EPE has a disciplined approach to investing with highly evolved criteria for selecting deals and conducting due diligence. Through a large number of well established relationships, EPE has access to significant deal flow (around 250 deals are seen per annum).

Overview of distressed private equity

Distressed private equity can be sub-categorised into three main asset classes:

- (i) **Distressed debt:** the purchase of debt securities trading at a distressed level, i.e. significantly below par value. Companies with debt trading at distressed levels

are generally in default, insolvency or nearing such a situation, or are perceived to have an increased risk profile by the market. Investors in distressed debt generally have a contrarian stance on the risk profile of the market and believe that the securities will recover in value enabling the investor to sell on at a gain. The investor also receives the benefit of a continuing yield in excess of the coupon due to the discounted in-price (provided the company remains solvent) and expects to have par value returned on redemption. Private equity investors can also seek a control position in a company via the acquisition of distressed debt securities in a company nearing insolvency. In this situation investors typically seek to become the most senior creditor, granting them control of the company through the administration process and the opportunity to salvage the business. Following completion of the administration process, the debt is generally written off in exchange for a control position in the equity of the company, which the investor then seeks to restructure and return to profitability.

(ii) **Turnaround:** the purchase of equity in distressed companies, generally prior to insolvency, with the aim of restoring the company to profitability. In-price is typically nominal, but investors can expect to acquire significant liabilities or working capital requirements with the equity as a sale is generally due to the inability of the vendor to continue funding losses in the sale business. Turnaround investors seek to create value via aggressive restructuring of distressed business with robust underlying business models.

(iii) **Special situations:** typically event-driven situations, where an investor perceives a company to be undervalued due to an isolated, company-specific occurrence. Such an event may cause the target business to become distressed, giving the investor the opportunity to acquire distressed debt securities or undervalued equity and take control to restructure the company and return it to profitability.

Investment strategy

2003 and 2004

The Company was incorporated in July 2003 and its Ordinary Shares were admitted to AIM in September 2003. In 2003 and 2004 the Company's investment strategy focussed on a higher volume of smaller transactions (i.e. targets with less than £10 million turnover per annum).

In addition, the Company's investment strategy was predicated upon the utilisation of significant gearing; the Company aimed to leverage a nearly £30 million equity base (being the funds raised in the placing of Ordinary Shares at the time of admission of the Company's Ordinary Shares to AIM in September 2003) into approximately £300 million of geared investment capital. The Company was established during a period of high levels of bank syndicated lending, which offered the possibility of such leverage. The underwriting risk of the Company was mitigated by its relationship with its bankers, RBS, who provided significant leverage in this period. The investment strategy was driven by diversification, the anticipation of securitisation and the expectation of dividend yield, rather than by capital appreciation.

Since late 2004, the Company has decided to move away from an investment strategy based on significant gearing, credit underwriting and a higher volume of smaller transactions. It was felt that this previous strategy relied too heavily on the Company's relationship with RBS (which neither generated deal flow nor managed the exposure to the level expected). The Company also tended to back incumbent management rather than bringing new management teams into distressed scenarios. Finally, the turnover of the companies invested in was too small to enable significant restructuring.

Approximately £18 million was invested by the Company in this period in 10 transactions, including investments in Gaskell Mackay, Abingdon, Newline, Internet Direct, Abbseal/N&U, Bonne Bouche, C30 and Ex-pac. To date, the Company's average return on investments

made prior to January 2005 is 0.6 times Money Multiple. These returns were damaged by a loss of approximately £4.4 million in respect of the investment in Abbseal. This followed, amongst other issues, cartel pricing behaviour by all major glass suppliers in the European flat glass market, which resulted in a €489.9 million fine being imposed by the European Commission.

2005 onwards

From 2005 onwards the Company started to focus on a smaller number of larger transactions (i.e. targets with more than £20 million turnover per annum) and its model is now primarily driven by capital appreciation rather than yield. The Company targets businesses with a strong business case and a sustainable competitive advantage, which are underperforming due to structural or managerial problems such as excess leverage, poor cost structures, weak management or contingent liabilities. Where possible, the Company seeks asset backing.

In the current credit environment, the Company recognises that bank syndicated lending is scarce and the Company's investment strategy is therefore focussed on investing into distressed situations where significant leverage is either not required or already exists. Furthermore, the Company aims for minimal capital deployment in its investments; value is created by the acquisition of distressed companies with high quality assets and sustainable business models at low acquisition prices, rather than through financial engineering. The Company has continued to refine its due diligence and investment criteria in the period since the beginning of 2005 and now relies less on third parties to assist with investment decisions and instead uses the stable in-house investment team of the Investment Advisor. The financial commitment required from management teams has increased (for example, £1 million was invested by the management team on the Dolcis investment) and the Company has focussed on bringing in new, high calibre management teams to deal situations. The Company also has an extensive network of operating and financial partners to assist in restructuring and managing portfolio companies alongside management teams.

Approximately £20 million (of which approximately £12 million has already been returned to the Company) has been invested by the Company since January 2005 in 7 transactions, being investments in Morada, Past Times, Botes, Dolcis, Autocue, Kemutec and Whittard of Chelsea. To date, the Company's average return on investments made since 1 January 2005 has been 1.2 times Money Multiple, equivalent to an IRR of 12.1 per cent., showing a clear improvement in performance following the shift in focus of the investment strategy.

Going forward, the Company will continue to focus on investments in businesses with a turnover of at least £20 million per annum. The Company intends to focus on two main types of investment:

- (i) Distressed companies with asset-backing and significant upside potential: transactions incorporating a substantial asset base providing the Company with considerable downside protection. The Company would seek to acquire distressed debt, undervalued equity or assets of businesses in administration or approaching insolvency. Examples of such investments by the Company include Dolcis, Whittard of Chelsea and Botes. To illustrate, the Company decided to exit its position in Dolcis following a period of weak trading in the last quarter of 2007, as analysis demonstrated that the business would breach senior debt covenants on a Lloyds facility due to expire at the end of the year. The Company exited concurrently with Lloyds and generated an 8.5 per cent. IRR over the 12 month period of the investment, demonstrating the strength of the security and the Company's focus on capital protections in downside scenarios.
- (ii) Special situations: the acquisition of equity, debt or assets perceived to be undervalued due to specific, event-driven situations. Target companies may or may not be distressed as a result of the situation. The Investment Advisor would aim to use its restructuring and refinancing expertise to resolve the situation and achieve a control position in the target.

In addition, the Board considers that current market conditions provide opportunities to make bolt-on acquisitions at favourable values to enhance the value of existing investments.

Investment in quoted companies

The Company may consider making investments in a number of smaller quoted companies with a market capitalisation in the region of £1 million to £10 million. It is anticipated that these transactions would involve the acquisition of the entire issued share capital of such companies. The Company may offer Ordinary Shares as all or part of the consideration for such investments, but it is expected that in such a situation a cash component would likely comprise part of the acquisition currency.

The Board's view is that this will not constitute a material change from the Company's stated investing policy (including as set out in the Admission Document) as these companies would be distressed or insolvent thereby falling with the Company's stated policy. Moreover, the Admission Document anticipated that the Company may take controlling equity stakes in investee companies.

Examples of recently exited investments demonstrating downside protection

- Botes: £125 million turnover construction business which was historically profitable, but underperforming at the time of the acquisition due to three problem projects. The Company invested £4.6 million into a solvent scenario in 2006, which was secured against approximately £8 million of net assets, including property. A new management team, made up of divisional directors of AMEC, was brought in to lead the turnaround. After four months the Company decided to exit its position, recovering all capital invested and generating a 13 per cent. IRR and 1.1 times Money Multiple.
- Dolcis: High Street footwear retailer acquired from Alexon Group plc in December 2006 with £1.7 million invested by the Company. The buyout was led by John Kinnaird, formerly of Sports Division. The turnaround focussed on improved purchasing and central cost reductions. However, after a period of weak trading in the run-up to Christmas 2007, the Company decided to exit its position, recovering all capital invested and generating an 8.5 per cent. IRR and 1.0 times Money Multiple.

Current market

The Board believes that the confluence of the economic downturn and the continuing banking crisis has generated optimal conditions for distressed investing, with even strong businesses facing difficulties due to recessionary pressure and lack of available finance. The United Kingdom is one of numerous countries that is officially in recession and this recession is affecting many key sectors of the economy. This has already begun to reduce consumer demand due to lack of confidence and unemployment. Tightening trading terms and the removal of credit insurance is causing businesses to have working capital difficulties, which are compounded by the unwillingness of a significant number of prominent financial institutions to provide new finance or renew existing facilities. The Board therefore believes that increased opportunities to acquire companies with good underlying business models will arise from the current economic climate, that the peak of these opportunities has not yet been reached, and that current market conditions are expected to persist over the coming months.

There has recently been an increase in the number of investors active in the distressed market. However, the Board believes that the number of distressed opportunities has also significantly increased to the extent that competition for transactions is still less than for traditional private equity investments. Whilst it is anticipated that some traditional private equity firms may begin to invest in distressed assets, the Board believes that many private equity firms are currently too pre-occupied with market related issues, such as existing portfolio company distress and committed capital defaults, to become significant competitors to the Company. The Company's current portfolio is performing satisfactorily, meaning that it is positioned to take advantage of current investment opportunities, be they new deals or bolt-on acquisitions to existing portfolio companies.

The Board believes that the Investment Advisor is well placed to take advantage of the current favourable market conditions; the performance of the Company's investments since 2005 is indicative of the Investment Advisor's ability to source, structure and exit transactions successfully.

The Placing and Open Offer

The Placing and Open Offer is being made at a substantial discount to the current market price of the Ordinary Shares (approximately 47.4 per cent., based on the mid-market price of the Ordinary Shares as derived from the AIM section of the Daily Official List of the London Stock Exchange for 11 May 2009 (being the last practicable date before the publication of this document)). Assuming that the Offer Shares are taken up in full under the Placing and Open Offer, the Offer Shares will constitute 75.4 per cent. of the Enlarged Issued Share Capital.

The current NAV of the Company is approximately £15 million, made up of approximately £3 million of cash and accrued interest and approximately £12 million of investments in portfolio companies.

3. Details of the Placing and Open Offer

Pursuant to the Placing and Open Offer Agreement, Numis has agreed to use its reasonable endeavours to procure Placees to subscribe for up to 57,000,000 of the Offer Shares (representing 57 per cent of the Offer Shares in aggregate), subject to clawback to satisfy valid applications from Qualifying Shareholders under the Open Offer.

In addition, certain Shareholders have given irrevocable undertakings to take up Offer Shares pursuant to the Open Offer, amounting to 30,560,000 Offer Shares, representing 30.6 per cent. of the Offer Shares, in aggregate.

Numis has not underwritten the Placing and Open Offer.

Qualifying Shareholders are invited to apply for Offer Shares under the Open Offer at a price of 5 pence per Offer Share, payable in full on application and free of all expenses, pro rata to their existing shareholdings on the basis of:

3.0574 Offer Shares for every 1 Existing Ordinary Share

held at the Open Offer Record Date and so on in proportion for any other number of Existing Ordinary Shares then held. Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Offer Shares. Fractional entitlements which would have otherwise arisen will be rounded down and will not be issued.

The Placing and Open Offer is subject to the satisfaction, amongst other matters, of the following conditions on or before 9 June 2009, (or such later date being not later than 23 June 2009, as the Company and Numis may agree):

- (i) the passing without amendment of Resolution 1; and
- (ii) Admission becoming effective by 8.00 am on 9 June 2009, (or such later time or date not being later than 8.00 am on 23 June 2009 as the Company and Numis may agree).

The Offer Shares will, when issued and fully paid, rank in full for all dividends and other distributions declared, made or paid after the date of Admission and otherwise *pari passu* in all respects with the Existing Ordinary Shares.

The Open Offer has been structured so as to allow Qualifying Shareholders to subscribe for Offer Shares at the Offer Price *pro rata* to their existing holdings. Qualifying Shareholders

may, in addition, make applications in excess of their *pro rata* initial entitlement. Once subscriptions under the initial Open Offer entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part. To the extent that Offer Shares are not subscribed by Qualifying Shareholders, Open Offer Entitlements will lapse.

A summary of the principal terms of the Placing and Open Offer Agreement is set out in paragraph 3.3 of Part IV of the Circular.

Settlement and dealings

Application will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. It is expected that such Admission will become effective and that dealings will commence on 9 June 2009. Further information in respect of settlement and dealings in the Offer Shares is set out in paragraph 7 of Part II of the Circular.

Overseas Shareholders

Certain Overseas Shareholders may not be permitted to subscribe for Offer Shares pursuant to the Open Offer and should refer to paragraph 6 of Part II of the Circular.

4. Purchase of Ordinary Shares

It is proposed that the Board be authorised to purchase in the market up to 6,635,375 issued Ordinary Shares (33,176,877 Ordinary Shares if the Consolidation is not approved by Shareholders), equivalent to up to 25 per cent. of the issued Ordinary Shares following completion of the Placing and Open Offer (assuming full take up of the Offer Shares under the Placing and Open Offer). Any purchase of the Ordinary Shares will be made subject to the Law and in accordance with the Articles of Association of the Company, the special resolution of the Company authorising such purchase and guidelines established from time to time by the Board. The Ordinary Shares purchased by the Company shall be treated as cancelled on purchase and the nominal amount of the Company's issued share capital shall be diminished by the nominal value of the Ordinary Shares accordingly.

In accordance with Section 13 of the Isle of Man Companies Act 1992, the authority granted by Shareholders must specify a maximum price payable. This has been set at £2 per Ordinary Share but purchases of the Shares will only be made for cash at prices well below the estimated NAV per Share at the relevant time and where the Board believes such purchases will enhance Shareholder value and/or earnings per Ordinary Share.

Subject to maintaining appropriate cash reserves within the Company, the Board intends to purchase Ordinary Shares if the market price of the Ordinary Shares represents a discount of more than 20 per cent. to the estimated NAV per Share at the relevant time. As at the close of business on 11 May 2009, the estimated NAV per Share was 45.95p. The mid-market price of the Ordinary Shares was 9.5p on 11 May 2009, a discount of 79.3 per cent to this estimate.

The Board recognises that the payment of sums to effect such repurchases will diminish funds available for investment but believes that addressing this imbalance is a priority and any such purchase will only be made on a basis which would enhance the NAV per Share.

Cancellation of Share Premium Account of the Company

Following the issue of the Offer Shares (assuming full take up of the Offer Shares under the Placing and Open Offer) the Company will have £32,795,404 standing to the credit of its share premium account. As the Company does not have significant distributable reserves for the purposes of repurchasing the Ordinary Shares, the Board also proposes that, subject to obtaining the Shareholder approval referred to below, the Company will apply to the Court to confirm the cancellation and transfer of the amount standing to the credit of the share

premium account of the Company to a new distributable reserve out of which repurchases of Ordinary Shares may be made.

As the price of any purchases cannot be identified at this stage and to provide flexibility for purchases under any future renewal of the buyback authority, the Directors are seeking Shareholder and Court approval for the cancellation of the entire sum standing to the credit of the share premium account following completion of the Placing and Open Offer (assuming full take up of the Offer Shares under the Placing and Open Offer).

The Court may decide in its discretion whether to confirm the cancellation and will need to be satisfied that the interests of the Company's creditors will not be prejudiced as a result of the cancellation and the Company will take such steps in that regard as it deems appropriate and as required by the Court.

It is expected that the cancellation of the amount standing to the credit of the share premium account should become effective as soon as possible after the Court Order confirming the cancellation comes into effect, estimated to be within 6 weeks of the passing of the resolution by Shareholders.

The City Code

Rule 9 of the City Code is designed to prevent the acquisition or consolidation of control of a company subject to the City Code without a general offer being made to all shareholders. Rule 9 states that when any person or group of persons acting in concert acquires (whether by one transaction or a series of transactions) an interest in shares which carry 30 per cent. or more of the voting rights of the company, such person or persons acting in concert must normally make a general offer for the balance of the issued share capital of such company. Rule 9 also states that any person or group of persons acting in concert that is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights must normally make a general offer for the balance of the issued share capital should there be any increase in the percentage of the shares carrying voting rights in which they or any person acting in concert with them are interested.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer or any person acting in concert with him for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Under Rule 37 of the City Code, any increase in the percentage of the shares carrying voting rights in which a shareholder or group of shareholders acting in concert is interested as a result of the redemption or purchase by a company of its own shares may be treated as an acquisition of additional shares for the purposes of Rule 9 if the shareholder or group concerned is a director of the company or is (or is presumed to be) acting in concert with any of the directors.

The Bank of New York (holding as custodian for Lehman Brothers (in administration) ("**Lehman Brothers**")) currently has an interest in securities representing over 30 per cent. of the issued share capital of the Company. If, following completion of the Placing and Open Offer, the Company repurchases Ordinary Shares other than from Lehman Brothers and such repurchase results in Lehman Brothers having an interest in more than 30 per cent. of the Ordinary Shares (or, if Lehman Brothers still had an interest in more than 30 per cent. of the Ordinary Shares following completion of the Placing and Open Offer, and such repurchase results in any increase in Lehman Brothers' interest in Ordinary Shares), it could result in Lehman Brothers being obliged to make a mandatory offer to acquire all of the other issued Ordinary Shares due to the resulting increase in the percentage of Ordinary Shares in which Lehman Brothers is interested.

Following consultation, the Panel has confirmed that Lehman Brothers is not to be regarded as acting in concert with the Directors and accordingly Lehman Brothers will not be required

to make a general offer for the balance of the Ordinary Shares which it does not already own upon the implementation of any purchase of Ordinary Shares as described above.

Timing

The authority to purchase Ordinary Shares will expire 18 months after the date on which the authorising resolution is passed. The Company may seek the renewal of the authority to purchase its Ordinary Shares at the Annual General Meeting of the Company in 2009 or at any earlier General Meeting of the Company. Ordinary Shares cannot be purchased by the Company in the two month period immediately preceding the announcement of the Company's interim and annual results or, if shorter, the period from the end of the Company's financial period up to and including the time of the relevant announcement, unless a dispensation to deal has been granted by the London Stock Exchange. The Company will seek to obtain a dispensation in each such close period if circumstances allow.

5. Consolidation

The Company's share capital is, at present, divided into Ordinary Shares of 1p each, with a mid-market price at the close of business on 11 May 2009 (being the latest practicable date before the publication of this document) of 9.5 pence per share.

The Directors are of the view that it would benefit the Company and its Shareholders to reduce the number of Ordinary Shares, with a resulting adjustment in the market price of the Ordinary Shares, by consolidating its Ordinary Share capital on the basis of every five Existing Ordinary Shares of 1p each being consolidated to form one Ordinary Share of 5p immediately following completion of the Placing and Open Offer. The record date for the Consolidation will be 9 June 2009, with the Consolidation expected to become effective on 15 June 2009. The Consolidated Shares are expected to be admitted to trading on AIM on or around 16 June 2009.

The number of new Ordinary Shares of 5p each to be issued to Shareholders pursuant to the Consolidation will be rounded down to the nearest whole Ordinary Share. If any Shareholders would otherwise become entitled to fractions of new Ordinary Shares as a result of the Consolidation, the maximum value of the fractional entitlement based on the Offer Price would be less than 5 pence. Accordingly, it is proposed that the Directors aggregate the fractions arising and sell the Ordinary Shares of 5p each representing fractional entitlements in the market and for the net proceeds of the sale of such Ordinary Shares to be retained for the benefit of the Company.

If the Consolidation is approved:

- Shareholders who hold their Ordinary Shares through CREST are expected to have their CREST accounts credited with the Ordinary Shares of 5p each on or before 16 June 2009; and
- in respect of Shareholders who hold their Ordinary Shares in certificated form, new share certificates for the Ordinary Shares of 5p each will be despatched by 23 June 2009. Temporary certificates of title will not be issued and certificates of existing Ordinary Shares of 1p each will not be valid from 6 p.m. on 9 June 2009 and should be destroyed upon receipt of certificates in respect of the Consolidated Shares. Pending despatch of the definitive certificates in respect of the new Ordinary Shares, transfers of the new Ordinary Shares held in certificated form will be certificated against the register.

Proposed Amendments to Articles

Under the Consolidation, the par value of each Ordinary Share will be increased from 1p to 5p. In connection thereto, subject to and contingent upon Shareholders' approval having been obtained for the Consolidation and the proposed increase in the Company's authorised share capital, the Company is also seeking the approval of Shareholders by way of special

resolution at the Extraordinary General Meeting to amend the Articles to reflect such increase in par value and the change in the authorised share capital.

The existing Articles that are proposed to be amended and the proposed amendments thereto are set out in Part V of the Circular.

6. Use of proceeds

The net proceeds of the Placing and Open Offer are expected to be approximately £4.7 million (assuming full take up of the Offer Shares under the Placing and Open Offer). The total costs and expenses associated with the Placing and Open Offer are expected to be up to £325,000 (excluding VAT). The proceeds will increase the Company's cash balances from approximately £1.6 million to approximately £6.3 million (assuming full take up of the Offer Shares under the Placing and Open Offer) and will be available to make significant new investments, including bolt-on acquisitions to enhance the value of the Company's existing investments and investments in companies whose shares are admitted to AIM (potentially with the issue of additional Ordinary Shares as part of the consideration). Details of the Company's investment strategy are set out in paragraph 2 (Background to and rationale for the Proposals) of this announcement.

7. Current trading and future prospects

The Company announced its audited results for the year ended 31 January 2009 on 24 April 2009. For the full financial year ended 31 January 2009 the Company had total gross income of £1.3 million which translated into a net loss for the Company of £1.7 million. NAV per Share as at 31 January 2009 was 45.67p. On 22 December 2008, shareholders passed the necessary resolutions to issue a scrip dividend for the year ended 31 January 2008. In light of the investment opportunities available to the Company, the Board did not recommend a dividend in respect of the year ended 31 January 2009.

The Company's portfolio continues to perform much in line with expectations, with certain investments demonstrating the prospect for significant upside. The Company is seeking to exit its smaller investments and continues to identify potential bolt-on opportunities for the remainder of the portfolio. All portfolio companies are subject to the vagaries of the market place and the Directors have applied a write-down policy as appropriate. The ongoing challenging economic conditions are expected to provide interesting opportunities for possible new investments in the coming months.

8. Extraordinary General Meeting

Set out at the end of the Circular is the Notice convening the Extraordinary General Meeting to be held at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP on 8 June 2009 at 10.30 a.m. at which the Resolutions described below will be proposed:

1. An ordinary resolution to increase the authorised share capital of the Company from £500,000 to £1,650,000 by the creation of 115,000,000 new Ordinary Shares of 1p each to be consolidated into 23,000,000 Ordinary Shares of 5p each pursuant to the Consolidation.
2. An ordinary resolution to consolidate each five existing Ordinary Shares of 1p into one Ordinary Share of 5p with effect from 8.00 a.m. on 15 June 2009 and to authorise the proceeds of the sale of fractional entitlements arising from such consolidation being retained by the Company.
3. Contingent upon the passing of the ordinary resolutions 1 and 2 above, a special resolution to approve the amendments to the Articles following the proposed Consolidation and proposed increase in the authorised share capital of the Company.

4. A special resolution to grant the Company authority to make market purchases of up to 6,635,375 Ordinary Shares of 5p each (or 33,176,877 new Ordinary Shares of 1p each if the Consolidation is not approved) (up to 25 per cent. of the issued Ordinary Shares following completion of the Placing and Open Offer (assuming full take up of Offer Shares under the Placing and Open Offer)).

5. A special resolution to approve the cancellation of the amount standing to the credit of the Company's share premium account following the allotment and issue of the Offer Shares.

The quorum for the Extraordinary General Meeting is two persons entitled to attend and to vote on the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporation which is a member. On a show of hands, each holder who is present in person or (being a corporation) by a duly authorised representative has one vote. On a poll, each holder who is present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for every Ordinary Share held. In order to be passed, the special resolutions must be passed by a majority consisting of not less than three-quarters of the total number of votes cast for and against such resolutions whilst the ordinary resolutions require only a simple majority of the total number of votes cast for and against such resolutions.

9. Action to be taken in respect of the Extraordinary General Meeting

A Form of Proxy for use at the Extraordinary General Meeting accompanies the Circular. The Form of Proxy should be completed and signed in accordance with the instructions thereon and returned to the Registrars at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP as soon as possible, but in any event so as to be received by no later than 10.30 a.m. on 6 June 2009. The completion and return of a Form of Proxy will not preclude a Shareholder from attending the Extraordinary General Meeting and voting in person should he or she so wish.

10. Action to be taken in respect of the Open Offer

If you are a Qualifying non-CREST Shareholder you will find an Application Form accompanying the Circular which gives details of your entitlement under the Open Offer (as shown by the number of Open Offer Entitlements allocated to you). If you wish to apply for Offer Shares under the Open Offer, you should complete the enclosed Application Form in accordance with the procedure set out at paragraph 3(i) of Part II of the Circular and on the Application Form itself and post it in the accompanying prepaid envelope, together with payment in full in respect of the number of Offer Shares applied for, by post to Computershare at Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours only) to Computershare at The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to arrive as soon as possible and in any event so as to be received no later than 11.00 a.m. on 5 June 2009, having first read carefully Part II of the Circular and the contents of the Application Form.

If you are a Qualifying CREST Shareholder you will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlements representing your basic entitlement under the Open Offer and your conditional entitlement to participate in the CREST Excess Application Facility. You should refer to the procedure set out at paragraph 3(ii) of Part II of the Circular.

The latest time for applications to be received under the Open Offer is 11.00 a.m. on 5 June 2009. The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement. The procedures for application and payment are set out in Part II of the Circular. Further details also appear on the Application Form which has been sent to Qualifying Shareholders. Qualifying CREST Shareholders who are CREST sponsored members

should refer to their CREST sponsors regarding the action to be taken in connection with the Circular and the Open Offer.

11. Recommendation

The Chairman and certain members of the Investment Advisor's team propose subscribing for Offer Shares (subject to availability) on the terms of the Open Offer, as listed in paragraph 4 of Part IV of the Circular. The remaining Directors, having consulted with Numis, believe the terms of such subscription to be fair and reasonable.

The Directors consider the Proposals to be in the best interests of the Company and its Shareholders as a whole and, accordingly, unanimously recommend Shareholders to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

12. Placing and Open Offer Statistics

Offer Price	5 pence
Number of Ordinary Shares in issue at the date of this document	32,707,509
Number of Offer Shares to be offered for subscription by the Company	100,000,000
Estimated net proceeds of the Placing and Open Offer *	£4.7 million
Percentage of the Enlarged Issued Share Capital represented by the Offer Shares *	75.4%
Number of Ordinary Shares in issue at Admission *	132,707,509
Number of Ordinary Shares in issue following the Consolidation *	26,541,501
Market capitalisation of the Company on Admission at the Offer Price *	£6.6 million

(* ASSUMING FULL TAKE UP OF OFFER SHARES UNDER THE PLACING AND OPEN OFFER)

13. Expected Timetable of Principal Events

Open Offer Record Date	Close of business on 11 May 2009
Despatch of the Circular	13 May 2009
Open Offer Entitlements credited to CREST stock accounts of Qualifying CREST Shareholders	14 May 2009
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m. on 29 May 2009
Latest time for depositing Open Offer Entitlements into CREST	3.00 p.m. on 2 June 2009
Latest time for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 3 June 2009
Latest time and date for receipt of completed Application Forms and payment in full under the Placing and Open Offer or settlement of relevant CREST instruction (as appropriate)	11.00 a.m. on 5 June 2009
Latest time and date for receipt of Forms of Proxy for the Extraordinary General Meeting	10.30 a.m. on 6 June 2009
Extraordinary General Meeting	10.30 a.m. on 8 June 2009
Admission effective and dealings commence on AIM	9 June 2009
CREST accounts credited	On or before 9 June 2009
Record date for the Consolidation	9 June 2009
Consolidation effective	16 June 2009
Share certificates dispatched by (post-Consolidation)	23 June 2009

The dates set out in the timetable of principal events above and mentioned throughout this announcement, the Circular and in the Application Form may be adjusted by the Company, in which event the details will be notified to the London Stock Exchange and, where appropriate, to Shareholders.

IN ORDER TO SUBSCRIBE FOR OFFER SHARES UNDER THE OPEN OFFER, QUALIFYING SHAREHOLDERS WILL NEED TO FOLLOW THE PROCEDURE SET OUT IN PART II OF THE CIRCULAR AND, WHERE RELEVANT, COMPLETE THE ACCOMPANYING APPLICATION FORM. IF QUALIFYING SHAREHOLDERS HAVE ANY QUERIES ON THE PROCEDURE FOR ACCEPTANCE AND PAYMENT, OR TO RECEIVE ANOTHER APPLICATION FORM AND/OR FORM OF PROXY, THEY SHOULD CONTACT THE RECEIVING AGENT ON 01534 825 200. THE RECEIVING AGENT WILL NOT GIVE QUALIFYING SHAREHOLDERS ANY OTHER ADVICE IN CONNECTION WITH THE OPEN OFFER.

14. Definitions

The following definitions apply throughout this announcement, unless the context otherwise requires:

“Admission”	admission of the Offer Shares to trading on AIM becoming effective in accordance with the AIM Rules
“Admission Document”	the admission document published by the Company in September 2003 at the time of admission of the Ordinary Shares to AIM
“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange from time to time
“AMEC”	AMEC plc
“Application Form”	the application form to be used by Qualifying non-CREST Shareholders in connection with the Open Offer
“Articles”	the articles of association of the Company
“BVCA”	the British Venture Capital Association
“certificated form” or “in certificated form”	an ordinary share recorded on a company’s share register as being held in certificated form (namely, not in CREST)
“Code”	the City Code on Takeovers and Mergers, as amended from time to time
“Company” or “ESO”	EPE Special Opportunities plc
“Computershare” or “Receiving Agent”	Computershare Investor Services plc
“Consolidation”	the proposed consolidation of every five Ordinary Shares of 1p each into one Ordinary Share of 5p
“Consolidated Shares”	Ordinary Shares of 5p each in the capital of the Company following the Consolidation
“CREST”	the system for paperless settlement of trades in securities and the holding of Uncertificated Securities which is operated by Euroclear
“Directors” or “Board”	the directors of the Company or any duly authorised committee thereof
“Enlarged Issued Share Capital”	the 132,707,509 Ordinary Shares in issue on Admission, assuming full subscription of the Offer Shares under the Placing and Open Offer
“EPIC plc”	The Equity Partnership Investment Company plc
“Euroclear”	Euroclear UK & Ireland Limited
“Excess Application Facility”	the arrangement pursuant to which Qualifying CREST Shareholders may apply for Offer Shares in excess of their Open Offer Entitlements
“Excess CREST Open Offer Entitlement”	in respect of each Qualifying CREST Shareholder, the conditional entitlements to apply for Offer Shares credited to his stock account in CREST which are subject to scaling back in accordance with the

“Excluded Territories”	provisions of the Circular
“Existing Ordinary Shares”	the United States, Australia, Canada, Japan and the Republic of South Africa and their respective territories and possessions
“Extraordinary General Meeting”	the 32,707,509 Ordinary Shares of 1p each in issue at the date of this announcement, all of which are admitted to trading on AIM, to be consolidated into 6,541,501 Ordinary Shares of 5p each pursuant to the Consolidation
“Form of Proxy”	the extraordinary general meeting of the Company to be held at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP at 10.30 a.m. on 8 June 2009
“FSMA”	the form of proxy for use in connection with the Extraordinary General Meeting which accompanies the Circular
“Investment Advisor” or “EPE”	the Financial Services and Markets Act 2000 (as amended)
“IRR”	EPIC Private Equity LLP, of 7 th Floor, Billiter Street, London EC3M 2RY, investment advisor to the Company
“Lloyds”	the internal rate of return on the Company’s investments, being the discount factor which, when applied to the amounts invested by the Company and returned to the Company, produces a net present value equal to zero
“Law”	Lloyds TSB Bank plc
“London Stock Exchange”	the Isle of Man Companies Acts 1931 to 2004
“MoD”	London Stock Exchange plc
“Money Multiple”	the United Kingdom Ministry of Defence
“NAV”	the current value of the Company’s investments plus sums received or receivable from investments compared with the total capital invested to date
“NAV per Share”	the total of the consolidated share capital and reserves from time to time of the Company calculated in accordance with the Company’s accounting policies
“Notice”	the NAV divided by the total number of Ordinary Shares in issue at the relevant time
“Numis”	the notice convening the Extraordinary General Meeting which is set out at the end of the Circular
“Offer Price”	the Company’s nominated adviser and broker, Numis Securities Limited of 10 Paternoster Square, London EC4M 7LT
“Offer Shares”	5 pence per new Ordinary Share
“Open Offer”	the 100,000,000 Ordinary Shares of 1p each (to be consolidated into 20,000,000 Ordinary Shares of 5p each pursuant to the Consolidation) which are to be made available for subscription by Qualifying Shareholders under the Open Offer (up to 57,000,000 of which are to be conditionally placed with Placees, subject to clawback to satisfy valid applications from Qualifying Shareholders under the Open Offer)
“Open Offer Entitlements”	the conditional offer to Qualifying Shareholders to subscribe for the Offer Shares at the Offer Price, as described in this announcement
“Open Offer Record Date”	entitlements to subscribe for Open Offer Shares, allocated to a Qualifying Shareholder pursuant to the Open Offer
“Ordinary Shares”	the close of business on 11 May 2009
“Overseas Shareholders”	ordinary shares of 1p each, or following the Consolidation ordinary shares of 5p each, in the capital of the Company
“Placees”	Shareholders resident in, or citizens of, jurisdictions outside the Isle of Man and the United Kingdom
“Placing”	the institutional and other investors with whom Numis as agent for the Company has agreed to use reasonable endeavours to conditionally place up to 57,000,000 of the Offer Shares
	the conditional placing by Numis as agent for the Company of up to 57,000,000 of the Offer Shares with Placees, subject to clawback to satisfy valid applications from Qualifying Shareholders under the

“Placing and Open Offer Agreement”	Open Offer the conditional agreement entered into by the Company and Numis on 12 May 2009 relating to the Placing and Open Offer, further details of which are set out in paragraph 3.3 of Part IV of the Circular
“Proposals”	the proposals set out in this announcement, including the Placing and Open Offer
“Prospectus Rules”	the Prospectus Rules published by the Financial Services Authority
“Qualifying CREST Shareholders”	Qualifying Shareholders whose Existing Shares on the register of members of the Company on the Open Offer Record Date are held in uncertificated form, that is, in CREST
“Qualifying non-CREST Shareholders”	Qualifying Shareholders whose Existing Shares on the register of members of the Company on the Open Offer Record Date are held in certificated form
“Qualifying Shareholders”	holders of Existing Shares at the Open Offer Record Date, other than those holders that are resident, or holding on behalf of persons who are resident, in an Excluded Territory
“RBS”	The Royal Bank of Scotland International Limited
“Registrars”	IOMA Fund and Investment Management Limited, the Company's registrars
“Resolutions”	the resolutions to be proposed at the Extraordinary General Meeting as set out in the Notice
“Shareholders”	holders of Ordinary Shares
“SME”	small and medium size enterprises
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, each State thereof, its territories and possessions (including the District of Columbia) and all other areas subject to its jurisdiction
“uncertificated” or “in uncertificated form”	an ordinary share recorded on a company's share register as being held in uncertificated form in CREST and title to which, by virtue of the Isle of Man Uncertificated Securities Regulations 2005, may be transferred by means of CREST