EPE Special Opportunities plc

Interim Report | July 2011

Interim Report & Unaudited Financial Statements
For the six months ended 31 July 2011

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Chairman's Statement

The six months up to July 2011 have once again presented a challenging and continually uncertain economic environment for the Company. Pessimism surrounding the euro-zone periphery's debt obligations has adversely impacted the prospects for an expeditious economic recovery. Indeed continuing market volatility in the light of stuttering global political leadership continues to be a great concern.

Meanwhile, ongoing unemployment concerns, falling house prices and consistently above-target inflation have continued to impact consumers at a time when banks are still reluctant to extend credit. These conditions however do remain attractive for one area of the Company's investment strategy, namely special situations, but equally demanding for the Company's core investments. The underlying portfolio has performed satisfactorily to the half year despite the economic backdrop, with the majority of companies trading in line with budget. Although well set at this point, the worsening economic backdrop will undoubtedly be challenging in the months to come. Overall, notwithstanding the undoubted value in distressed situations, your Board remain cautious at this time of unprecedented global uncertainty.

In June 2011, the underlying investments in both Pinnacle Regeneration Group ("Pinnacle") and Ryness were sold by ESO Investments 1 LP ("the Fund"). The sale of the investment in Pinnacle realised £7.4 million versus a September 2010 acquisition cost of £4.2 million. The dividend for Pinnacle was declared at the 31 March 2011 year end and was paid by the new investors in Pinnacle to the Fund simultaneously with the sale proceeds. The sale of the investment in Ryness to Marlowes realised £1.3 million versus a September 2010 acquisition cost of £0.8 million. The profits on the sale of these underlying investments are realised by the Company through its distributions from the Fund. Together, these sales demonstrate the Investment Advisor's commitment to realising assets and returning cash to the Company, to be utilised for new deals and ESO plc share buybacks. Furthermore the sales help to validate the Investment Advisor's NAV, with both assets being realised above NAV.

The end-date of The Equity Partnership Investment Company plc ("EPIC plc") in August 2011 resulted in a large number of new shareholders being admitted to the Company's shareholder register. Prior to its end-date, EPIC plc had held 20.1% of the Company's shares, and a £10 million convertible loan note issued to part fund the acquisition of EPIC plc's private equity portfolio in September 2010. The convertible loan notes were listed on the PLUS Stock Exchange in July. In line with EPIC plc's stated strategy at the time of the acquisition, these instruments in the Company were distributed pro-rata to its shareholder base on 16 August 2011. The Company welcomes the broadening of the shareholder base.

For the interim period ended 31 July 2011, the Group reported gross income of £0.1 million at Company level, with the majority of income from the underlying portfolio companies being received at the Fund level. The total capital increase in net assets was £1.2 million, which translated to a net asset value per share as at 31 July 2011 for the Group of 83.11 pence, an increase of 4.9 per cent. on the net asset value of per share of 79.21 pence as at 31 January 2011. The Board do not believe it appropriate to pay a dividend at this point in time and instead intend to conserve liquidity in order to protect against uncertainty in the broader economic environment and to take advantage of well-priced investment opportunities as they arise.

Once again, I would like to thank the Investment Advisor, EPIC Private Equity LLP ("EPE"), as well as my fellow Directors and professional advisors, for their considerable efforts over the last six months in consolidating a more diversified underlying portfolio for the Company in the face of current market volatility. I look forward to updating you on developments at the year end.

Geoffrey Vero
Chairman
27 October 2011

Investment Advisor's Report

In the six month period since 31 January 2011, the Investment Advisor has focused on maintaining and creating value from within the existing portfolios held by the Company and the Fund, whilst at the same time seeking out new opportunities by way of platform or bolt-on investment opportunities. All new investments will be made via ESO Investments 2 LP, in which the Company is the sole investor.

In addition, the Investment Advisor continues to explore opportunities for adding value to the current portfolio through revenue enhancing and cost saving initiatives as well as seeking to identify appropriate management to optimise performance. Within the context of the current economic climate, the importance of these initiatives is clearly acutely felt.

The underlying portfolio has performed in line with expectations since January 2011, with a number of companies exceeding their budgets to date. Nexus has completed the construction of a new 250,000 sq.ft. factory in China and hopes to achieve accelerated organic growth and margin gains by switching to own production. Meanwhile, Indicia performed well over the same period, with trading in line with budget but expected to be ahead by the year-end, driven by significant new business wins in the automotive and FMCG sectors. Indicia continues to target digital acquisitions with strong cross-selling potential. Process Components and Bighead have both delivered considerably above budget trading figures for the same period.

First half trading at Past Times has stabilised and the Investment Advisor has instigated a number of measures to mitigate a repeat performance of 2011's weather-related December trading difficulties, including store closures, overhead reduction and expansion of the web offering.

Whittard of Chelsea delivered positive like-for-like retail sales growth in the first half of the year. Moving forward, the Company will continue to focus on diluting its reliance on UK trading through a planned expansion of its international and wholesale operations. Sara Halton, previously CEO of Molton Brown, was recently appointed as the new managing director.

In June, the underlying investments in both Pinnacle and Ryness were sold by the Fund. The sale of Pinnacle realised £7.4 million. The sale of the investment in Ryness to Marlowes realised £1.3 million. The profits on the sale of these underlying investments are realised by the Company through its distributions from the Fund. The Investment Advisor is also considering the sale of other smaller investments in the portfolio.

The net asset value per share as at 31 July 2011 for the Company was 83.11 pence, calculated on the basis of 30.8 million ordinary shares. Investment highlights from the inception of the Company (16 September 2003) to date include:

- deployed £62 million of capital and returned over £33 million to the Company in capital and income;
- generated gross income of £15 million;
- paid dividends of £5 million;
- the underlying portfolio, as at 31 July 2011, is valued at a gross 1.5x money multiple.

Uncertainty has intensified further in the wider UK economy, with the strong pace of GDP growth through the second and third quarter of 2010 contrasting with subdued growth and rising inflation in 2011. Rising unemployment, falling house prices and sub-inflation wage growth continue to depress consumer spending and squeeze retail operators in particular. The increasing likelihood of a sovereign debt default continues to plague the markets, placing downward pressure on consumer confidence which remains weak against the backdrop of a further UK recession. In the meantime debt finance is likely to remain in scarce supply, with banks primarily focused on rebuilding their balance sheets as opposed to new primary lending. This period therefore continues to be one of consolidation for the Company with a positive focus on creating value in the core investments.

Whilst current economic conditions remain demanding for the Company's underlying portfolio, they are expected to provide opportunities to acquire high quality assets at relatively low price points.

Investment Advisor's Report
(continued)

Investment Strategy

The Investment Advisor believes that the current economic environment continues to create a wide range of investment opportunities. As a result, the Investment Advisor continues to engage actively with the wider restructuring and advisory community in communicating the Company's investment strategy. The Company seeks to target growth and buyout opportunities, as well as special situations and distressed transactions, making investments where it believes pricing to be attractive and the potential for value creation strong. The Company will continue to target the following types of investments:

- Growth, buyout and pre-IPO opportunities, leveraging the Investment Advisor's investment experience, contacts and ability.
- Special situations where the Investment Advisor believes that assets are undervalued due to specific, event-driven circumstances. Target companies may or may not be distressed as a result of the situation. The Investment Advisor will aim to use its restructuring and refinancing expertise to resolve the situation and achieve a controlling position in the target company.
- Distressed companies where asset-backing may be available and the opportunity exists for recovery and significant upside. These transactions may involve target companies with a substantial asset base, providing the Company with considerable downside protection. The Company seeks to acquire distressed debt, undervalued equity or the assets of target businesses in solvent or insolvent situations.
- Public companies, either backing management to acquire and de-list the company or buying ordinary equity in a listed business. The Company may consider making investments in a number of smaller companies, primarily ones whose shares are admitted to AIM, being companies with a market capitalisation in the region of £1 million to £5 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.

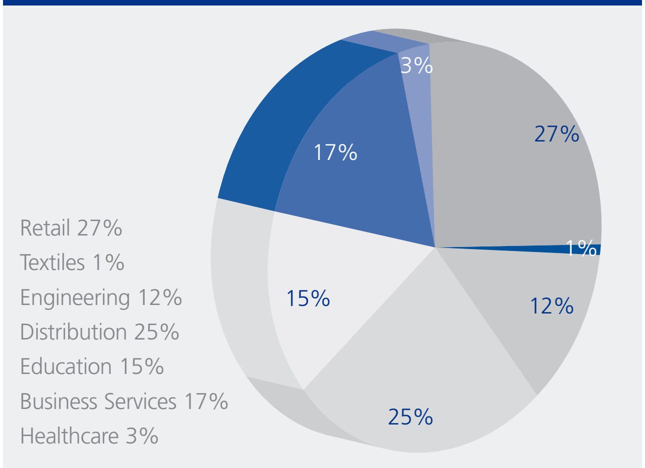
The Company will consider most industry sectors, including consumer, retail, manufacturing, financial services, healthcare, support services and media industries. The Company partners with management and entrepreneurs to maximise value by combining financial and operational expertise in each investment.

The Company will seek to invest between £2 million and £10 million in a range of debt and equity instruments with a view to generating returns through both yield and capital gain. Whilst in general the Company aims to take controlling equity positions, it may seek to develop companies as a minority investor. Occasionally the Board may authorise investments of less than £2 million. For investments larger than £5 million, the Company may seek co-investment from third parties.

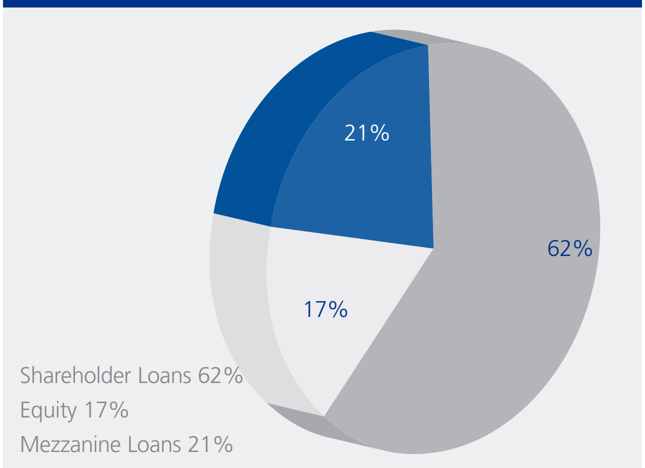
Portfolio Diversification

The current underlying portfolio of eleven assets in which the Company has an interest is diversified by sector and instrument as at 31 July 2011 as follows:

Sector Diversification



Instrument Diversification



Current Portfolio: ESO Investments 2 LLP

Process Components

Process Components is an engineering parts, equipment and services supplier to the food and pharmaceutical industries for bulk solids and liquids processing and handling. Both sales and EBITDA significantly increased in the year to 30 June 2011. The US subsidiary has demonstrated particularly strong trading growth. New product lines from European suppliers have been identified for the US subsidiary to distribute in 2012 and 2013 as the company seeks to capitalise on its strong US presence. Meanwhile, significant investment in the UK team is expected over the next year, with increasing exports and new product lines driving growth.

Current Portfolio: ESO Investments 1 LP

Nexus Industries

Nexus Industries ("Nexus") is a manufacturer and distributor of electrical accessories in the UK, operating under the brand names Masterplug, British General and Ross, and supplies to both the retail and wholesale markets. The business is now deleveraging and performing well despite the tough retail market conditions. The construction of a large freehold factory located in mainland China has recently been completed and this is expected to drive both margin improvement and sales growth over the coming years. Meanwhile, international demand is growing well. However, copper price rises, hitting an all time high in the first quarter of 2011, remain a concern for the business, as does demand from UK consumers and wholesale clients.

Palatinate Schools

Palatinate Schools ("Palatinate") operates a group of private preparatory, pre-preparatory and nursery schools based in Central London. The schools have good prestige value and pupil numbers are remaining robust. The Investment Advisor manages Palatinate alongside other private equity investors. The business has recently appointed a new CEO and is seeking to drive further organic growth via fuller utilisation of its existing premises and improved branding and advertising.

Whittard of Chelsea

Whittard of Chelsea ("Whittard"), a specialist retailer of tea and coffee, was acquired in December 2008. The initial restructuring of the business was completed in the first half of 2009, with the number of stores and overhead base both significantly reduced and new branding now being introduced across all lines. The business delivered a strong performance in the first half of 2011, with positive like-for-like sales. The international business continues to grow with the franchise partner in China having recently opened an eleventh store after eight months of trading in the region. Whittard continues to invest in the web channel following sales growth of 70% last year. The business is well-positioned for growth in the remainder of the year. Sara Halton, previously CEO of Molton Brown, was recently appointed as the new managing director.

Indicia

Indicia is a customer intelligence agency focused on planning, data, direct marketing and multi channel analytics. Indicia was formed through the acquisition and consolidation of three separate businesses and is currently in discussions with several parties with regard to the purchase of digital and market research businesses to complement its existing portfolio of services. The business is currently trading well and ahead of 2011 budget, with new client wins in the automotive and FMCG sectors underpinning growth.

Past Times

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 focus in 2011 is on an expansion of proven growth areas, such as the web and temporary stores, coupled with a re-focus on core stores and commensurate closure of under-performing locations. The web is a strategic priority for the business and whilst the online gifting market continues to be highly competitive in the UK, the current retail footprint of Past Times presents a significant opportunity to recruit new customers and build a leading multi-channel offering. The second half of the year, particularly November and December, remain critical to full year performance but the business enters the period on the back of a solid first half performance and with significant changes to the offering underway.

Bighead Bonding Fasteners

Bighead Bonding Fasteners ("Bighead") is a specialist engineering business, manufacturing specialist load-spreading fasteners for composites, plastics and traditional materials. 2010 year-end demonstrated an impressive EBITDA performance significantly ahead of budget following a deep recession in its core markets of automotive, marine and construction in 2009. The business has continued to grow ahead of target in 2011, having almost recovered sales to pre-recession levels. EBITDA continues to grow and now exceeds pre-recession levels. The business is well postioned to increase its sales in the UK and overseas through partnerships with international distributors and complementary technologies.

Pharmacy2U

Pharmacy2U is an online pharmacy business, delivering National Health Service and private prescriptions direct to the home using an innovative, proprietory technology, the Electronic Prescription Service. The business has experienced significant sales growth since inception. Trading peformed in line with expectations in the year ending 31 March 2011. The business continues to investigate and operate schemes for acquiring practices and patients to their prescription system.

Evolving Media

Evolving Media (“Evolving”) is a young and growing integrated digital marketing agency, based in Bedford, UK and providing digitally-focussed marketing solutions to a range of clients. Sales for the full year 2010 were marginally behind budget, although EBITDA was on budget. The company is currently focussed on establishing a London office in order to drive business and product development and recruitment. Evolving will focus throughout the remainder of 2011 on improving profitability from current clients, whilst selectively targeting new business.

Morada Home

In 2005, the Company backed a management buyout of the Morada Home business from the administration of Morada International. The business was originally focussed solely on contracts with the Ministry of Defence (“MoD”) to supply curtains and blinds for MoD living accommodation. Morada diversified by supplying PFI contractors and wholesalers in the retail sector. Through the completion of bolt-on acquisitions Gradus Fabrics and SJ Clarke in July and August 2010 the business has further diversified into the care home, university and hotel sectors. The business is continuing to re-structure. However, market conditions remain tough and trading has suffered from budget cuts, uncertainty at the MoD and ongoing weakness in the wholesale sector.

Driver Require

Driver Require is a recruitment company for commercial drivers across all major vehicle categories based in Stevenage, UK. The recession had a significant impact on the transport sector and Driver Require’s target market continues to be particularly affected. Trading stabilised in 2010 and the first half of 2011 with the Company reaching break-even. The company has four branches and plans to add further branches in the next two years.

Valuation Methodology

The Company values its investments with reference to the BVCA guidelines and the valuation principles of IAS 39. This results in unquoted portfolio companies being 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. Cost may be considered as fair value in some cases but assets will always be held at fair value, whether this is at, above or below cost.

The Company has always endeavoured to comply with industry-standard guidelines and, as the Fund (the vehicle through which most of the Company’s interest in private equity investments are held) will be applying the International Private Equity and Venture Capital Valuation guidelines, for consistency the Board will consider adopting these guidelines going forward. The Company believes that there is unlikely to be any material effect on the valuation process as a result of such a change.

The Investment Advisor announces an estimated net asset value per ordinary share on a monthly basis.

The Investment Advisor adopts a conservative approach to valuation with reference to the aforementioned methodology but also having regard for ongoing volatile market conditions, particularly in the UK retail sector, and credit restraints.

Review report by KPMG Audit LLC

to EPE Special Opportunities plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 July 2011, which comprises the consolidated and company statements of comprehensive income, the consolidated and company statements of assets and liabilities, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Basis of adverse opinion on consolidated financial statements

The condensed set of financial statements included in the half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting*. As detailed in Note 2, the Group accounting policy for interests in investee companies that are controlled by the Group is to state them at fair value through profit or loss – not to consolidate their results as required by IAS 27 *Consolidated and Separate Financial Statements*. This is a departure from IFRSs and has resulted in an adverse opinion on the consolidated financial statements.

Conclusion in respect of consolidated financial statements

As stated above, the results of investee companies which are controlled by the Group are not consolidated in the financial statements. Such investee companies are instead stated at fair value. This is a non-compliance with IAS 27 *Consolidated and Separate Financial Statements*, which requires all entities over which the Group has the power to exercise control to be consolidated.

Because of this non-compliance with IAS 27, our review indicates that the condensed set of consolidated financial statements do not give a true and fair view of the financial position of the Group as at 31 July 2011 and of its financial performance and its cash flows for the six months then ended in accordance with IFRSs.

Conclusion in respect of parent company financial statements

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of parent company financial statements in the half-yearly report for the six months ended 31 July 2011 is not prepared, in all material respects, in accordance with IAS 34 and the AIM Rules.

KPMG Audit LLC
Chartered Accountants
Heritage Court, 41 Athol Street
Douglas, Isle of Man IM99 1HN
27 October 2011

Consolidated Statement of Comprehensive Income

For the six months ended 31 July 2011

Note		1 Feb 2011 to 31 Jul 2011 Revenue (unaudited) £	Capital (unaudited) £	Total (unaudited) £	1 Feb 2010 to 31 Jul 2010 Total (unaudited) £	1 Feb 2010 to to 31 Jan 2011 Total (audited) £
	Income					
	Rental income	31,900	-	31,900	31,900	63,800
	Interest income	95,220	-	95,220	845,118	1,047,773
	Total income	**127,120**	**-**	**127,120**	**877,018**	**1,111,573**
	Expenses					
	Investment advisor's fees	-	-	-	(194,730)	(230,933)
	Priority profit share	(397,417)	-	(397,417)	-	-
	Administration fees	(22,224)	-	(22,224)	(15,000)	(44,319)
	Directors' fees	(50,000)	-	(50,000)	(50,000)	(100,000)
	Directors' and Officers' insurance	(5,118)	-	(5,118)	(6,667)	(11,813)
	Professional fees	(37,314)	-	(37,314)	(53,597)	(65,204)
	Board meeting and travel expenses	(5,432)	-	(5,432)	-	(4,997)
	Auditors' remuneration	(17,218)	-	(17,218)	(15,958)	(28,636)
	Bank charges	(67)	-	(67)	-	(536)
	Irrecoverable VAT	(101,034)	-	(101,034)	(59,133)	(122,209)
	Sundry expenses	(34,156)	-	(34,156)	(19,937)	(95,192)
	Nominated advisor and broker fees	(4,759)	-	(4,759)	(22,964)	(32,054)
	Total expenses	**(674,739)**	**-**	**(674,739)**	**(437,986)**	**(735,893)**
	Net income/(expense)	**(547,619)**	**-**	**(547,619)**	**439,032**	**375,680**
	Gains on investments					
12	Share of profit of equity accounted investee	-	1,259,523	1,259,523	-	1,989,446
	Net realised losses on secured loans	-	-	-	(50,000)	(50,000)
	Movement in fair value of investments at fair value through profit or loss	-	899,528	899,528	-	1,099,365
	Revaluation of investment property	-	(7,678)	(7,678)	(7,222)	(14,690)
	Gain for the period/year on investments	**-**	**2,151,373**	**2,151,373**	**(57,222)**	**3,024,121**
	Finance charges					
	Interest on mortgage loan	(13,206)	-	(13,206)	(13,495)	(26,823)
11	Interest on convertible loan note instruments	(389,872)	-	(389,872)	-	(317,919)
	Profit for the period/year before taxation	**(950,697)**	**2,151,373**	**1,200,676**	**368,315**	**3,055,059**
	Taxation	**-**	**-**	**-**	**-**	**-**
	Profit for the period/year	**(950,697)**	**2,151,373**	**1,200,676**	**368,315**	**3,055,059**
	Other comprehensive income	-	-	-	-	-
	Total comprehensive income for the period/year	**(950,697)**	**2,151,373**	**1,200,676**	**368,315**	**3,055,059**
	Basic and diluted earnings per ordinary share (pence)	**(3.09)**	**6.99**	**3.90**	**1.39**	**10.78**

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

The notes on pages 16 to 20 form an integral part of these financial statements.

Company Statement of Comprehensive Income

For the six months ended 31 July 2011

Note		1 Feb 2011 to 31 Jul 2011 Revenue (unaudited) £	Capital (unaudited) £	Total (unaudited) £	1 Feb 2010 to 31 Jul 2010 Total (unaudited) £	1 Feb 2010 to to 31 Jan 2011 Total (audited) £
	Income					
	Interest income	38,339	-	38,339	212	34,454
	Dividend income from subsidiaries	-	-	-	183,790	-
	Total income	**38,339**	**-**	**38,339**	**184,002**	**34,454**
	Expenses					
	Investment advisor's fees	-	-	-	(187,781)	(225,357)
	Administration fees	(22,224)	-	(22,224)	(15,000)	(44,319)
	Directors' fees	(50,000)	-	(50,000)	(45,000)	(95,000)
	Directors and Officers' insurance	(5,118)	-	(5,118)	(6,667)	(11,813)
	Professional fees	(37,314)	-	(37,314)	(50,660)	(65,204)
	Board meeting and travel expenses	(5,432)	-	(5,432)	-	(4,997)
	Auditors' remuneration	(16,818)	-	(16,818)	(25,257)	(37,759)
	Bank charges	(67)	-	(67)	(335)	(344)
	Irrecoverable VAT	(101,034)	-	(101,034)	(59,435)	(119,218)
	Sundry expenses	(30,715)	-	(30,715)	(18,720)	(81,662)
	Nominated advisor and broker fees	(4,759)	-	(4,759)	(22,964)	(36,755)
	Total expenses	**(273,481)**	**-**	**(273,481)**	**(431,819)**	**(722,428)**
	Net expense	**(235,142)**	**-**	**(235,142)**	**(247,817)**	**(687,974)**
	Gains on investments					
12	Share of profit of equity accounted investee	-	1,259,523	1,259,523	-	1,989,446
	Net realised gains on investments	-	-	-	320,800	1,179,762
	Movement in fair value of investments at fair value through profit or loss	-	566,167	566,167	295,332	891,744
	Gain for the period/year on investments	**-**	**1,825,690**	**1,825,690**	**616,132**	**4,060,952**
	Finance charges					
11	Interest on convertible loan note instruments	(389,872)	-	(389,872)	-	(317,919)
	Profit for the period/year before taxation	**(625,014)**	**1,825,690**	**1,200,676**	**368,315**	**3,055,059**
	Taxation	**-**	**-**	**-**	**-**	**-**
	Profit for the period/year	**(625,014)**	**1,825,690**	**1,200,676**	**368,315**	**3,055,059**
	Other comprehensive income	-	-	-	-	-
	Total comprehensive income for the period/year	**(625,014)**	**1,825,690**	**1,200,676**	**368,315**	**3,055,059**
	Basic and diluted earnings per ordinary share (pence)	**(2.03)**	**5.93**	**3.90**	**1.39**	**10.78**

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

The notes on pages 16 to 20 form an integral part of these financial statements.

Consolidated Statement of Assets and Liabilities

As at 31 July 2011

Note		31 July 2011 (unaudited) £	31 July 2010 (unaudited) £	31 January 2011 (audited) £
5	**Non-current assets**			
	Investment property	463,040	478,186	470,718
	Financial assets	3,000,000	14,103,452	2,494,987
12	Investment in equity accounted investee	28,919,123	-	27,659,601
7	Loans to equity accounted investee and related companies	1,541,594	-	1,473,678
		33,923,757	**14,581,638**	**32,098,984**
	Current assets			
	Cash and cash equivalents	3,033,236	3,973,103	3,502,811
	Trade and other receivables	36,991	1,857,545	67,758
	Committed cash balances	-	5,407	-
		3,070,227	**5,836,055**	**3,570,569**
	Current liabilities			
	Trade and other payables	(1,037,498)	(226,000)	(918,057)
		(1,037,498)	**(226,000)**	**(918,057)**
	Net current assets	**2,032,729**	**5,610,055**	**2,652,512**
11	**Non-current liabilities**			
	Convertible loan note instruments	(9,892,421)	-	(9,880,429)
	Bank loan	(463,040)	(478,186)	(470,718)
		(10,355,461)	**(478,186)**	**(10,351,147)**
	Net assets	**25,601,025**	**19,713,507**	**24,400,349**
	Equity			
8	Share capital	1,540,146	1,327,075	1,544,583
	Share premium	1,815,385	-	1,815,385
	Capital reserve	(10,285,572)	(15,518,288)	(12,436,945)
	Revenue reserve	32,526,629	33,904,720	33,477,326
	Capital redemption reserve	4,437	-	-
	Total equity	**25,601,025**	**19,713,507**	**24,400,349**
10	**Net asset value per share (pence)**	**83.11**	**74.27**	**79.21**

The notes on pages 16 to 20 form an integral part of these financial statements.

Company Statement of Assets and Liabilities

As at 31 July 2011

Note		31 July 2011 (unaudited) £	31 July 2010 (unaudited) £	31 January 2011 (audited) £
5	**Non-current assets**			
12	Investment in equity accounted investee	28,919,123	-	27,659,601
	Investment in subsidiaries at fair value through profit or loss	1,686,270	536,917	1,127,234
6	Loans to subsidiaries	1,026,458	15,862,819	1,482,866
7	Loans to associate and related companies	1,541,594	-	1,473,678
		33,173,445	**16,399,736**	**31,743,379**
	Current assets			
	Cash and cash equivalents	2,944,723	3,536,878	3,445,270
	Trade and other receivables	5,807	9,181	11,560
		2,950,530	**3,546,059**	**3,456,830**
	Current liabilities			
	Trade and other payables	(630,529)	(219,063)	(912,300)
		(630,529)	**(219,063)**	**(912,300)**
	Net current assets	**2,320,001**	**3,326,996**	**2,544,530**
11	**Non-current liabilities**			
	Investment in subsidiaries at fair value through profit or loss	-	(13,225)	(7,131)
	Convertible loan note instruments	(9,892,421)	-	(9,880,429)
		(9,892,421)	**(13,225)**	**(9,887,560)**
	Net assets	**25,601,025**	**19,713,507**	**24,400,349**
	Equity			
8	Share capital	1,540,146	1,327,075	1,544,583
	Share premium	1,815,385	-	1,815,385
	Capital reserve	(11,213,843)	(16,484,353)	(13,039,533)
	Revenue reserve	33,454,900	34,870,785	34,079,914
	Capital redemption reserve	4,437	-	-
	Total equity	**25,601,025**	**19,713,507**	**24,400,349**
10	**Net asset value per share (pence)**	**83.11**	**74.27**	**79.21**

The notes on pages 16 to 20 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 31 July 2011

	Six months ended 31 July 2011 (Unaudited)					
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Revenue reserve	Total
	£	£	£	£	£	£
Balance at 1 February 2011	**1,544,583**	**1,815,385**	**-**	**(12,436,945)**	**33,477,326**	**24,400,349**
Total comprehensive income for the period	-	-	-	2,151,373	(950,697)	1,200,676
Contributions by and distributions to owners						
Cancellation of treasury shares	(4,437)	-	4,437	-	-	-
Total transactions with owners	**(4,437)**	**-**	**4,437**	**-**	**-**	**-**
Balance at 31 July 2011	**1,540,146**	**1,815,385**	**4,437**	**(10,285,572)**	**32,526,629**	**25,601,025**

	Six months ended 31 July 2010 (Unaudited)				
	Share capital	Share premium	Capital reserve	Revenue reserve	Total
	£	£	£	£	£
Balance at 1 February 2010	**1,327,075**	**-**	**(15,461,066)**	**33,479,183**	**19,345,192**
Total comprehensive income for the period	-	-	(57,222)	425,537	368,315
Balance at 31 July 2010	**1,327,075**	**-**	**(15,518,288)**	**33,904,720**	**19,713,507**

	Year ended 31 January 2011 (Audited)				
	Share capital	Share premium	Capital reserve	Revenue reserve	Total
	£	£	£	£	£
Balance at 1 February 2010	**1,327,075**	**-**	**(15,461,066)**	**33,479,183**	**19,345,192**
Total comprehensive income for the year	-	-	3,024,121	30,938	3,055,059
Contributions by and distributions to owners					
Shares issued	217,508	2,212,492	-	-	2,430,000
Share issue costs	-	(397,107)	-	-	(397,107)
Purchase of treasury shares	-	-	-	(32,795)	(32,795)
Total transactions with owners	**217,508**	**1,815,385**	**-**	**(32,795)**	**2,000,098**
Balance at 31 January 2011	**1,544,583**	**1,815,385**	**(12,436,945)**	**33,477,326**	**24,400,349**

The notes on pages 16 to 20 form an integral part of these financial statements.

Company Statement of Changes in Equity

For the six months ended 31 July 2011

	Six months ended 31 July 2011 (Unaudited)					
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Revenue reserve	Total
	£	£	£	£	£	£
Balance at 1 February 2011	**1,544,583**	**1,815,385**	**-**	**(13,039,533)**	**34,079,914**	**24,400,349**
Total comprehensive income for the period	-	-	-	1,825,690	(625,014)	1,200,676
Contributions by and distributions to owners						
Cancellation of treasury shares	(4,437)	-	4,437	-	-	-
Total transactions with owners	**(4,437)**	**-**	**4,437**	**-**	**-**	**-**
Balance at 31 July 2011	**1,540,146**	**1,815,385**	**4,437**	**(11,213,843)**	**33,454,900**	**25,601,025**

	Six months ended 31 July 2010 (Unaudited)				
	Share capital	Share premium	Capital reserve	Revenue reserve	Total
	£	£	£	£	£
Balance at 1 February 2010	**1,327,075**	**-**	**(17,100,485)**	**35,118,602**	**19,345,192**
Total comprehensive income for the period	-	-	616,132	(247,817)	368,315
Balance at 31 July 2010	**1,327,075**	**-**	**(16,484,353)**	**34,870,785**	**19,713,507**

	Year ended 31 January 2011 (Audited)				
	Share capital	Share premium	Capital reserve	Revenue reserve	Total
	£	£	£	£	£
Balance at 1 February 2010	**1,327,075**	**-**	**(17,100,485)**	**35,118,602**	**19,345,192**
Total comprehensive income for the year	-	-	4,060,952	(1,005,893)	3,055,059
Contributions by and distributions to owners					
Shares issued	217,508	2,212,492	-	-	2,430,000
Share issue costs	-	(397,107)	-	-	(397,107)
Purchase of treasury shares	-	-	-	(32,795)	(32,795)
Total transactions with owners	**217,508**	**1,815,385**	**-**	**(32,795)**	**2,000,098**
Balance at 31 January 2011	**1,544,583**	**1,815,385**	**(13,039,533)**	**34,079,914**	**24,400,349**

The notes on pages 16 to 20 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the six months ended 31 July 2011

	1 Feb 2011 to 31 July 2011 (unaudited) £	1 Feb 2010 to 31 July 2010 (unaudited) £	1 Feb 2010 to 31 Jan 2011 (audited) £
Operating activities			
Rental income received	31,900	31,900	69,117
Interest income received	56,879	158,070	311,472
Expenses paid	(448,753)	(431,038)	(766,414)
Net cash used in operating activities	**(359,974)**	**(241,068)**	**(385,825)**
Investing activities			
Receipts on disposal of investee company	-	320,800	400,000
Receipts on disposal of equipment	20,000	22,500	17,500
Loan advances to investee companies	-	(3,234,000)	(3,734,000)
Loan repayments from investee companies	399,528	3,583,200	3,531,841
Portfolio acquisition costs paid	(197,570)	-	(2,020)
Cash of subsidiary transferred on acquisition of investment	-	-	(414,854)
Net receipts from associate and related companies	-	-	801,967
Transfer from committed cash	-	-	5,407
Net cash generated from investing activities	**221,958**	**692,500**	**605,841**
Financing activities			
Loan interest paid	(13,206)	(13,495)	(26,823)
Part payment of mortgage loan	(7,678)	(7,222)	(14,690)
Convertible loan note interest paid	(310,675)	-	-
Convertible loan note issue costs	-	-	(17,845)
Purchase of treasury shares	-	-	(32,795)
Share issue expenses paid	-	-	(167,440)
Net cash used in financing activities	**(331,559)**	**(20,717)**	**(259,593)**
(Decrease)/increase in cash and cash equivalents	(469,575)	430,715	(39,577)
Cash and cash equivalents at start of period/year	3,502,811	3,542,388	3,542,388
Cash and cash equivalents at end of period/year	**3,033,236**	**3,973,103**	**3,502,811**

The notes on pages 16 to 20 form an integral part of these financial statements.

Company Statement of Cash Flows

For the six months ended 31 July 2011

	1 Feb 2011 to 31 July 2011 (unaudited) £	1 Feb 2010 to 31 July 2010 (unaudited) £	1 Feb 2010 to 31 Jan 2011 (audited) £
Operating activities			
Interest income received	-	212	211
Expenses paid	(448,710)	(419,660)	(747,174)
Net cash used in operating activities	**(448,710)**	**(419,448)**	**(746,963)**
Investing activities			
Receipts on disposal of investee company	-	320,800	320,800
Loans repaid by/(to) subsidiaries	456,408	1,583,623	1,237,664
Portfolio acquisition costs paid	(197,570)	-	(2,021)
Receipts from associate and related companies	-	-	801,967
Net cash generated from/(used in) investing activities	**258,838**	**1,904,423**	**2,358,410**
Financing activities			
Convertible loan note interest paid	(310,675)	-	-
Convertible loan note issue costs	-	-	(17,845)
Purchase of treasury shares	-	-	(32,795)
Share issue costs	-	-	(167,440)
Net cash generated from/(used in) financing activities	**(310,675)**	**-**	**(218,080)**
Increase in cash and cash equivalents	(500,547)	1,484,975	1,393,367
Cash and cash equivalents at start of period/year	3,445,270	2,051,903	2,051,903
Cash and cash equivalents at end of period/year	**2,944,723**	**3,536,878**	**3,445,270**

The notes on pages 16 to 20 form an integral part of these financial statements.

1 The Company

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"), a market of the London Stock Exchange plc.

The interim consolidated and company financial statements as at and for the six months ended 31 July 2011 comprise the Company and its subsidiaries (together "the Group"). The interim consolidated and company financial statements are unaudited.

The consolidated and company financial statements of the Group as at and for the year ended 31 January 2011 are available upon request from the Company's registered office at IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP, or at www.epicpe.com.

The Company has the following subsidiaries – ESO Investments 2 LLP, a partnership formed on 29 July 2010, EPIC Reconstruction Property Company II Limited, a company incorporated on 30 December 2004 in England and Wales and EPIC Reconstruction Property Company (IOM) Limited, a company incorporated on 29 October 2005 in the Isle of Man.

The Company also holds an interest in a Limited Partnership accounted for as an associate – ESO Investments 1 LP, a partnership formed on 28 July 2010.

2 Statement of compliance

These interim consolidated and company financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* except, in the case of the consolidated interim financial statements, for the non-consolidation of certain companies. As part of the Group's investment policy, the Group may receive preference and ordinary shares. Such shares permit the Group to participate in any increase in the value of portfolio companies. In some cases such shares are received for nil consideration and the equity interest of the Group is capped by way of management options to purchase the Group's interest at a set amount. In addition, Board representation is only assumed in default situations. For such interests the Directors consider that they do not meet the definition of subsidiaries under *IAS 27*.

For one investment (2010: three investments) in 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 as required 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.

The Company holds an interest in ESO Investments 1 LP, which is managed and controlled by EPIC Private Equity LLP for the benefit of the Company and the other members. The Company has the power to appoint members to the investment committee of ESO Investments 1 LP but does not have the ability to direct the activities of ESO Investments 1 LP. The Directors consider that ESO Investments 1 LP does not meet the definition of a subsidiary.

The interim consolidated and company financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group and Company as at and for the year ended 31 January 2011.

The interim Group and Company financial statements were approved by the Board of Directors on 27 October 2011.

3 Significant accounting policies

The accounting policies applied by the Group and Company in these interim consolidated and company financial statements are the same as those applied by the Group and Company as at and for the year ended 31 January 2011.

4 Financial risk management

The Group and Company financial risk management objectives and policies are consistent with those disclosed in the consolidated and company financial statements as at and for the year ended 31 January 2011.

5 Non-current assets

	31 July 2011		31 July 2010		31 January 2011	
	Group	**Company**	**Group**	**Company**	**Group**	**Company**
	£	£	£	£	£	£
Investment property	463,040	-	478,186	-	470,718	-
Financial assets						
Secured loans	1,001,107	-	13,891,334	-	1,395,622	-
Unquoted equity investments	1,998,893	-	212,118	-	1,099,365	-
Investment in subsidiaries	-	1,686,270	-	536,917	-	1,127,234
Investments in equity accounted investee/associate	28,919,123	28,919,123	-	-	27,659,601	27,659,601
Loans to associate and related companies	1,541,594	1,541,594	-	-	1,473,678	1,473,678
Loans to subsidiaries	-	1,026,458	-	15,862,819	-	1,482,866
	33,923,757	**33,173,445**	**14,581,638**	**16,399,736**	**32,098,984**	**31,743,379**

Unquoted equity investments are stated at Directors' valuations, including the valuation of unquoted investments in the equity accounted investee. The secured loans are secured by way of a floating charge and bear interest at fixed rates between 15 and 20%. The loans are repayable as follows:

	Principal	Interest Rate	Maturity
31 July 2011	£		
Process Components Limited	1,001,107	9%	31 May 2013

	Principal	Interest Rate	Maturity
31 January 2011	£		
Process Components Limited	1,395,622	9%	31 May 2013

6 Loans to subsidiaries

	31 July 2011	31 July 2010	31 January 2011
	Company	**Company**	**Company**
	£	£	£
ESO Investments 2 LLP	916,358	-	1,372,766
EPIC Reconstruction Property Company II Limited	110,100	110,100	110,100
EPIC Structured Finance Limited	-	13,404,674	-
ESO Investments LLP	-	2,348,045	-
	1,026,458	**15,862,819**	**1,482,866**

The loans to subsidiaries are unsecured, interest free and not subject to any fixed repayment terms.

7 Loans to associate and related companies

	31 July 2011		31 July 2010		31 January 2011	
	Group	Company	Group	Company	Group	Company
	£	£	£	£	£	£
ESO Investments 1 LP	944,713	944,713	-	-	915,137	915,137
EPIC Structured Finance Limited	596,881	596,881	-	-	558,541	558,541
	1,541,594	**1,541,594**	**-**	**-**	**1,473,678**	**1,473,678**

Loans to associate derive from investments passed to ESO Investments 1 LP but whose economic benefit remains with the Company until such time as ESO Investments 1 LP repays the loan. The loans bear interest at a rate reflecting the underlying rate on the assets between zero and 20%.

8 Share capital

	31 July 2011		31 July 2010		31 January 2011	
	Number	£	Number	£	Number	£
Authorised share capital						
Ordinary shares of 5p each	33,000,000	1,650,000	33,000,000	1,650,000	33,000,000	1,650,000
Called up, allotted and fully paid						
Ordinary shares of 5p each	30,802,911	1,540,146	26,541,501	1,327,075	30,891,661	1,544,583
Ordinary shares of 5p each held in treasury	-	-	-	-	(88,750)	-
	30,802,911	**1,540,146**	**26,541,501**	**1,327,075**	**30,802,911**	**1,544,583**

The Company cancelled 88,750 Ordinary shares of 5p each which was held in treasury on 31 May 2011. The Company now holds no Ordinary shares in treasury.

9 Basic and diluted earnings per ordinary share

The basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period of 30,802,911 (six month period ended 31 July 2010: 26,541,501 after share consolidation, year ended 31 January 2011: 28,348,894).

Fully diluted earnings per share is the same as the basic earnings per share.

10 Net asset value per share (pence)

The net asset value per share is based on the net assets at the period end of £25,601,025 divided by 30,802,911 ordinary shares in issue at the end of the period (31 July 2010: £19,713,507 and 26,541,501 ordinary shares, 31 January 2011: £24,400,349 and 30,802,911 ordinary shares).

11 Non-current liabilities

	31 July 2011		31 July 2010		31 January 2011	
	Group	Company	Group	Company	Group	Company
	£	£	£	£	£	£
Investment in subsidiary	-	-	-	13,225	-	7,131
Convertible loan note instruments	9,892,421	9,892,421	-	-	9,880,429	9,880,429
Mortgage loan	463,040	-	478,186	-	470,718	-
	10,355,461	**9,892,421**	**478,186**	**13,225**	**10,351,147**	**9,887,560**

The mortgage bank loan bears interest at LIBOR plus 4.5% margin per annum, calculated on a daily basis subject to a maximum 12.9%. The loan is secured on investment property valued in the financial statements at £463,040 (31 July 2010: £478,186 and 31 January 2011 £470,718). The loan expiration date is May 2029.

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

Issue costs of £129,696 have been offset against the value of the convertible loan note instruments and is being amortised over the life of the instrument at an effective interest rate of 0.24% per annum. A total of £11,992 has been expensed in the year ended 31 January 2011.

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

12 Investment in equity accounted investee/associate

Key terms of LP Agreement

Profits or losses are credited or debited to each Member's account to reflect the distributions payable to each Member were the LP to be liquidated at its statement of financial position value.

Prior to the First Hurdle Point (being the point at which each member has received repayment of the loans advanced and a Hurdle amount being 8% per annum on the loan balances) distributions shall be made as:

- 37% to DES Holdings IV(A) LLC
- 63% to EPE Special Opportunities plc

At the First Hurdle Point for an investor an amount equal to 25% of the Hurdle shall be credited from that investor to EPE Carry LP. After the First Hurdle Point distributions shall be as stated above less 20% which shall be credited to EPE Carry LP until the Second Hurdle Point.

At the Second Hurdle Point, (being the point at which DES Holdings IV(A) LLC has received 1.5 times its loans advanced) distributions shall be made as;

- 25% to DES Holdings IV(A) LLC
- 75% to EPE Special Opportunities plc

Subject to a 20% allocation to EPE Carry LP in the event that the First Hurdle Point has been reached.

At the Third Hurdle Point, (being the point at which DES Holdings IV(A) LLC has received 2 times its loans advanced) distributions shall be made as;

- 18% to DES Holdings IV(A) LLC
- 82% to EPE Special Opportunities plc

Subject to a 20% allocation to EPE Carry LP in the event that the Second Hurdle Point has been reached.

13 Related party transactions

Giles Brand, a partner in the Investment Advisor owns 16.8% (2010: 9.1%) of the ordinary share capital in the Company.

The Principals of the Investment Advisor co-invest in certain portfolio companies invested by Group Companies.

14 Financial commitments and guarantees

The Company provides certain guarantees to Lloyds TSB Bank plc ("Lloyds") on the facilities that Lloyds provides to Past Times Trading Limited. In the sum of £3,000,000 such guarantees being given for Letter of Credit , Customs & Excise Bonds, corporate credit cards and BACS liabilities.

15 Directors' interests

Two of the Directors had an interest in the shares of the Company as at 31 July 2011 (31 January 2011: two). Geoffrey Vero held 40,000 ordinary shares (31 January 2011: 40,000) and Nicholas Wilson held 20,000 ordinary shares (31 January 2011: 20,000).

16 Subsequent events

On 15 August 2011 the Company successfully admitted 10,000,000 convertible loan notes of £1 each to be traded on the PLUS Stock Exchange ("PLUS") which is operated by PLUS Markets Group plc. These loan notes are solely traded on PLUS.

In September 2011, Giles Brand and other investors, including employees of the Investment Advisor, acquired 7.8% of the Ordinary Shares of the Company previously held by Lehman Brothers' International. The acquisition increases Giles Brand's ownership to 16.8% of the Ordinary Shares of the Company, whilst employees of the Investment Advisor, including Giles Brand, now hold 20.1% of the Ordinary Shares of the Company.

Group Information

Directors:	G.O. Vero (Chairman) R.B.M. Quayle C.L. Spears N.V. Wilson
Secretary:	P.P. Scales
Registrar and Registered Office:	IOMA Fund and Investment Management Limited IOMA House Hope Street Douglas Isle of Man IM1 1AP
Nominated Advisor and Broker:	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Bankers:	Barclays Bank PLC 1 Churchill Place Canary Wharf London E14 5HP
Investment Advisor:	EPIC Private Equity LLP Audrey House 16-20 Ely Place London EC1N 6SN
Auditors and Reporting Accountants:	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN