

24 May 2010

EPE Special Opportunities plc

Audited Results for the year ended 31 January 2010

The Board of EPE Special Opportunities plc are pleased to announce the Company's Audited Results for the year to 31 January 2010.

Highlights of the period are:

- Total gross income of £1.4m and a net loss for the period of £0.3m
- Net asset value per share as at 31 January 2010: 72.89p
- The Open Offer and Placing of £5 million of new shares, completed last June, has provided capital for new acquisitions and positions the Company to consolidate and optimise existing investments
- The portfolio has held up well and a number of proactive steps have been taken to minimise the impact of the recession on portfolio company performance
- In light of the investment opportunities available to the Company and continuing tough credit conditions, the Board do not recommend a dividend in respect of the year ended 31 January 2010

Geoffrey Vero, Chairman, commented: "We expect the next twelve months to throw up further opportunities as structural debt matures, interest rates rise and banks are compelled to reconsider their holding objectives and begin to offload assets."

Enquiries:

Numis Securities Ltd Tel: +44 (0) 20 7260 1000

Nominated Advisor: Lee Aston / Stuart Skinner

Corporate Broker: Alex Ham

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

IoMA Philip Scales +44 (0) 16 2468 1250

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

Chairman's Statement

The twelve months since January 2009 have been extremely challenging, but at the same time a period of consolidation for the Company with positive focus on developing key investments and optimising smaller investments. The onset of recession, coupled with banks' ongoing instability and reluctance to extend credit, has created opportunities for distressed investing on the one hand but, on the other, continually demanding operating conditions for the Company's portfolio companies, with the need to provide ongoing operational capital against restricted availability of bank credit.

The Open Offer and Placing of £5 million was completed in June in order to provide capital for new acquisitions and position the Company to consolidate and optimise existing investments. Deal flow has been vigorous, with the Investment Advisor looking at over 70 opportunities since the date of the Placing. The quality of these businesses, however, has been largely unimpressive, with the majority appearing to be beyond repair. The Company expects the next twelve months to throw up further opportunities as structural debt matures, interest rates rise and banks are compelled to re-consider their holding objectives and potentially begin to offload assets, enabling the Investment Advisor to take a selective view on what is expected to be a period of opportunity.

Within the context of an unforgiving economic climate, the portfolio has held up well over the course of the year and the Investment Advisor has taken a number of proactive steps to minimise the impact of the recession on portfolio company performance. The Company provided Whittard of Chelsea with a working capital facility during H2 2009 to fund stock in advance of the peak Christmas trading period. Adverse and at times extreme weather conditions made for a difficult Christmas, however, with Past Times performing on budget and Whittard near forecast. Overall, development has been encouraging and both these investments will focus on income development during the coming year in what is expected to be a period of weak recovery with ongoing pressures in the retail sector. Nevertheless we are encouraged with further growth opportunities for these two key investments. Kemutec underwent a secondary restructuring in June, shedding an under-performing part of the business to leave an engineering parts and equipment supplier with stable turnover, good margins and low working capital requirements. The retained trading operation has been re-named Process Components. There is one post balance sheet event to report. In April 2010, the Company successfully concluded the sale of Autocue, receiving a total cash consideration of £400,000 for its entire interest in the asset.

The Company is currently seeking to exit the 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. In particular, the retail climate is expected to continue to be patchy as UK government policy impacts on the consumer over the oncoming months. Accordingly the Directors and the Investment Advisor have applied a conservative valuation policy, including a write-down on the Kemutec investment, for whilst progress has been encouraging the Board are mindful that economic conditions remain uncertain. With such reservations in mind, the current portfolio valuation prudently assigns no equity value to any of the Company's holdings at this point. Further detail on the methodology behind the valuation process is outlined in the Investment Advisor's Report. This has included stress-testing and reviewing a range of upside and downside valuations to come to what the Directors consider to be an appropriate median valuation.

For the full financial year ended 31 January 2010, EPE Special Opportunities Plc ("the Company") generated gross income of £1.4 million. This translated to a net loss for the Company of £0.3 million. Net asset value per share at 31 January 2010 was 72.89p (see Notes 14 and 17 for details of comparison with 2009 and the effect of June's share issuance and consolidation). Under the circumstances, and in light of the number of investment opportunities available to the Company and continuing tough credit conditions in the current market, the Board do not recommend a dividend in respect of the year ended 31 January 2010.

Once again, I would like to thank Giles Brand and his Investment Advisory team for their considerable focus in managing and mitigating the adverse effects of the economic downturn on the current portfolio over the last twelve months.

Overall the year has been one of consolidation, and the development of key assets to position the Company to take advantage of recovery. However, the economic conditions remain weak and the beginning of the current year has got off to an uncertain start in retail markets and overall. Nonetheless I am grateful for shareholder support during the year which has enabled the Company to optimise its position in what is undoubtedly a challenging but hopefully ultimately rewarding market.

Geoffrey Vero
Chairman

24 May 2010

Investment Advisor's Report

In the six month period since 31 July 2009, the Investment Advisor has continued to focus on maintaining and creating value from within the portfolio. The Company is focused on special situations investing, seeking control of undervalued assets.

The Company currently has four trading assets and a fifth, legacy property asset in Glasgow, which requires further development to realise the full potential gain and will almost certainly be delayed given the current property market conditions.

The net asset value per share as at 31 January 2010 for the Company was 72.89p. The net asset value per share is calculated on the basis of 26,541,501 ordinary shares. Subsequent to the Open Offer and the issue of 100,000,000 new shares in June 2009, all 132,707,509 shares were consolidated on the basis of 5:1. The resultant number of shares outstanding is 26,541,501.

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

- deployed £39 million of capital and already returned over £27 million to the Company in capital and income;
- generated gross income of £14 million since the original Placing;
- paid dividends of £5 million.
- The Portfolio is currently valued at a gross 1.0x money multiple (calculated as the current value of investments plus sums received or receivable from investments compared with the aggregate Net Proceeds) and the Company at a net 0.7x money multiple (calculated as current NAV plus Dividends paid to date compared with the aggregate Net Proceeds).

The Investment Advisor continues to explore opportunities for adding value to portfolio companies through revenue enhancing and cost saving initiatives as well as seeking to identify appropriate management to optimise performance.

The Investment Advisor believes that the current economic environment continues to create a wide range of investment opportunities. As a result, the Investment Advisor is actively engaged in communicating the Company's investment strategy within the restructuring industry:

- The Company has been actively involved in acquiring undervalued assets since 2003 and has built up an extensive network of deal sources, advisers and financing partners. The Investment Adviser has investigated over 637 opportunities in the last six years, with 17 transactions completed to date.
- The Company's principal shareholders include Brit Insurance plc, Jupiter Asset Management, Immia Investment Management, EPIC plc and EPIC Private Equity, all of whom supported the Open Offer and Placing.
- The Company is able to use its own cash resources to fund acquisitions. The Company also intends, if appropriate, to use its shares to support quoted transactions following the passing of a Special Resolution at the June 2009 EGM enabling the Company to issue up to 25 per cent. of the current outstanding shares as all or part consideration for the acquisition of quoted companies. Furthermore, for larger acquisitions the Company is able to engage with its larger shareholders and third parties with co-investment proposals.
- The Investment Advisor continues to strengthen its existing network and develop new relationships with advisors and managers who can provide deal flow and the necessary expertise in acquiring and turning around distressed businesses.

Over the last twelve months, near optimal market conditions for special situations investing have resulted in a number of the more traditional private equity firms re-inventing themselves as special situations investors, mainly for the purpose of new fundraisings but also with the intention of chasing deals in a market where deal flow is perceived to be most robust. Additionally, a number of special situations firms have either completed new fundraisings or announced themselves as new entrants to

the market. This confluence of events has resulted in fierce competition for investment opportunities assets.

The Investment Advisor remains confident that its reputation, longstanding relationships and proven skill-set will continue to give it a significant competitive advantage in the search for high quality investment opportunities. Special situations private equity investing is highly specialised, requiring in-house operational and restructuring expertise not demanded by traditional private equity. The Investment Advisor knows the market and competition well and has been investing in special situations private equity since 2003.

Valuation methodology

BVCA guidelines state that portfolio companies should be valued on an EBITDA multiple basis using publicly quoted comparables and/or transaction comparables, then discounting the equity value by an appropriate percentage to account for marketability considerations. It is then possible to determine on a case by case basis whether it makes more sense to value the investment at “cost” or “fair value”. If there is sufficient evidence that the value at which the investment is held needs review, fair value is applied. All investments in the portfolio are currently held at cost or below with reference to the aforementioned methodology but also having regard for ongoing volatile market conditions and credit restraints.

The Portfolio

Process Components (2005)

Process Components is an engineering parts and equipment supplier. It was formed in June 2009 after a significant industry cut-back in capital expenditure programmes forced a secondary restructuring of Kemutec, formerly a manufacturer of mixing and sifting equipment for the chemical, pharmaceutical and food industries that was originally purchased by the Company in March 2005. Previously constrained by its parent, the new business now supplies higher margin products from a significantly lower cost base. The business is currently trading slightly ahead of budget and, with the new operations expected to be bedded down by the end of Q1 2010. The Company has a £1.42 million debt exposure to Process Components.

Past Times (2005)

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. During the initial phase of the turnaround, Past Times underwent a major restructuring process, with the number of stores significantly reduced, the head office cost base reduced, and the product range improved. As a result of these improvements, the Investment Advisor is now confident of delivering a third consecutive year of profitability. Past Times continues to expand the number of stores under the guidance of CEO Mike Taylor and the Investment Advisor expects continued improved performance despite the current weak retail environment. The Company has a £8.92 million debt exposure to Past Times.

Morada Home (2005)

In 2005, the Company backed a management buyout of the Morada Home business from the administration of Morada International. The business was originally focused on contracts with the Ministry of Defence (“MoD”) to supply curtains and blinds for MoD living accommodation. Morada has since begun to diversify, supplying PFI contractors as well as a large number of customers in the retail sector. Morada is now starting to reap the benefits from the recruitment of a new Managing Director in 2008 and, with the capital structure recently re-organised, the business has been able to attract significantly improved trade credit terms and should continue to perform in line with or above expectations. The Company has a £1.06 million debt exposure to Morada Home Limited.

Whittard of Chelsea (2008)

Whittard of Chelsea, a specialist retailer of tea and coffee, was acquired in December 2008 following ownership by Baugur. The initial restructuring of the business was completed in H1 2009, with the number of stores and overhead base both significantly reduced. Following this restructuring, the business achieved sales of £28 million for the financial year ending 31 December 2009. The business has also successfully undergone the initial phase of a re-branding exercise. There is the potential to develop the wholesale and international franchising sides of the business. The Company has a £2.73 million debt exposure to Whittard of Chelsea.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2010

	<i>Note</i>	<i>31 January 2010</i>			<i>31 January</i>
		<i>Revenue</i>	<i>Capital</i>	<i>Total</i>	<i>2009</i>
		<i>£</i>	<i>£</i>	<i>£</i>	<i>Total</i> <i>(restated)</i> <i>£</i>
Income:					
Rental income		58,484	–	58,484	46,900
Interest income	4	1,326,742	–	1,326,742	1,253,640
Total income		<u>1,385,226</u>	<u>–</u>	<u>1,385,226</u>	<u>1,300,540</u>
Expenses:					
Investment advisor's fees	5	(360,451)	–	(360,451)	(328,969)
Administration fees	5	(30,000)	–	(30,000)	(30,000)
Directors' fees	6	(90,629)	–	(90,629)	(75,000)
Directors and Officers' insurance		(10,350)	–	(10,350)	(9,531)
Professional fees		(182,860)	–	(182,860)	(154,454)
Board meeting and travel expenses		(10,623)	–	(10,623)	(2,077)
Auditors' remuneration		(29,697)	–	(29,697)	(34,457)
Interest and other charges		(29,047)	–	(29,047)	(53,901)
Irrecoverable VAT		(105,146)	–	(105,146)	(96,010)
Sundry expenses		(61,935)	–	(61,935)	(49,924)
Advisor and broker fees		(20,649)	–	(20,649)	(27,095)
Total expenses		<u>(931,387)</u>	<u>–</u>	<u>(931,387)</u>	<u>(861,418)</u>
Net investment income		<u>453,839</u>	<u>–</u>	<u>453,839</u>	<u>439,122</u>
Gains/(losses) on investments					
Net realised gains on investments at fair value through the profit or loss	10	–	–	–	202,657
Unrealised losses on investments at fair value through profit or loss	10	–	(750,000)	(750,000)	(1,750,000)
Revaluation of investment property	10	–	(14,592)	(14,592)	(176,000)
Impairment of loan portfolio	10	–	–	–	(450,000)
Profit/(loss) for the year before taxation		<u>453,839</u>	<u>(764,592)</u>	<u>(310,753)</u>	<u>(1,734,221)</u>
Taxation	7	–	–	–	<u>18,189</u>
Profit/(loss) for the year		<u>453,839</u>	<u>(764,592)</u>	<u>(310,753)</u>	<u>(1,716,032)</u>
Other comprehensive income		–	–	–	–
Total comprehensive income		<u>453,839</u>	<u>(764,592)</u>	<u>(310,753)</u>	<u>(1,716,032)</u>
Basic and diluted profit/(loss) per ordinary share (pence)	16	<u>2.32</u>	<u>(3.91)</u>	<u>(1.59)</u>	<u>Notes 14, 16</u>

The total column of this statement represents the Group income statement, prepared in accordance with IFRSs. The supplementary revenue and capital return columns are prepared in accordance with the Board of Directors' agreed principles. All items derive from continuing activities.

The notes on pages 15 to 29 form an integral part of these financial statements.

Company Statement of Comprehensive Income

For the year ended 31 January 2010

	<i>Note</i>	<i>31 January 2010</i>			<i>31 January</i>
		<i>Revenue</i>	<i>Capital</i>	<i>Total</i>	<i>2009</i>
		<i>£</i>	<i>£</i>	<i>£</i>	<i>Total</i> <i>(restated)</i> <i>£</i>
Income:					
Interest income	4	2,045	–	2,045	1,074
Dividend income from subsidiaries		1,048,055	–	1,048,055	910,994
Total income		<u>1,050,100</u>	<u>–</u>	<u>1,050,100</u>	<u>912,068</u>
Expenses:					
Investment advisor's fees	5	(358,184)	–	(358,184)	(328,969)
Administration fees	5	(30,000)	–	(30,000)	(30,000)
Directors' fees	6	(80,629)	–	(80,629)	(65,000)
Directors and Officers' insurance		(10,350)	–	(10,350)	(9,531)
Professional fees		(182,860)	–	(182,860)	(155,152)
Board meeting and travel expenses		(10,623)	–	(10,623)	(2,077)
Auditors' remuneration		(22,000)	–	(22,000)	(27,200)
Interest and other charges		(321)	–	(321)	(548)
Irrecoverable VAT		(103,650)	–	(103,650)	(86,102)
Sundry expenses		(49,340)	–	(49,340)	(44,758)
Advisor and broker fees		(20,649)	–	(20,649)	(27,095)
Total expenses		<u>(868,606)</u>	<u>–</u>	<u>(868,606)</u>	<u>(776,432)</u>
Net investment income		<u>181,494</u>	<u>–</u>	<u>181,494</u>	<u>135,636</u>
Gains/(losses) on investments					
Net realised gains on investments at fair value through the profit or loss	10	–	–	–	64,648
Unrealised losses on investments at fair value through profit or loss	10	–	(750,000)	(750,000)	(1,750,000)
Unrealised gain/(loss) on investments in subsidiaries at fair value through profit or loss		–	257,753	257,753	(166,316)
Profit/(loss) for the year before taxation		<u>181,494</u>	<u>(492,247)</u>	<u>(310,753)</u>	<u>(1,716,032)</u>
Taxation	7	–	–	–	–
Profit/(loss) for the year		<u>181,494</u>	<u>(492,247)</u>	<u>(310,753)</u>	<u>(1,716,032)</u>
Other comprehensive income		–	–	–	–
Total comprehensive income		<u>181,494</u>	<u>(492,247)</u>	<u>(310,753)</u>	<u>(1,716,032)</u>
Basic and diluted profit/(loss) per ordinary share (pence)	16	<u>0.92</u>	<u>(2.51)</u>	<u>(1.59)</u>	<u>Notes 14, 16</u>

The total column of this statement represents the Company income statement, prepared in accordance with IFRSs. The supplementary revenue and capital return columns are prepared in accordance with the Board of Directors' agreed principles. All items derive from continuing activities.

The notes on pages 15 to 29 form an integral part of these financial statements.

Consolidated Statement of Assets and Liabilities

As at 31 January 2010

		<i>31 January</i>	<i>31 January</i>
		<i>2010</i>	<i>2009</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Non-current assets	9,10		
Investment property		485,408	500,000
Financial assets		14,796,452	11,936,464
		15,281,860	12,436,464
Current assets			
Cash and cash equivalents	12	3,542,388	1,633,890
Trade and other receivables		1,220,939	1,448,994
Committed cash balances	12	5,407	1,247,895
		4,768,734	4,330,779
Current liabilities			
Trade and other payables		(219,994)	(89,584)
Provision for calls under guarantee	23	–	(1,239,759)
		(219,994)	(1,329,343)
Net current assets		4,548,740	3,001,436
Non-current liabilities			
Bank loan	13	(485,408)	(500,359)
Net assets		19,345,192	14,937,541
Equity			
Share capital	14	1,327,075	327,075
Share premium	15	–	28,795,404
Capital reserve		(14,756,646)	(14,696,474)
Revenue reserve		32,774,763	511,536
Total equity		19,345,192	14,937,541
Net asset value per share before share consolidation (pence)	17	NA	45.67
Net asset value per share after share consolidation (pence)	17	72.89	Notes 14, 17

The financial statements were approved by the Board of Directors on 24 May 2010 and signed on its behalf by:

Geoffrey Vero
Chairman

Nicholas Wilson
Director

The notes on pages 15 to 29 form an integral part of these financial statements.

Company Statement of Assets and Liabilities

As at 31 January 2010

	<i>Note</i>	<i>31 January 2010</i>	<i>31 January 2009 (restated)</i>
		<i>£</i>	<i>£</i>
Non-current assets	9,10		
Financial assets		–	750,000
Investment in subsidiaries at fair value through profit or loss		246,951	–
Loans to subsidiaries	11	17,262,652	14,253,590
		17,509,603	15,003,590
Current assets			
Cash and cash equivalents	12	2,051,903	14,772
Trade and other receivables		10,098	18,249
		2,062,001	33,021
Current liabilities			
Trade and other payables		(207,821)	(69,677)
		(207,821)	(69,677)
Net current assets/(liabilities)		1,854,180	(36,656)
Non-current liabilities			
Investment in subsidiaries at fair value through profit or loss		(18,591)	(29,393)
Net assets		19,345,192	14,937,541
Equity			
Share capital	14	1,327,075	327,075
Share premium	15	–	28,795,404
Capital reserve		(17,100,485)	(16,608,238)
Revenue reserve		35,118,602	2,423,300
Total equity		19,345,192	14,937,541
Net asset value per share before share consolidation (pence)	17	NA	45.67
Net asset value per share after share consolidation (pence)	17	72.89	Notes 14, 17

The financial statements were approved by the Board of Directors on 24 May 2010 and signed on its behalf by:

Geoffrey Vero
Chairman

Nicholas Wilson
Director

The notes on pages 15 to 29 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 January 2010

	<i>Year ended 31 January 2010</i>				
	<i>Share Capital</i>	<i>Share Premium</i>	<i>Capital Reserve</i>	<i>Revenue Reserve</i>	<i>Total</i>
	£	£	£	£	£
Balance at 1 February 2009	327,075	28,795,404	(14,696,474)	511,536	14,937,541
Total comprehensive income for the year	–	–	(764,592)	453,839	(310,753)
Contributions by and distributions to owners					
Shares issued	1,000,000	4,000,000	–	–	5,000,000
Share issue costs	–	(281,596)	–	–	(281,596)
Cancellation of share premium (note 15)	–	(32,513,808)	–	32,513,808	–
Total transactions with owners	1,000,000	(28,795,404)	–	32,513,808	4,718,404
Balance at 31 January 2010	1,327,075	–	(15,461,066)	33,479,183	19,345,192

	<i>Year ended 31 January 2009</i>				
	<i>Share Capital</i>	<i>Share Premium</i>	<i>Capital Reserve</i>	<i>Revenue Reserve</i>	<i>Total</i>
	£	£	£	£	£
Balance at 1 February 2008	300,000	27,850,479	(12,541,320)	1,044,414	16,653,573
Total comprehensive income for the year	–	–	(2,155,154)	439,122	(1,716,032)
Contributions by and distributions to owners					
Scrip dividend	27,075	944,925	–	(972,000)	–
Total transactions with owners	27,075	944,925	–	(972,000)	–
Balance at 31 January 2009	327,075	28,795,404	(14,696,474)	511,536	14,937,541

The notes on pages 15 to 29 form an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 January 2010

	<i>Year ended 31 January 2010</i>				
	<i>Share Capital</i>	<i>Share Premium</i>	<i>Capital Reserve</i>	<i>Revenue Reserve</i>	<i>Total</i>
	£	£	£	£	£
Balance at 1 February 2009 as previously reported	327,075	28,795,404	(14,756,646)	601,102	14,966,935
Effect of change in accounting policy (note 2e)	–	–	(1,851,592)	1,822,198	(29,394)
Balance at 1 February 2009 as restated	327,075	28,795,404	(16,608,238)	2,423,300	14,937,541
Total comprehensive loss for the year	–	–	(492,247)	181,494	(310,753)
Contributions by and distributions to owners					
Shares issued	1,000,000	4,000,000	–	–	5,000,000
Share issue costs	–	(281,596)	–	–	(281,596)
Cancellation of share premium (note 15)	–	(32,513,808)	–	32,513,808	–
Total transactions with owners	1,000,000	(28,795,404)	–	32,513,808	4,718,404
Balance at 31 January 2010	1,327,075	–	(17,100,485)	35,118,602	19,345,192

	<i>Year ended 31 January 2009</i>				
	<i>Share Capital</i>	<i>Share Premium</i>	<i>Capital Reserve</i>	<i>Revenue Reserve</i>	<i>Total</i>
	£	£	£	£	£
Balance at 1 February 2008 as previously reported	300,000	27,850,479	(12,759,303)	1,122,893	16,514,069
Effect of change in accounting policy (note 2e)	–	–	(1,997,267)	2,136,771	139,504
Balance at 1 February 2008 as restated	300,000	27,850,479	(14,756,570)	3,259,664	16,653,573
Total comprehensive loss for the year	–	–	(1,851,668)	135,636	(1,716,032)
Contributions by and distributions to owners					
Scrip dividend	27,075	944,925	–	(972,000)	–
Total transactions with owners	27,075	944,925	–	(972,000)	–
Balance at 31 January 2009	327,075	28,795,404	(16,608,238)	2,423,300	14,937,541

The notes on pages 15 to 29 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 January 2010

	<i>Note</i>	<i>31 January 2010</i>	<i>31 January 2009</i>
		<i>£</i>	<i>£</i>
Operating activities			
Rental income received		40,964	46,900
Interest income received		157,126	337,624
Expenses paid		(753,031)	(856,792)
Net cash used in operating activities	18	(554,941)	(472,268)
Investing activities			
Purchase of equipment for sale		–	(261,893)
Receipts on disposal of equipment		17,500	175,000
Loan advances to investee companies		(3,325,000)	(1,375,000)
Receipts on repayments of loans		1,096,000	–
Payments called under the guarantee		(1,215,196)	(345,170)
Receipts from calls under guarantee		–	274,737
Payments of investments transaction costs		–	(33,938)
Transfer from committed cash		1,215,196	735,170
Net cash used in investing activities		(2,211,500)	(831,094)
Financing activities			
Loan interest paid		(28,514)	–
Part payment of loan		(14,951)	(7,662)
Share issue proceeds		5,000,000	–
Share issue costs paid		(281,596)	–
Net cash generated from/(used in) in financing activities		4,674,939	(7,662)
Increase/(decrease) in cash and cash equivalents		1,908,498	(1,311,024)
Cash and cash equivalents at start of year		1,633,890	2,944,914
Cash and cash equivalents at end of year		3,542,388	1,633,890

Supplementary information

During the year, £1,215,196 was paid out of committed cash balance to settle payments guaranteed to Eurosales. In addition, £69 bank charges were paid out of the committed cash balance and £27,223 was written-off.

The notes on pages 15 to 29 form an integral part of these financial statements.

Company Statement of Cash Flows

For the year ended 31 January 2010

	<i>Note</i>	<i>31 January 2010 £</i>	<i>31 January 2009 £</i>
Operating activities			
Interest income received		2,045	1,074
Expenses paid		(722,311)	(871,398)
Net cash used in operating activities	18	(720,266)	(870,324)
Investing activities			
Proceeds on disposal of subsidiary		–	64,648
Net loans (to)/repaid by subsidiaries		(1,961,007)	687,006
Net cash (used in)/generated from investing activities		(1,961,007)	751,654
Financing activities			
Share issue proceeds		5,000,000	–
Share issue costs paid		(281,596)	–
Net cash generated from financing activities		4,718,404	–
Increase/(decrease) in cash and cash equivalents		2,037,131	(118,670)
Cash and cash equivalents at start of year		14,772	133,442
Cash and cash equivalents at end of year		<u>2,051,903</u>	<u>14,772</u>

The notes on pages 15 to 29 form an integral part of these financial statements.

Notes to the Financial Statements

Year ended 31 January 2010

1 Operations

The Company was incorporated with limited liability in the Isle of Man with the registered number 108834C on 25 July 2003. The Company's ordinary shares are listed on the Alternative Investment Market ("AIM"). The Company raised £30m by a placing of ordinary shares at 100 pence per share. In 2009 the Company raised an additional £5,000,000 by a placing of 100,000,000 ordinary shares at 5 pence per share.

The Company has three wholly owned subsidiaries, detailed in Note 22.

The principal activity of the Company and its subsidiaries (together "the Group") is to arrange income yielding financing for businesses emerging from distressed situations and holding the investments with a view to exiting in due course at a profit.

The consolidated financial statements comprise the results of the Company and its subsidiaries (the "Group") (see Notes 3(a) and 22).

The Company has no employees.

2 Basis of preparation

a Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB) except for the non-consolidation of certain companies as detailed in Note 3(a) and applicable legal and regulatory requirements of Isle of Man law and reflect the following policies, which have been adopted and applied consistently.

The consolidated financial statements were authorised for issue by the Board of Directors on 24 May 2010.

b Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items:

- financial instruments at fair value through profit or loss (FVTPL) are measured at fair value; and
- investment property is measured at fair value.

c Functional and presentation currency

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

d Use of estimates and judgements

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

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

period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by Directors and the Investment Advisor in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year relate to impairment provisioning in connection with secured loans and valuations of unquoted equity investments. Due to the current market conditions, the level of estimation required in the valuation of unquoted equity investments and impairment provisions is increased due to a lack of reliable quoted market comparables and recent transaction comparables (notes 10 and 19).

e Changes in accounting policies

The Group has applied revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

3 Significant accounting policies

a Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

For four portfolio companies, the equity interest of the Company is not capped. It is considered that such companies meet the definition of subsidiaries and would therefore fall to be consolidated under IAS 27. However, the Directors consider that consolidation would render the consolidated financial statements misleading, as such interests were acquired for nil consideration, as part of loan finance arranged for such companies and such interests were acquired with a view to income and capital gain.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business and geographic area being arranging financing for businesses emerging from distressed situations in the United Kingdom. Information presented to the board of directors for the purpose of decision making is based on this single segment.

c Income

Interest income is recognised in the Company and Consolidated Statement of Comprehensive Income as it accrues. Dividend income is accounted for when the right to receive such income is established.

d Expense

All expenses are accounted for on an accruals basis.

e **Taxation**

Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable in respect of the previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

f **Cash and cash equivalents**

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purposes of meeting short-term cash commitments rather than for investments or other purposes.

g **Investments**

(i) **Classification**

Equity and preference share investments have been designated at fair value through profit and loss.

Financial assets that are designated as loans and receivables comprise loans and accrued interest and other receivables.

(ii) **Recognition**

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

(iii) **Measurement**

Equity and preference share investments are stated at fair value. Loans and receivables are stated at amortised cost.

The Investment Advisor determines asset values for unquoted holdings using BVCA guidelines and the valuation principles of IAS 39. In accordance with BVCA guidelines and IAS 39 valuation principles, the value of unquoted holdings are estimated using comparable quoted company metrics and comparable transaction metrics to determine an appropriate enterprise value, to which a marketability discount is applied given the illiquid nature of private equity investments. The Investment Advisor also seeks to confirm value using discounted cash flow and other methods of valuation, and by applying a range approach. The Investment Advisor then seeks to determine whether holding the investment at cost is appropriate given the implied value, or whether an adjustment should be made to achieve fair value: whether this be in the form of an impairment or a write-up.

Under IFRS 7 the Company must classify its fair value measurements into a fair value hierarchy with the following levels, by reference to the observability and significance of the inputs used in making the measurements:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Amortised cost is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. Financial assets that are not carried at fair value through profit and loss are subject to an impairment test. If expected life cannot be determined reliably, then the contractual life is used.

In the Company Statement of Assets and Liabilities the investments in subsidiaries are stated at fair value, based on the net assets of the subsidiaries. In previous years these were stated at cost. The prior year figures have been restated accordingly.

(iv) **Impairment**

Financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the Company and Consolidated Statement of Comprehensive Income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the Company and Consolidated Statement of Comprehensive Income.

(v) **Derecognition**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

The Company uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

h **Financial guarantees**

Commitments under financial guarantees are provided for when an event has occurred that will result in the commitment being called (see Note 23).

i **Investment property**

Investment property is stated at fair value determined annually by the Directors. Any gain or loss arising from a change in fair value is recognised in the Consolidated Statement of Comprehensive Income. Rental income from investment property is accounted for on an accruals basis. Property interests held under operating leases for investment purposes are classified and accounted for as investment property.

j **Future changes in accounting policies**

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

New/Revised International Financial Reporting Standards (IAS/IFRS)

New/Revised International Financial Reporting Standards (IAS/IFRS)		<i>Effective date (accounting periods commencing after)</i>
IAS 1	Presentation of Financial Statements (Revised April 2009)*	1 January 2010
IAS 7	Statement of Cash Flows (Revised April 2009)*	1 January 2010
IAS 17	Leases (Revised April 2009)*	1 January 2010
IAS 24	Related Party Disclosures – Revised definition of related parties	1 January 2011
IAS 28	Investments in Associates – Consequential amendments resulting from amendments to IFRS 3 (2008)	1 July 2009
IAS 31	Interests in Joint Ventures – Consequential amendments resulting from amendments to IFRS 3 (2008)	1 July 2009
IAS 32	Financial Instruments: Presentation – Amendments relating to classification of rights issues	1 February 2010
IAS 36	Impairment of Assets (Revised April 2009)*	1 January 2010
IAS 38	Intangible Assets (Revised April 2009)*	1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments	30 June 2009
IAS 39	Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items	1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement (Revised April 2009)*	1 January 2010
IFRS 2	Share-based Payment – Amendments relating to group cash- settled share-based payment transactions	1 January 2010
IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method	1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Revised April 2009)*	1 January 2010
IFRS 8	Operating Segments (Revised April 2009)*	1 January 2010
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2013
IFRIC Interpretation		
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

*Amendments resulting from April 2009 Annual Improvements to IFRSs

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

4 Interest income

	<i>2010</i>		<i>2009</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	£	£	£	£
Cash balances	5,556	2,045	179,552	1,074
Secured loans	1,321,186	–	1,074,088	–
Total	1,326,742	2,045	1,253,640	1,074

5 Investment advisory, administration and performance fees

Investment advisory fees

EPE Special Opportunities PLC

The management fee is calculated as 2 per cent. of the groups' net assets, with a minimum of £325,000 payable per annum.

The Manager is entitled to charge and retain structuring fees of a maximum of 2 per cent. of the value of the total facilities provided on any transaction or a minimum of £35,000 per transaction, whichever is the higher. In the year ended 31 January 2010, £nil (2009: £50,000) was charged.

ESO Investments LLP

Under the terms of the Limited Liability Partnership Members' Agreement for the investments in ESO Investments Limited Liability Partnership (ESO Investments LLP) dated 20 November 2008 EPE was appointed investment advisor to the Partnership.

The Investment Advisor of ESO Investments LLP is entitled to receive a fee which shall be an amount equal to 2 per cent. (2009: 2 per cent.) per annum of the net assets of the partnership. The partnership own one investment in the portfolio: Whittard of Chelsea (2009: none).

Administration fees

On 30 November 2007 the Group entered into an agreement with IOMA Fund and Investment Management Limited ("IOMA"), for the provision of administration, registration and secretarial services. IOMA delegated the provision of accounting services to EHM International Limited (formerly EHM Service Providers). The fee is payable at a rate of 0.15 per cent. per annum of the Group's Net Assets Value, subject to a minimum fee of £30,000 per annum.

Performance fees

EPE Special Opportunities PLC

The Investment Advisory Agreement above also provides for the provision of a performance fee. The fee is payable if the Total Return (taken as Net Asset Value plus dividends distributed) is equal to at least 8 per cent. per annum from the date of admission of the Company's shares to AIM, based on the funds raised through the Placing of shares and compounded annually. No performance fee has accrued for the year ended 31 January 2010 (2009: £nil).

ESO Investments LLP

As disclosed in the Members' Agreement the Net Income, Net Income Losses, the Capital Gains and the Capital Losses shall be allocated between the Members' respective Profit Accounts as follows:

- (a) Prior to the NAV Condition Date and the Hurdle Payment Date, being the date when the loan from ESO PLC and a hurdle calculated at 8 per cent. per annum of the members loans has been repaid, all Relevant Sums shall be allocated to the Equity Members in the following Proportions:

EPIC PLC	100 per cent.
EPIC Carry LLP	0.00 per cent.

- (b) On the hurdle payment date 20 per cent. of the Non-Mezzanine Relevant Sums previously allocated to ESO PLC will be transferred to ESO Carry LLP.

- (c) After the Hurdle Payment Date and NAV Condition Date, Relevant Sums shall be allocated to the Equity Members in the following proportions:

EPIC PLC	80 per cent.
EPIC Carry LLP	20 per cent.

6 Directors' fees

Directors' fees payable for the year were as follows:

	2010		2009	
	Group	Company	Group	Company
	£	£	£	£
GO Vero (Chairman)	22,917	22,917	20,000	20,000
RBM Quayle	22,917	17,917	20,000	15,000
CL Spears	21,878	21,878	15,000	15,000
NV Wilson	22,917	17,917	20,000	15,000
	<u>90,629</u>	<u>80,629</u>	<u>75,000</u>	<u>65,000</u>

7 Taxation

Both the Company and EPIC Structured Finance Limited are Isle of Man tax resident. The companies are liable to zero percent income tax.

	2010		2009	
	Group	Company	Group	Company
	£	£	£	£
Deferred tax credit	–	–	(18,189)	–
	<u>–</u>	<u>–</u>	<u>(18,189)</u>	<u>–</u>

8 Dividends paid and proposed

No dividends are proposed for the year ended 31 January 2010 (2009: £nil).

9 Financial assets and liabilities

	2010		2009	
	Group	Company	Group	Company
	£	£	£	£
Assets				
Financial assets at fair value through profit or loss – designated on initial recognition:				
Equity investments	212,118	–	750,000	750,000
Investments in subsidiaries at fair value	–	246,951	–	–
Financial assets at amortised cost				
Loans and receivables and cash balances	19,353,068	19,324,653	15,517,243	14,286,611
Total financial assets	<u>19,565,186</u>	<u>19,571,604</u>	<u>16,267,243</u>	<u>15,036,611</u>
Liabilities				
Financial liabilities measured at amortised cost				
Financial liabilities at fair value through profit or loss – designated on initial recognition:	(705,402)	(207,821)	(1,829,702)	(69,677)
Investments in subsidiaries at fair value	–	(18,591)	–	(29,393)
Total financial liabilities	<u>(705,402)</u>	<u>(226,412)</u>	<u>(1,829,702)</u>	<u>(99,070)</u>

Loans and receivables presented above represents secured loan, cash balances and accrued interest and other receivables as detailed in the Statement of Assets and Liabilities.

Financial liabilities measured at amortised cost presented above represents accrued expenses and sundry creditors, guarantee payable, provision for calls under guarantee and bank loan, as detailed in the Statement of Assets and Liabilities.

10 Non-current assets

	2010		2009	
	Group £	Company £	Group £	Company £
Investment property	485,408	–	500,000	–
Financial assets:				
Secured loans	14,584,334	–	11,186,464	–
Unquoted equity investments	212,118	–	750,000	750,000
Investment in subsidiaries	–	246,951	–	–
Loans to subsidiaries (note 11)	–	17,262,652	–	14,253,590
	15,281,860	17,509,603	12,436,464	15,003,590

Investment property is stated at the Directors' considered current valuation.

The secured loans are secured by way of floating charge. The terms of secured loans, credit risk and impairment provisions are disclosed in note 19.

Unquoted equity investments for 2010 comprise deferred shares of £212,118 in Past Times Limited. For 2009, the unquoted equity investments comprised an unrealised fair value gain on Kemutec Powder Technologies Limited of £750,000. This fair value gain was written-down to nil in the year.

For the year ended 31 January 2010 the Investment Advisor has applied appropriate valuation methods with reference to BVCA guidelines and the valuation principles of IAS 39 and has determined that holding the investments at cost as at year end provides fair value.

In accordance with IFRS 7, unquoted equity investments are classified as level 3 investments (see note 3g(iii)). The following shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	£
Unquoted equity investments	
Opening balance	750,000
Additions during the year	212,118
Unrealised write-down in profit or loss	(750,000)
Closing balance	212,118

11 Loans to subsidiaries

	2010	2009
	£	£
EPIC Structured Finance Limited	14,672,854	14,253,590
EPIC Reconstruction Property Company II Limited	3,531	–
ESO Investments LLP	2,586,267	–
	17,262,652	14,253,590

The loan to the subsidiaries are unsecured, interest free and not subject to any fixed repayment term.

12 Cash and cash equivalents

	2010		2009	
	Group £	Company £	Group £	Company £
Current and call accounts	3,542,388	2,051,903	1,633,890	14,772
Term deposit	5,407	–	1,247,895	–
	3,547,795	2,051,903	2,881,785	14,772

The term deposit is charged in favour of Eurosales and Royal Bank of Scotland to support the Group's commitment under a credit risk participation agreement (see Note 23). The Group is not writing any new business under this agreement and is seeking return of any residual funds owed.

The current and call accounts and money market fund have been classified as cash and cash equivalents in the Company and Consolidated Statement of Cash Flows together with the uncharged part of the term deposit.

13 Bank loan

	2010 £	2009 £
Mortgage loan	<u>485,408</u>	<u>500,359</u>

The mortgage bank loan bears interest at LIBOR plus 4.5 per cent. margin per annum calculated on a daily basis subject to a maximum of 12.90 per cent. per annum. The loan is secured on investment property valued in the financial statements at £485,408 (2009: £500,000). The loan expiry date is May 2029.

14 Share capital

	2010		2009	
	Number	£	Number	£
Authorised Share Capital				
Ordinary shares of 1p each	<u>33,000,000</u>	<u>1,650,000</u>	<u>50,000,000</u>	<u>500,000</u>
Called up, allotted and fully paid				
Ordinary shares of 1p each	<u>26,541,501</u>	<u>1,327,075</u>	<u>32,707,509</u>	<u>327,075</u>

On 8 June 2009, a resolution was passed 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 1 pence each ranking pari passu in all respects with the existing ordinary shares.

During the period the Company issued 100,000,000 ordinary shares of 1 pence each giving a total number of shares in issue of 132,707,509.

On 15 June 2009, each five existing, issued and unissued, shares of 1 pence each in the capital of the Company were consolidated into one ordinary share of 5 pence each with the same rights attached to them in the Articles of Association of the Company. The authorised share capital of the Company became £1,605,000 comprising 33,000,000 ordinary shares of 5 pence each. The consolidation took outstanding shares at full subscription of the Offer Shares under the placing of 132,707,509 to an after share consolidation total of 26,541,501.

15 Share premium

On 28 August 2009, the Chancery Division of the High Court of Justice of the Isle of Man approved a reclassification of an amount of £32,513,808 standing to the credit of the share premium account to distributable reserves.

16 Basic and diluted loss per share (pence)

Basic and diluted loss per share is calculated by dividing the loss for the Group and Company for year attributable to the ordinary shareholders of £310,753 divided by the weighted average number of shares outstanding during the year of 19,582,597.

For 2009, the basic loss per share as restated after share consolidation would equate to 28.32p on the basis of the loss attributable to the ordinary shareholders of £1,716,032 divided by the restated weighted average number of shares outstanding during the year of 6,057,859. Owing to the multiplier effect of the share consolidation outlined in Note 14 above, the Directors regard the inclusion of this figure as inappropriate for the purposes of comparison.

17 Net asset value per share (pence)

The Group and Company net asset value per share after share consolidation is based on the net assets of the Group and Company as at the year-end of £19,345,192 divided by shares in issue at the end of the year 26,541,501 (shares as restated after share consolidation).

For 2009 the stated net asset value per share (pre- share consolidation of 45.67p) is based on the net assets of the Group and Company as at 31 January 2009 of £19,345,192 divided by shares in issue of 32,707,509.

The net asset value per share as restated after share consolidation would equate to 228.35p on the basis of net assets of £14,397,192 divided by shares of 6,541,502. Owing to the multiplier effect of the share consolidation outlined in Note 14 above, the Directors regard the inclusion of this figure as inappropriate for the purposes of comparison.

18 Net cash used in operating activities

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

	2010		2009	
	Group £	Company £	Group £	Company £
Net investment income	437,835	192,782	439,122	135,636
Movement in trade and other receivables	63,496	(1,051,192)	(902,928)	(898,356)
Movement in trade and other payables	(1,056,272)	138,144	(8,462)	(107,604)
Net cash used in operating activities	(554,941)	(720,266)	(472,268)	(870,324)

19 Financial instruments

The Group's financial instruments comprise:

- Investments in unlisted companies, comprising equity and loans that are held in accordance with the Group's investment objectives;
- Cash and cash equivalents and bank loan; and
- Accrued interest and other receivables, accrued expenses and sundry creditors and provisions for calls under guarantee.

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. None of these risks are hedged. These risks are managed by the Directors in conjunction with the Investment Adviser. The Investment Adviser is responsible for day to day management.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's liquid assets comprise cash and cash equivalents, which are readily realisable and a term deposit account.

Residual contractual maturities of financial liabilities:

31 January 2010

	<i>Less than 1 month</i> £	<i>1-3 months</i> £	<i>3 months to 1 year</i> £	<i>1-5 years</i> £	<i>Over 5 years</i> £	<i>No stated maturity</i> £
Financial liabilities						
Trade and other payables	219,994	–	–	–	–	–
Provision for calls under guarantee	–	–	–	–	–	–
Bank loan	–	–	–	–	485,408	–
Total	219,994	–	–	–	485,408	–

31 January 2009

	<i>Less than 1 month</i> £	<i>1-3 months</i> £	<i>3 months to 1 year</i> £	<i>1-5 years</i> £	<i>Over 5 years</i> £	<i>No stated maturity</i> £
Financial liabilities						
Trade and other payables	89,584	–	–	–	–	–
Provision for calls under guarantee	–	–	1,239,759	–	–	–
Bank loan	–	–	–	–	500,359	–
Total	89,584	–	1,239,759	–	500,359	–

Credit risk

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

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

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

Included in the accrued interest is an amount of £861,968 (2009: £1,158,000) relating to the year ended 31 January 2010 for Past Times Trading Limited. The Investment Advisor views the non-payment of the interest as a deferral rather than non-recoverable and as such does not consider the non-payment to represent a material impairment to the loan. The Investment Advisor anticipates that repayment of the deferred interest will be made in the year to 31 January 2011. During the year ended 31 January 2010 £1,381,588 of accrued interest was capitalised into £1,168,870 in new bonds and £212,718 in deferred shares.

At the reporting date, the Group's financial assets exposed to credit risk amounted to the following:

	2010 £	2009 £
Secured loans	14,584,334	11,186,464
Cash balances	3,547,795	2,881,785
Trade and other receivables	1,220,939	1,448,994
Total	19,353,068	15,517,243
Exposure under the credit risk participation Agreement (note 23)	5,407	1,247,895

The impairment of loan portfolio charge in the Statement of Comprehensive Income in 2009 was in respect of impairment provision against Autocue Group Limited. The Group assesses the value of equity interest and the need for impairment provisions on secured loans together by estimating the value of the Group's interest in investee companies.

As at 31 January 2010 there are secured loans to five companies (2009: five). Therefore, the Group is exposed to concentration risk relating to these loans, with particular concentration in Past Times Trading Limited with a loan of £8,918,870 (2009: £7,750,000) and an accrued interest of £861,968 (2009: £1,158,000). During the year £1,168,870 of interest was capitalised into new bonds.

The Group is also subject to credit risk on lending facilities to its investee companies from third party lending institutions. The portfolio companies of the Group currently have lending facilities in place from Lloyds Banking Group plc, Cattles plc, Five Arrows Leasing Group, Alliance One International Inc and Commercial First Mortgages Limited. Given the ongoing credit constraints there is often a lack of certainty with these financial institutions as to applicable terms and availability of lending facilities and the Investment Advisor monitors the situation on availability of third party credit with investee companies closely.

Cash balances are placed with Royal Bank of Scotland International in Jersey and Barclays Bank Plc.

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to a market price risk via its equity investments, which are stated at fair value – with gains and losses recognised in the Statement of Comprehensive Income.

Market price risk sensitivity

The Group's interest in unquoted equity investments comprises 1 per cent. (2009: 5 per cent.) of net assets. A 5 per cent. increase in the value of these investments as at 31 January 2010 would have increased net assets by £10,606 (2009: £37,500); an equal change in the opposite direction would have decreased net assets by an equal but opposite amount.

Interest rate risk

The Group is exposed to significant interest rate risk, through the secured loan portfolio and cash balances. The return on the bank balances is linked to short-term deposit rates and is therefore linked closely to bank base rate changes.

The secured loans bear interest at fixed rates of between 15 per cent. and 20 per cent. and are repayable as follows:

31 January 2010

	<i>Principal</i> £	<i>Interest</i> Rate	<i>Maturity</i>
Past Times Trading Limited	7,750,000	15%	30 April 2011
Past Times Trading Limited	1,168,870	15%	31 December 2012
Morada Home Limited	1,058,000	15%	31 January 2011
Whittard of Chelsea	2,734,000	20%	22 December 2010
Autocue Group Limited	900,000	15%	30 April 2013
Process Components Limited (formerly Kemutec Powder Technologies Limited)	1,423,464	15%	30 June 2010

31 January 2009

	<i>Principal</i> £	<i>Interest</i> Rate	<i>Maturity</i>
Past Times Trading Limited	7,750,000	15%	30 April 2011
Morada Home Limited	1,088,000	15%	31 January 2011
Whittard of Chelsea	600,000	20%	22 December 2009
Autocue Group Limited	875,000	15%	30 April 2013
Kemutec Powder Technologies Limited	1,323,464	15%	30 June 2010

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

31 January 2010

	<i>Less than</i> <i>1 month</i> £	<i>1-3</i> <i>months</i> £	<i>3 months</i> <i>to 1 year</i> £	<i>1-5 years</i> £	<i>Over 5</i> <i>years</i> £	<i>Non-</i> <i>bearing</i> <i>interest</i> £	<i>Total</i> £
Assets							
Designated at fair value through profit or loss							
Equities	-	-	-	-	-	212,118	212,118
Loans and receivables							
Secured loans	-	-	4,157,464	10,426,870	-	-	14,584,334
Trade and other receivables	-	-	-	-	-	1,220,939	1,220,939
Cash and cash equivalents	3,542,388	-	-	-	-	-	3,542,388
Committed cash	5,407	-	-	-	-	-	5,407
Total financial assets	3,547,795	-	4,157,464	10,426,870	-	1,433,057	19,565,186
Liabilities							
Financial liabilities measured at amortised cost							
Trade and other payables	-	-	-	-	-	(219,994)	(219,994)
Bank loan	-	-	-	-	(485,408)	-	(485,408)
Total financial liabilities	-	-	-	-	(485,408)	(219,994)	(705,402)
Total interest rate sensitivity gap	3,547,795	-	4,157,464	10,426,870	(485,408)		

31 January 2009

	<i>Less than 1 month</i>	<i>1-3 months</i>	<i>3 months to 1 year</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Non- interest bearing</i>	<i>Total</i>
	£	£	£	£	£	£	£
Assets							
Designated at fair value through profit or loss							
Equities	–	–	–	–	–	750,000	750,000
Loans and receivables							
Secured loans	–	–	600,000	8,838,000	1,748,464	–	11,186,464
Trade and other receivables	–	–	–	–	–	1,448,994	1,448,994
Cash and cash equivalents	1,633,890	–	–	–	–	–	1,633,890
Committed cash	1,247,895	–	–	–	–	–	1,247,895
Total financial assets	2,881,785	–	600,000	8,838,000	1,748,464	2,198,994	16,267,243
Liabilities							
Financial liabilities measured at amortised cost							
Trade and other payables	–	–	–	–	–	(89,584)	(89,584)
Provision for calls under guarantee	–	–	–	–	–	(1,239,759)	(1,239,759)
Bank loan	–	–	–	–	(500,359)	–	(500,359)
Total financial liabilities	–	–	–	–	(500,359)	(1,329,343)	(1,829,702)
Total interest rate sensitivity gap	2,881,785	–	600,000	8,838,000	1,248,105		

Interest rate sensitivity

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

Currency risk

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

Fair Values

All financial instruments are considered to be stated at fair value except for secured loans and the bank loan, which carry a fixed interest rate and are stated at amortised cost.

20 Directors' interests

Two of the Directors had an interest in the shares of the Company as at 31 January 2010 (2009: none). Geoffrey Vero – 10,000 ordinary shares and Nicholas Wilson 20,000 ordinary shares.

21 Related parties

Investment advisory fees amounting to £359,860 (2009: £328,969) were payable to the Manager calculated in accordance with the Investment Advisory Agreement, of which £37,342 (2009: £28,704) was outstanding as at 31 January 2010. The Investment Advisor is also entitled to structuring fees and fees on the sale of investments (see Note 5).

Mr Geoffrey Vero is a Non-executive Director of Numis Corporation plc and a former Non-executive Director of Numis Securities Limited, the Nominated Advisors, Brokers and Placing Agent to the Company. Advisory and broker fees of £30,000 (2009: £30,000) were payable to Numis Securities Limited, paid in advance half-yearly of which £3,647 (2009: £9,280) was paid in advance as at 31 January 2010. Additional fees of £25,000 (2009: £nil) were paid to Numis Securities Limited in respect of corporate finance work relating to the open offer and placing.

Giles Brand, a Partner in the Investment Advisor EPIC Private Equity LLP owns 9.1 per cent. of the ordinary share capital in the Company.

Jim Weight, a Consultant to the Investment Advisor EPIC Private Equity LLP during the year ended 31 January 2010 owns 9.0 per cent. of the ordinary share capital in the Company. Jim Weight's Consultancy agreement with EPIC Private Equity LLP ended during January 2010.

The Principals of EPIC Private Equity LLP co-invest in certain portfolio companies invested by Group Companies.

22 Subsidiary Companies

On 21 August 2003 the Company incorporated EPIC Structured Finance Limited in the Isle of Man, with paid up share capital of £2.

On 30 December 2004 the Company incorporated EPIC Reconstruction Property Company II Limited in England and Wales, with paid up share capital of £1.

On 7 November 2008 a limited liability partnership was formed, namely ESO Investments LLP.

EPE Special Opportunities plc owns 80 per cent. of the LLP and further 20 per cent. is owned by the ESO Carry LLP.

23 Financial commitments and guarantees

A credit risk participation agreement was signed with Eurosales, a division of RBS on 15 October 2003. Under the terms of this agreement, the Group must retain a minimum amount in a security account, which is charged in favour of Eurosales. As at 31 January 2010, £5,407 (31 January 2009: £1,247,895) of the term deposit was charged in favour of Eurosales. This agreement is now in run-off and no new business is written under the agreement since 2005. The return of any residual funds under this arrangement is currently being pursued

The Company provides certain guarantees to Lloyds TSB Bank plc ("Lloyds") on the facilities that Lloyds provide to Past Times Trading Limited. Such obligations are limited to a maximum of £3,000,000, and relate to the provision of facilities such as a Letter of Credit facility, customs and excise guarantees, a BACS facility and corporate credit cards.

24 Post balance sheet events

The Company successfully concluded the sale of Autocue Group Limited on 8 April 2010, receiving a total cash consideration of £400,000 for its entire interest in the asset. At 31 January 2010 the asset was valued at £450,000 by the Investment Advisor. As a result, the Company no longer has any form of exposure to Autocue Group Limited.