EPE Special Opportunities plc

Interim Report and Unaudited Financial Statements

For the period ended 31 July 2010

Contents

Chairman's Statement

Since my last report at the full year ending 31 January 2010, uncertainty in the wider UK economy has persisted, with the Bank of England recently lowering its growth forecasts and anticipating continued inflation at a higher rate than initially forecasted as the economy adjusts to the reality of the new Coalition Government. Debt finance remains in scarce supply, reserved largely for better-performing and asset-rich companies, with banks primarily focused on rebuilding their balance sheets as opposed to new primary lending. The period has therefore continued to be one of consolidation for the Company with a positive focus on creating value in the core investments and optimising the positioning of the smaller investments.

For the half year ending 31 July 2010, the Company had gross income of £0.9 million. This translated to a net gain for the Company of £0.4 million. Net asset value per share as at 31 July 2010 for the Company was 74.27 pence. The gross income from the period, received or receivable, arises from yielding instruments in the portfolio companies.

During the period, the Investment Advisor has received significant deal flow from both existing and new advisory contacts, analysing over 50 opportunities since the date of the full year results. While the UK private equity market has seen a number of transactions complete with uncharacteristically high equity contributions from financial sponsors, the Company has yet to identify any platform opportunities which fulfil its investment criteria.

In April 2010, the Company successfully concluded the sale of Autocue, receiving a total cash consideration of £0.4 million for its entire interest in the asset. In May 2010, Whittard of Chelsea secured a £2.0 million working capital loan from EPIC plc in advance of the peak seasonal sales period in

November and December. The Company also completed the bolt-on acquisitions of two small companies into Morada Home in a continued effort to reduce the reliance of the business on public sector-driven revenue streams. The two companies, Gradus Fabrics and SJ Clarke (completed in August 2010), should significantly boost Morada Home's sales in the care homes, universities and hotel sectors.

As a post-balance sheet event, the Directors are pleased to report a successful acquisition (see Note 15 for further details). The resolutions passed at the Extraordinary General Meeting held on 27 August 2010, recommended unanimously by both the Board and all existing shareholders who voted, transformed the Company to the substantial benefit of the existing shareholders. The resolutions included, *inter alia*, the acquisition of a majority interest in the private equity portfolio of EPIC plc (the "acquisition"), the re-organisation of the existing portfolio, a £10.0 million investment by the European Secondary Development Fund IV LP ("ESD") and the issue of £10.0 million of Convertible Loan Notes. The Directors believe that this transaction will enable shareholders to benefit from increased scale and diversification, greater flexibility of investment strategy, superior alignment of interest with the Investment Advisor and, above all, the potential for higher returns. Following the acquisition, the Company has:

- Gross asset value of £32.4 million;
- Convertible Loan Notes with a nominal value of £10.0 million, redeemable on 31 December 2015 and with annual interest payable at a rate of 7.50%; and
- Net asset value of £21.6 million

Chairman's Statement (continued)

The Directors do not recommend a dividend in respect of the half year ended 31 July 2010. In view of the completion of the acquisition of a majority interest in the private equity portfolio of EPIC plc, the need to service an annual interest payment on £10.0 million of Convertible Loan Notes, the desire to consider share repurchases in order to manage the discount to net asset value effectively and, moreover, in anticipation of attractive bolt-on and platform investment opportunities, the Directors have decided to focus on preserving cash balances at this stage.

It only remains for me to thank Giles Brand and his Investment Advisory team, as well as my fellow Directors and professional advisors, for their considerable efforts in concluding the acquisition. I look forward to updating you on developments at the year end.

Geoffrey Vero
Chairman

14 October 2010

Investment Advisor's Report

In the six month period since 31 January 2010, the Investment Advisor has continued to focus on maintaining and creating value from within the existing portfolio, whilst at the same time seeking out new opportunities by way of platform or bolt-on investment opportunities. Considerable time and effort was also employed in successfully acquiring the private equity portfolio of EPIC plc on 31 August 2010. The acquisition transforms the Company, increasing its ownership of trading private equity assets from four to thirteen and uniting the Investment Advisor's historic investment strategy across special situations, distressed, growth and buyout transactions.

Prior to the acquisition, the Company had four trading assets in the portfolio. With the restructuring of Whittard of Chelsea largely concluded, all four of these companies are expected to be profitable at their respective year ends and are therefore firmly entrenched in their "growth" phases, albeit at varying degrees of progression.

The fifth asset, a property in Glasgow, requires further development to realise a potential gain. This development continues to be delayed by the ongoing uncertainty within the UK property market.

The net asset value per share as at 31 July 2010 for the Company was 74.27 pence, calculated on the basis of 26,541,501 ordinary shares. Investment highlights from the inception of the Company to date include:

- deployed £40 million of capital and already returned over £30 million to the Company in capital and income;

- generated gross income of £15 million since the original Placing;

- paid dividends of £5 million;

- The Portfolio, as at 31 July 2010, is valued at a gross 1.0x money multiple and the Company at a net 0.7x money multiple.

Investment Advisor's Report (continued)

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. Within the context of the current economic climate, the importance of these initiatives is more acutely felt than ever before.

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. Following the acquisition, the Company will seek 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 is strong. 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 £1 million, the Company may seek co-investment from third parties, either from existing shareholders or, from time to time, non-shareholders.

The Company will consider most industry sectors and shareholding structures. The Investment Advisor has experience in the consumer, retail, manufacturing, financial services, healthcare, support services and media industries.

The Company will continue to target the following types of investments:

- 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 intends to expand its current investment strategy by also targeting investment in growth, buyout and pre-IPO opportunities, in order to fully utilise the Investment Advisor's investment experience, contacts and ability.

Valuation Methodology

The Company values its investments with reference to the BVCA guidelines which 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. 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, and the value of such assets will be reviewed periodically to ensure that such is the case.

The Investment Advisor intends to announce an estimated net asset value per ordinary share on a monthly basis following a review of the valuation of the Company's investments. The Company has always endeavoured to comply with industry-standard guidelines and, as the Fund 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 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.

Current 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 ahead of budget at both the sales and EBITDA level, with credit terms improving with key suppliers and the new operations now successfully bedded down. The Company has a £1.5 million debt exposure to Process Components.

Past Times (2005)

Past Times is a niche retailer of historically inspired jewellery, gifts, books and housewares. 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 confident of delivering a third consecutive year of profitability. Past Times continues to expand the number of stores under the guidance of chief executive Mike Taylor, with the Company providing further funding to increase the number of temporary stores by up to 30 in August 2010. The impact of these new stores on sales should significantly mitigate the effects of the current, sluggish retail environment. The Company has a £10.3 million 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 focussed 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. To that end, the Company recently completed the bolt-on acquisitions of Gradus Fabrics and SJ Clarke (completed in July and August 2010, respectively) into Morada Home, significantly enhancing the business' presence and sales in the care homes, universities and hotel sectors. The Company has a £1.2 million debt exposure to Morada Home.

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, with the new branding now commencing roll-out into the stores and product packaging. Significant potential exists to develop both the wholesale and international franchising sides of the business, with a new franchise agreement now signed in China, a distributor agreed in Sweden and a concession in the House of Fraser established in the UK. The provision of a £2 million working capital loan by EPIC plc will also enable the business to optimise its stocking in advance of the peak Christmas period. The Company has a £2.9 million debt exposure to Whittard of Chelsea.

Acquired Portfolio

Following the acquisition of the private equity portfolio of EPIC plc on 31 August 2010, the Company has an exposure to an additional nine private companies through its holding in ESO Investments LP (see Note 15 for further details). Brief summaries of these companies are provided below:

Pinnacle Regeneration Group

Pinnacle Regeneration Group ("PRG") is a diversified social housing services business. The core facilities management business serves the public sector social housing market and has a turnover of approximately £50 million. PRG also owns an employment and skills business, Pinnacle People, and a Private Finance Initiative ("PFI") bidding vehicle, Regenter, a joint venture with Laing. EPIC plc initially invested into PRG in 2001.

Ryness

Ryness is a London-based electrical retail and wholesaler, focused on light bulbs, lighting and small electrical goods, operating from 17 locations across the UK. The investment follows a buy-and-build strategy, with two bolt-on investments of electricals businesses completed in 2008. The Investment Advisor is currently actively searching for further trade counter acquisitions, which it believes should be available at attractive prices owing to the market downturn. EPIC plc initially invested into Ryness in 2002, but then provided additional financing to support the management buyout of the business in 2006.

Pharmacy2U

Pharmacy2U is an online pharmacy business, delivering National Health Service and private prescriptions direct to the home using an innovative, in-house developed technology, Electronic Prescription Service ("EPSr2"). The business has experienced significant sales growth since inception. EPIC plc initially invested into Pharmacy2U in 2002.

Nexus

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 current 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 next three to four years. EPIC plc initially invested into Nexus in 2004.

Palatinate

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 growth is anticipated to remain robust, which will drive sales growth. The Investment Advisor manages Palatinate alongside other private equity investors. EPIC plc initially invested into Palatinate in 2005.

Bighead

Bighead Bonding Fasteners ("Bighead") is a specialist engineering business, manufacturing specialist load-spreading fasteners and fixings for composites, plastics and traditional materials. The Investment Advisor, over the long-term, aims to replicate Bighead's local success in high-end niche applications by establishing an international network of distributors for the company's products. EPIC plc initially invested into Bighead in 2006.

Indicia

Indicia is a direct marketing business focussed on database 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 a digital and market research business to complement its existing database build, analysis and direct marketing portfolio of services. EPIC plc initially invested into Indicia in 2006.

Evolving Media

Evolving Media is a young and growing integrated digital marketing agency, based in Bedford, UK and providing digitally-focused marketing solutions to a range of clients. The Investment Advisor is currently focused on establishing a London office in order to drive business and product development and recruitment. EPIC plc initially invested into Evolving Media in 2006.

Driver Require

Driver Require is a recruitment company for commercial drivers across all major vehicle categories and based in Stevenage, UK. The Investment Advisor is currently actively pursuing bolt-on investments and identifying new office sites in its attempt to grow the business in anticipation of an expected market recovery. EPIC plc initially invested into Driver Require in 2007.

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 2010, 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.

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. 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 International Financial Reporting Standards 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.

Review Report by KPMG Audit LLC to EPE Special Opportunities plc (continued)

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 2010 and of its financial performance and its cash flows for the six months then ended in accordance with International Financial Reporting Standards.

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 2010 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

14 October 2010

Consolidated Statement of Comprehensive Income

For the period ended from 1 February 2010 to 31 July 2010

Note		1 Feb 2010 to 31 July 2010 (unaudited) Revenue £	Capital £	Total £	1 Feb 2009 to 31 July 2009 (unaudited) Total £	1 Feb 2009 to 31 Jan 2010 (audited) Total £
	Income:					
	Rental income	31,900	–	31,900	26,583	58,484
	Interest income	845,118	–	845,118	633,245	1,326,742
	Total income	877,018	–	877,018	659,828	1,385,226
	Expenses:					
	Investment advisor's fees	(194,730)	–	(194,730)	(166,672)	(360,451)
	Administration fees	(15,000)	–	(15,000)	(15,000)	(30,000)
	Directors' fees	(50,000)	–	(50,000)	(41,941)	(90,629)
	Directors' and Officers' insurance	(6,667)	–	(6,667)	(5,175)	(10,350)
	Professional fees	(53,597)	–	(53,597)	(143,782)	(182,860)
	Auditors' remuneration	(15,958)	–	(15,958)	(14,250)	(29,697)
	Interest and other charges	(13,495)	–	(13,495)	(20,454)	(29,047)
	Irrecoverable VAT	(59,133)	–	(59,133)	(60,839)	(105,146)
	Sundry expenses	(19,937)	–	(19,937)	(21,317)	(72,558)
	Advisor and broker fees	(22,964)	–	(22,964)	(9,280)	(20,649)
	Total expenses	(451,481)	–	(451,481)	(498,710)	(931,387)
	Net investment income	425,537	–	425,537	161,118	453,839
8	**Gains/(losses) on investments**					
	Net realised losses on investments at fair value through profit or loss	–	(50,000)	(50,000)	–	–
	Unrealised losses on investments at fair value through profit or loss	–	–	–	(750,000)	(750,000)
	Revaluation of investment property	–	(7,222)	(7,222)	–	(14,592)
	Profit/(loss) for the period before taxation	**425,537**	**(57,222)**	**368,315**	**(588,882)**	**(310,753)**
	Taxation	**–**	**–**	**–**	**–**	**–**
	Profit/(loss) for the period/year	**425,537**	**(57,222)**	**368,315**	**(588,882)**	**(310,753)**
	Other comprehensive income	–	–	–	–	–
	Total comprehensive income/(loss) for the period/year	**425,537**	**(57,222)**	**368,315**	**(588,882)**	**(310,753)**
10	**Basic and diluted earnings/(loss) per ordinary share (pence)**	**1.60**	**(0.21)**	**1.39**	**5.21**	**(1.59)**

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 25 to 31 form an integral part of these financial statements

Company Statement of Comprehensive Income

For the six months ended 31 July 2010

Note		1 Feb 2010 to 31 July 2010 (unaudited) Revenue	Capital	Total	1 Feb 2009 to 31 July 2009 (unaudited) Total	1 Feb 2009 to 31 Jan 2010 (audited) Total
		£	£	£	£	£
	Income:					
	Interest income	212	–	212	343	2,045
7	Dividend income from subsidiaries	183,790	–	183,790	358,737	1,048,055
	Total income	184,002	–	184,002	359,080	1,050,100
	Expenses:					
	Investment advisor's fees	(187,781)	–	(187,781)	(165,547)	(358,184)
	Administration fees	(15,000)	–	(15,000)	(15,000)	(30,000)
	Directors' fees	(45,000)	–	(45,000)	(36,191)	(80,629)
	Directors' and Officers' insurance	(6,667)	–	(6,667)	(5,175)	(10,350)
	Professional fees	(50,660)	–	(50,660)	(141,859)	(182,860)
	Auditors' remuneration	(25,257)	–	(25,257)	(12,000)	(22,000)
	Interest and other charges	(335)	–	(335)	(158)	(321)
	Irrecoverable VAT	(59,435)	–	(59,435)	(60,089)	(103,650)
	Sundry expenses	(18,720)	–	(18,720)	(21,023)	(59,963)
	Advisor and broker fees	(22,964)	–	(22,964)	(9,280)	(20,649)
	Total expenses	(431,819)	–	(431,819)	(466,322)	(868,606)
	Net investment income	(247,817)	–	(247,817)	(107,242)	181,494
8	**Gains/(losses) on investments**					
	Net realised gains on investments at fair value through profit or loss	–	320,800	320,800	–	–
	Unrealised losses on investments at fair value through profit or loss	–	–	–	(750,000)	(750,000)
	Unrealised gain on investments in subsidiaries at fair value through profit or loss	–	295,332	295,332	268,360	257,753
	Profit/(loss) for the period before taxation	**(247,817)**	**616,132**	**368,315**	**(588,882)**	**(310,753)**
	Taxation	**–**	**–**	**–**	**–**	**–**
	Profit/(loss) for the period/year	**(247,817)**	**616,132**	**368,315**	**(588,882)**	**(310,753)**
	Other comprehensive income	–	–	–	–	–
	Total comprehensive income/(loss) for the period/year	**(247,817)**	**616,132**	**368,315**	**(588,882)**	**(310,753)**
10	**Basic and diluted earnings/(loss) per ordinary share (pence)**	**(0.93)**	**2.32**	**1.39**	**(4.79)**	**(1.59)**

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 25 to 31 form an integral part of these financial statements

Consolidated Statement of Assets and Liabilities

As at 31 July 2010

Note		31 July 2010 (unaudited)	31 July 2009 (unaudited)	31 January 2010 (audited)
		£	£	£
	Non-current assets			
	Investment property	478,186	500,000	485,408
5	Financial assets	14,103,452	11,685,464	14,796,452
		14,581,638	**12,185,464**	**15,281,860**
	Current assets			
	Cash and cash equivalents	3,973,103	5,526,790	3,542,388
	Accrued interest and other receivables	1,857,545	2,060,645	1,220,939
	Committed cash balances	5,407	1,247,895	5,407
		5,836,055	**8,835,330**	**4,768,734**
	Current liabilities			
	Accrued expenses and sundry creditors	(226,000)	(215,995)	(219,994)
	Provision for calls under guarantee	–	(1,239,759)	–
		(226,000)	**(1,455,754)**	**(219,994)**
	Net current assets	**5,610,055**	**7,379,576**	**4,548,740**
	Non-current liabilities			
12	Bank loan	(478,186)	(497,977)	(485,408)
	Net assets	**19,713,507**	**19,067,063**	**19,345,192**
	Equity			
9	Share capital	1,327,075	1,327,075	1,327,075
	Share premium	–	32,513,808	–
	Capital reserve	(15,518,288)	(15,446,474)	(15,461,066)
	Revenue reserve	33,904,720	672,654	33,479,183
	Total equity	**19,713,507**	**19,067,063**	**19,345,192**
11	**Net asset value per share (pence)**	**74.27**	**71.84**	**72.89**

The notes on pages 25 to 31 form an integral part of these financial statements

Company Statement of Assets and Liabilities

As at 31 July 2010

Note		31 July 2010 (unaudited)	31 July 2009 (unaudited)	31 January 2010 (audited)
		£	£	£
	Non-current assets			
	Investments in subsidiaries at fair value through profit or loss	536,917	265,337	246,951
6	Loans to subsidiaries	15,862,819	14,952,595	17,262,652
		16,399,736	**15,217,932**	**17,509,603**
	Current assets			
	Cash and cash equivalents	3,536,878	4,066,171	2,051,903
	Trade and other receivables	9,181	1,293	10,098
		3,546,059	**4,067,464**	**2,062,001**
	Current liabilities			
	Trade and other payables	(219,063)	(193,088)	(207,821)
		(219,063)	**(193,088)**	**(207,821)**
	Net current assets	**3,326,996**	**3,874,376**	**1,854,180**
	Non-current liabilities			
	Investment in subsidiaries at fair value through profit or loss	(13,225)	(25,245)	(18,591)
	Net assets	**19,713,507**	**19,067,063**	**19,345,192**
	Equity			
	Share capital	1,327,075	1,327,075	1,327,075
	Share premium	–	32,513,808	–
	Capital reserve	(16,484,353)	(17,089,878)	(17,100,485)
	Revenue reserve	34,870,785	2,316,058	35,118,602
	Total equity	**19,713,507**	**19,067,063**	**19,345,192**
11	**Net asset value per share (pence)**	**74.27**	**71.84**	**72.89**

The notes on pages 25 to 31 form an integral part of these financial statements

Consolidated Statement of Changes in Equity

For the six months ended 31 July 2010

	Capital	Share premium	Capital reserve	Revenue reserve	Total
	Six months ended 31 July 2010 (unaudited)				
	£	£	£	£	£
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**
	Six months ended 31 July 2009 (unaudited)				
	Capital	Share premium	Capital reserve	Revenue reserve	Total
	£	£	£	£	£
Balance at 1 February 2009	327,075	28,795,404	(14,696,474)	511,536	14,937,541
Total comprehensive income for the period	–	–	(750,000)	161,118	(588,882)
Contributions by and distributions to owners					
Share issue	1,000,000	4,000,000	–	–	5,000,000
Share issue costs	–	(281,596)	–	–	(281,596)
Total transactions with owners	**1,000,000**	**3,718,404**	**–**	**–**	**4,718,404**
Balance at 31 July 2009	**1,327,075**	**32,513,808**	**(15,446,474)**	**672,654**	**19,067,063**
	Year ended 31 January 2010 (audited)				
	Capital	Share premium	Capital reserve	Revenue reserve	Total
	£	£	£	£	£
Balance at 1 February 2009	327,075	28,795,404	(14,696,474)	511,536	14,937,541
Total comprehensive income for the period	–	–	(764,592)	453,839	(310,753)
Contributions by and distributions to owners					
Share issue	1,000,000	4,000,000	–	–	5,000,000
Share issue costs	–	(281,596)	–	–	(281,596)
Cancellation of share premium	–	(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**

The notes on pages 25 to 31 form an integral part of these financial statements

Company Statement of Changes in Equity

For the six months ended 31 July 2010

	Capital	Share premium	Capital reserve	Revenue reserve	Total
	Six months ended 31 July 2010 (unaudited)				
	£	£	£	£	£
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**

	Capital	Share premium	Capital reserve	Revenue reserve	Total
	Six months ended 31 July 2009 (unaudited)				
	£	£	£	£	£
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	–	–	(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 income for the period	–	–	(481,640)	(107,242)	(588,882)
Contributions by and distributions to owners					
Share issue	1,000,000	4,000,000	–	–	5,000,000
Share issue costs	–	(281,596)	–	–	(281,596)
Total transactions with owners	**1,000,000**	**3,718,404**	**–**	**–**	**4,718,404**
Balance at 31 July 2009	**1,327,075**	**32,513,808**	**(17,089,878)**	**2,316,058**	**19,067,063**

	Capital	Share premium	Capital reserve	Revenue reserve	Total
	Year ended 31 January 2010 (audited)				
	£	£	£	£	£
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	–	–	(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 income for the period	–	–	(492,247)	181,494	(310,753)
Contributions by and distributions to owners					
Share issue	1,000,000	4,000,000	–	–	5,000,000
Share issue costs	–	(281,596)	–	–	(281,596)
Cancellation of share premium	–	(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**

The notes on pages 25 to 31 form an integral part of these financial statements

Consolidated Statement of Cash Flows

For the six months ended 31 July 2010

	31 July 2010 (unaudited) £	31 July 2009 (unaudited) £	31 January 2010 (audited) £
Operating activities			
Rental income received	31,900	26,584	40,964
Interest income received	158,070	4,642	157,126
Expenses paid	(431,038)	(455,052)	(873,031)
Net cash outflows from operating activities	**(241,068)**	**(423,826)**	**(674,941)**
Investing activities			
Loan advances to investee companies	(3,234,000)	(725,000)	(3,325,000)
Loan repayments	3,583,200	226,000	1,096,000
Proceeds from sale of investee company equity interest	320,800	–	–
Proceeds from disposal of equipment	22,500	–	17,500
Transfer from committed cash	–	–	1,215,196
Payments of calls under guarantee	–	–	(1,215,196)
Net cash inflows/(outflows) from investing activities	692,500	(499,000)	(2,211,500)
Financing activities			
Proceeds from share issue	–	5,000,000	5,000,000
Share issue costs	–	(161,596)	(161,596)
Loan interest paid	(13,495)	(20,296)	(28,514)
Repayment of loans	(7,222)	(2,382)	(14,951)
Net cash inflows/(outflows) from financing activities	(20,717)	4,815,726	4,794,939
Increase in cash and cash equivalents	430,715	3,892,900	1,908,498
Cash and cash equivalents at start of the period/year	3,542,388	1,633,890	1,633,890
Cash and cash equivalents at end of the period/year	**3,973,103**	**5,526,790**	**3,542,388**

The notes on pages 25 to 31 form an integral part of these financial statements

Company Statement of Cash Flows

For the six months ended 31 July 2010

	31 July 2010 (unaudited)	31 July 2009 (unaudited)	31 January 2010 (audited)
	£	£	£
Operating activities			
Interest income received	212	343	2,045
Expenses paid	(419,660)	(445,955)	(842,311)
Net cash outflows from operating activities	**(419,448)**	**(445,612)**	**(840,266)**
Investing activities			
Proceeds from disposal of investments	320,800	–	–
Net loans repaid/(to) by subsidiaries	1,583,623	(341,393)	(1,961,007)
Net cash inflows/(outflows) from investing activities	**1,904,423**	**(341,393)**	**(1,961,007)**
Financing activities			
Proceeds from share issue	–	5,000,000	5,000,000
Share issue costs paid	–	(161,596)	(161,596)
Net cash inflows/(outflows) from financing activities	–	4,838,404	4,838,404
Increase in cash and cash equivalents	1,484,975	4,051,399	2,037,131
Cash and cash equivalents at start of the period/year	2,051,903	14,772	14,772
Cash and cash equivalents at end of the period/year	**3,536,878**	**4,066,171**	**2,051,903**

The notes on pages 25 to 31 form an integral part of these financial statements

Notes to the Unaudited Interim Financial Statements

For the six months ended 31 July 2010

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 2010 comprise the Company and its subsidiaries (together "the Group"). The interim consolidated financial statements are unaudited.

The consolidated and company financial statements of the Group as at and for the year ended 31 January 2010 are available upon request from the Company's registered office at IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP, or at www.epicprivateequity.com.

The Company has three wholly owned subsidiaries – EPIC Structured Finance Limited, a company incorporated on 21 August 2003 in the Isle of Man, 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 26 September 2005 in the Isle of Man.

The Company also owns 80% of ESO Investments LLP, a limited liability partnership incorporated on 7 November 2008 in England and Wales.

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 investing in businesses emerging from distressed situations the Group may receive preference and ordinary shares. Such shares permit the Group to participate in any increase in the value of portfolio companies. 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 appreciation through future disposals.

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 2010.

The interim Group and Company financial statements were approved by the Board of Directors on 14 October 2010.

Notes to the Unaudited Interim Financial Statements (continued)

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 2010.

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 2010.

5 Non-current assets

Group non-current assets

	31 July 2010 (unaudited)	31 July 2009 (unaudited)	31 January 2010 (audited)
	£	£	£
Investment Property	478,186	500,000	485,408
Financial assets:			
Secured loans	13,891,334	11,685,464	14,584,334
Unquoted equity investments	212,118	–	212,118
	14,581,638	**12,185,464**	**15,281,860**

Unquoted equity investments are stated at Directors' valuations. 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
	£		
Past Times Trading Limited (1)	7,750,000	15%	30 April 2011
Past Times Trading Limited (2)	1,168,870	15%	31 December 2012
Process Components Limited	1,423,464	9%	31 May 2013
Morada Home Limited	1,065,000	15%	31 January 2011
Whittard of Chelsea (Hamsard 3146 Limited)	2,484,000	20%	22 December 2010

6 Loans to subsidiaries

	31 July 2010 (unaudited)	31 July 2009 (unaudited)	31 January 2010 (audited)
	£	£	£
EPIC Structured Finance Limited	13,404,674	13,967,856	14,672,854
EPIC Reconstruction Property Company II Limited	110,100	–	3,531
ESO Investments LLP	2,348,045	984,739	2,586,267
	15,862,819	**14,952,595**	**17,262,652**

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

7 Dividend income from subsidiaries

Dividend income from subsidiaries represents the net investment income of EPIC Structured Finance Limited, which is declared semi-annually and paid through intercompany loan account movements.

	31 July 2010 (unaudited)	31 July 2009 (unaudited)	31 January 2010 (audited)
	£	£	£
Dividend income from EPIC Structured Finance Limited	**183,790**	**358,737**	**1,048,055**

Notes to the Unaudited Interim Financial Statements (continued)

8 Gains/(losses) on investments

The company presents separately the realised gains and losses on investments from the unrealised gains and losses on investments in subsidiaries. Realised gains and losses refer to completed deals. Unrealised gains and losses represent movements in the value of the assets held and are more subjective in nature than realised gains and losses. The Company revalues its holdings in the subsidiaries to reflect the value of underlying investments and classifies these separately from gains and losses arising on assets held by the parent company.

	31 July 2010 (unaudited)		31 July 2009 (unaudited)		31 January 2010 (audited)	
	Group	Company	Group	Company	Group	Company
	£	£	£	£	£	£
Net realised gains/(losses) on investments at fair value through profit or loss						
Disposal of debt interest	(370,800)	–	–	–	–	–
Disposal of equity interests	320,800	320,800	–	–	–	–
	(50,000)	**320,800**	**–**	**–**	**–**	**–**
Unrealised losses on assets at fair value through profit or loss						
Revaluation of equity interests	–	–	(750,000)	(750,000)	(750,000)	(750,000)
	–	**–**	**(750,000)**	**(750,000)**	**(750,000)**	**(750,000)**
Unrealised gains in investments in subsidiaries at fair value through profit or loss						
ESO Investments LLP	–	289,966	–	264,212	–	246,951
EPIC Reconstruction Property Company II Limited	–	5,366	–	4,148	–	10,802
	–	**295,332**	**–**	**268,360**	**–**	**257,753**

9 Share capital

	31 July 2010 (unaudited)		31 July 2009 (unaudited)		31 January 2010 (audited)	
	Number	£	Number	£	Number	£
Authorised						
Ordinary shares of 5 pence 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 5 pence each	26,541,501	1,327,075	26,541,501	1,327,075	26,541,501	1,327,075

10 Basic and diluted earnings/(loss) 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 26,541,501 (six month period ended 31 July 2009: 12,430,390 after share consolidation, year ended 31 January 2010: 19,582,597)

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

11 Net asset value per share (pence)

The net asset value per share is based on the net assets at the period end of £19,713,507 divided by 26,541,501 ordinary shares in issue at the end of the period (31 July 2009: £19,067,063 and 26,541,501 ordinary shares, 31 January 2010: £19,345,192 and 26,541,501 ordinary shares).

12 Bank loan

	31 July 2010 (unaudited)	31 July 2009 (unaudited)	31 January 2010 (audited)
	£	£	£
Mortgage loan	**478,186**	**497,977**	**485,408**

The mortgage bank loan bears interest at LIBOR plus 4.0% 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 £478,186 (31 July 2009: £500,000, and 31 January 2010: £485,408). The loan expiration date is May 2029.

13 Related party transactions

During the period one of the investee companies controlled by the Company obtained a working capital loan from EPIC plc. EPIC plc is advised by the Investment Advisor and is a shareholder in the Company. The loan is secured on stock and wholesale debtors and interest is payable at 12.0% per annum monthly in arrears. The loan is guaranteed by the Company.

Following the period end, the Company acquired a portfolio of assets from EPIC plc, details of which are given in Note 15.

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. 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.

Notes to the Unaudited Interim Financial Statements (continued)

15 Post balance sheet events

On 31 August 2010, the Company completed the acquisition of the private equity portfolio from EPIC plc for an aggregate consideration of £22 million. The consideration for the acquisition comprised the issue of £10 million of Convertible Loan Notes and £2 million of Consideration Shares to EPIC plc and payment of £10 million in cash funded by ESD in return for a participation in ESO Investments LLP (the "Fund"). As a result of the issuance of £2 million of Consideration Shares to EPIC plc and £430,000 of shares in lieu of transaction fees to EPIC Private Equity (issued at 55.86 pence per share), the Company's ordinary share capital increased from 26,541,501 to 30,891,661. On exercise of the Convertible Loan Notes in full, redeemable on 31 December 2015, the Company's ordinary share capital will increase from 30,891,661 to 36,774,013.

Investment Structure (as at 31 July 2010)

As at 31 July 2010, the Company held its equity investments in Morada Home and Past Times directly whilst its debt investments in the two companies were held indirectly through EPIC Structured Finance Limited ("**ESF**"), a wholly-owned subsidiary of the Company. ESF also held the Group's debt and equity interests in Process Components. ESO Investments LLP, a limited liability partnership of which the Company is a member, held the equity and debt investments in Whittard of Chelsea. Additionally, EPIC Reconstruction Property Company II Limited ("**ERPC**"), a wholly-owned subsidiary of the Company, held one commercial property, with a net book value of zero.

Investment Structure following the Acquisition

Following the acquisition, the combined portfolio (the four existing companies of the Company, with the exception of Process Components, and the portfolio companies of EPIC plc) were transferred into a new limited partnership, ESO Investments LLP (the "Fund"). The Company will hold a majority limited partner interest in the Fund. ESD, which has invested £10 million into the Fund, will hold the residual minority limited partner interest in the Fund in accordance with the terms of the Limited Partnership Agreement summarised in Part VIII of the Admission Document and which was circulated to shareholders on 4 August 2010.

As part of the re-organisation, ESF therefore transferred its assets (including its debt and equity investments in Process Components but excluding its debt investments in Morada Home and Past Times) and liabilities to the Company. The Company also contributed to the Fund, as part consideration for its limited partner interest in the Fund:

(i) its entire shareholding and debt investments in ESF; and

(ii) its equity interests in Past Times, Morada and ESO Investments LLP (holding the Company's equity and debt interests in Whittard of Chelsea)

ERPC remains a wholly-owned subsidiary of the Company. The Company's equity and debt investments in Process Components were transferred to a new vehicle, ESO Investments II LP (currently being established), in which the Company is a member and through which all future investments (other than follow-on investments into companies held in the Fund) will be made by the Company.

As a result of the transaction, the Company has agreed to commit an additional £2.0 million to the Fund by way of follow-on investment into the combined portfolio, pro rata with its holding in the Fund. ESD has therefore committed a total of £0.8 million for this purpose.

Investment Management

The acquisition reduces the Directors' level of control over individual investments in the Fund, including control over any decision on follow-on investments in the combined portfolio and realisation of such investments, from that which the Directors have previously exercised. However, the Directors believe that, having regard to the controls retained by the Company, they still maintain sufficient control over the Company's investment in the Fund to exercise their duties properly. The Investment Advisor has full discretion over any decisions pertaining to the Fund's investments, while its discretion over decisions pertaining to the remainder of the Company's investments remains unchanged.

16 Directors' interests

	31 July 2010	31 July 2009	31 January 2010
	Ordinary Shares	Ordinary Shares	Ordinary Shares
	Number	Number	Number
G O Vero	40,000	40,000	40,000
N V Wilson	20,000	20,000	20,000

Company Information

Directors

GO Vero *(Chairman)*
RBM Quayle
CL Spears
NV Wilson

Secretary

P.P. Scales

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