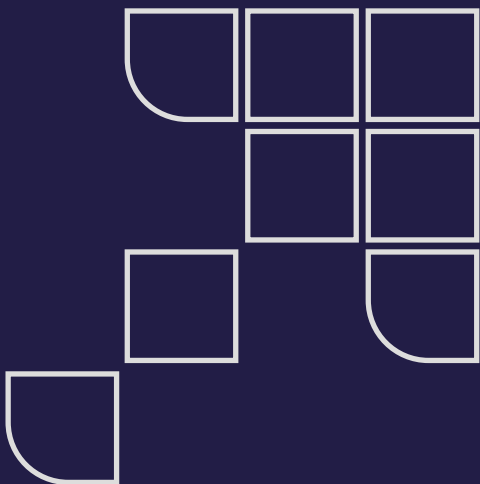


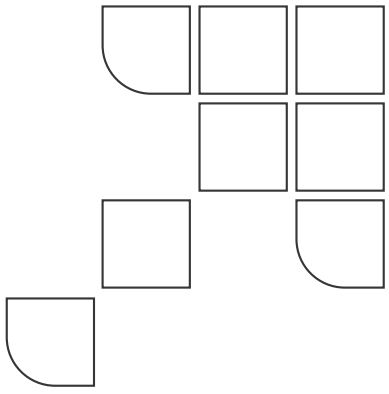


EPE  
Special  
Opportunities

## Report & Accounts

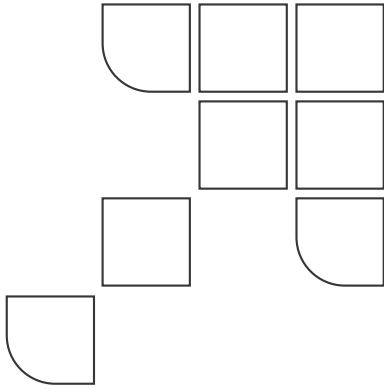
January 2024





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# Annual Review



# Chairman's Statement

The macro-economic environment has continued to be complex throughout the year ended 31 January 2024, creating headwinds for the Company and its portfolio. Economic uncertainty has underpinned an adverse environment for new investments or disposals within the portfolio at acceptable pricing. As a result, the Board and Investment Advisor have prioritised positioning the portfolio to navigate turbulent market conditions, focussing on operating improvements and liquidity alongside progressing longer term growth strategies which will allow the Company to capitalise as the trading environment begins to stabilise. The Board and Investment Advisor are encouraged by early signs of stabilisation in key indicators and are cautiously optimistic of further improvement over the coming period.

The Net Asset Value ("NAV") per share\* of the Company as at 31 January 2024 was 324 pence, representing a decrease of 1 per cent. on the NAV per share\* of 328 pence as at 31 January 2023. The share price of the Company as at 31 January 2024 was 165 pence, representing a decrease of 3 per cent. on the share price of 170 pence as at 31 January 2023. The share price of the Company represents a discount\* of 49% to the NAV per share\* of the Company as at 31 January 2024. The Company seeks to manage the discount to NAV via capital management, including ordinary share buyback programs, as well as achieving further diversification of the investment portfolio and scale in the Company.

The Company has prudently managed its positioning of the portfolio, whilst maintaining momentum within overarching strategic initiatives to drive growth;

- Luceco plc ("Luceco") released its results for the year ended 31 December 2023 announcing sales of £209 million and an operating profit of £24 million, ahead of expectations.
- The Rayware Group ("Rayware") trading was impacted by customer destocking, supply chain, consumer confidence and inflationary pressures. A new Head of US Sales and Marketing was appointed in June 2023 and Head of Export in February 2024.
- Whittard of Chelsea ("Whittard") delivered its highest revenue under EPIC ownership, with notable gains in its UK retail channel. A new CMO and CFO were appointed in January 2024.
- David Phillips has grown sales year-on-year, driven by notable gains across the build-to-rent and project-based divisions.
- Pharmacy2U ("P2U") delivered sustained growth in its core NHS online prescription division. The acquisition of LloydsDirect promises to materially increase the scale of the platform.
- Denzel's has grown sales year-on-year and built a strong foundation to support its future growth plans. In January 2024, the business appointed an experienced Chairman to the board.
- EPIC Acquisition Corp ("EAC") announced that it will return all residual capital to third parties and wind up. ESO's holding in EAC was realised at par after the year end, while the value realised from EAC Sponsor will be determined following the completion of the liquidation.

The Company successfully completed the following investments and realisations in the period;

- In the year ended 31 January 2024, the Company, through its subsidiary ESO Investments 1 Limited, invested £3.35 million in Rayware, reducing the business' senior debt, and has provided a contingent guarantee to Rayware's third party lenders with a balance of £1.75m outstanding as at 31 January 2024, following a £0.75 million drawdown in the period.
- In July 2023, the Company completed the realisation of its holdings in Atlantic Credit Opportunities Fund and in August 2023 completed the realisation of its holdings in Prelude Structured Alternatives Master Fund LP, both realised at carrying value.

The performance of the investment portfolio is a key driver of the Net Asset Value performance of the Company.

The Company had cash balances of £15.3 million\*<sup>1</sup> as at 31 January 2024. Maintaining liquidity has existed as a core focus for the Board, whilst the macroeconomic environment remains turbulent. In July 2023, the Company exercised its right to extend the maturity of its £4.0 million unsecured loan notes to 23 July 2024. In July 2023, the Company also repurchased 7.5 million zero dividend preference ("ZDP") shares for a total consideration of £7.9 million. Following this buyback, the Company has 12.5 million ZDP shares remaining in issue, maturing in December 2026. The Company has no other third-party debt outstanding.

The Board would like to thank Mr Wilson, who retired in September 2023, for his long period of service and express their gratitude for his dedication and support throughout his appointment to the Company over the last 20 years. The Board would like to note its appreciation of the Investment Advisor and the portfolio management teams for their efforts through a complicated period. The Board will monitor the progress of the portfolio over the coming months and looks forward to updating shareholders at the half year.



**Clive Spears**  
Chairman

27 March 2024

\* See Alternative Performance Measures on page 86 to 87 of this Report and Accounts.

<sup>1</sup> Company liquidity is stated inclusive of cash held in subsidiaries in which the Company is the sole investor.

# Investment Advisor's Report

The macroeconomic backdrop remained volatile, presenting challenges for both the Company and its portfolio. A complex global economic landscape has generated a market environment inconducive to new investments or divestments. As a result, the Board and Investment Advisor have remained focused on providing support to the portfolio and their management teams, ensuring they are well-positioned from a strategic, operational and liquidity standpoint. The Company has taken action to de-risk its capital structure and improved liquidity by electing to extend the maturity of its £4.0 million unsecured loan notes to July 2024. This supported the repurchase of 7.5 million of its ZDP shares, decreasing the redemption amount payable at maturity in December 2026.

The NAV per share\* of the Company as at 31 January 2024 was 324 pence, representing a decrease of 1 per cent. on the NAV per share\* of 328 pence as at 31 January 2023. The share price of the Company as at 31 January 2024 was 165 pence, representing a decrease of 3 per cent. on the share price of 170 pence as at 31 January 2023.

The Company maintains satisfactory liquidity during the ongoing period of market uncertainty. The Company had cash balances of £15.3 million<sup>1</sup> as at 31 January 2024, which are available to support the portfolio, meet committed obligations and deploy into attractive investment opportunities. Net third party debt\* in the underlying portfolio stands at 1.4x EBITDA\* in aggregate.

The Company's unquoted private investments portfolio is valued at a weighted average enterprise value to EBITDA multiple\* of 7.2x for mature assets (excluding assets investing for growth). The valuation has been derived by reference to quoted comparables, after the application of a liquidity discount to adjust for the portfolio's scale and unquoted nature. The Investment Advisor notes that the fair market value of the portfolio remains exposed to a volatile macro environment and equity market valuations.

In July 2023, the Company completed the repurchase of 7.5 million of its ZDP shares in the market (or 38 per cent. of the Company's issued ZDP share capital) at a weighted average share price of 105 pence for a total consideration of £7.9 million.

Luceco released its results for the year ended 31 December 2023 in March 2024. The business announced trading ahead of market expectations, with sales of £209 million and Q4 trading 9.5 per cent. ahead of the prior year. The business generated operating profit of £24 million, ahead of expectations. The business achieved strong cash generation driven by higher operating profit and improved working capital efficiency which supported further deleveraging, with net debt\* of 0.6x LTM EBITDA\*

as at 31 December 2023. An excellent achievement and well below Luceco's target range of 1.0-2.0x net debt\* to EBITDA\*.

Rayware experienced challenging trading conditions throughout the period. Financial performance was impacted by customer destocking, acute supply chain costs, depressed consumer confidence and well publicised inflationary cost pressures. Rayware's capital structure has therefore remained under pressure due to depressed EBITDA\*, interest exposure and mezzanine finance raised at acquisition. ESO invested £3.35 million in the period to reduce external debt and has a contingent guarantee of £1.75 million outstanding. More positively, in support of the international growth strategy, a new Head of US Sales and Marketing was appointed in June 2023 and a new Head of Export was appointed in February 2024.

Whittard of Chelsea delivered a strong performance in the period led by growth in its UK retail channel, due to strengthening domestic and tourist footfall, further enhanced by a new pop-up store in London Paddington station over the Christmas period. Whittard has continued to progress its international strategy, with the business entering a strategic partnership with Rayware to develop its overseas presence and with its South Korean franchise partner opening a new store in Samsung Town in April 2023. The business made two senior appointments in January 2024, including a new Chief Financial Officer and Chief Marketing Officer.

David Phillips has continued to develop its built-to-rent and project-based divisions, delivering year-on-year sales growth. Profitability has improved from better product sourcing, pricing and a focus on recurring sales channels. Efficiency has been further enhanced through prudent actions taken to reduce the cost base.



Pharmacy2U demonstrated an increased rate of organic growth in its core NHS online prescription division in the period. In October 2023, P2U announced the acquisition of LloydsDirect, the UK's second largest online pharmacy, from McKesson UK. In March 2024, the UK Competition and Markets Authority provided clearance for the transaction.

Denzel's has focussed on developing its team and infrastructure in the period to support its ambitious growth plans, whilst at the same time achieving strong year-on-year sales growth. The business relaunched its website and has seen a significant increase in online marketing and transactional activity to support its early successes in offline retail channels. In January 2024, the business appointed an experienced Chairman to the board.

In January 2024, EPIC Acquisition Corp announced that it will return all residual capital to third parties and wind up. A perfect storm of Ukraine, global divestment from China, economic flux from energy prices, subsequent inflation and inevitable stock market volatility made 2022 and 2023 difficult years with regards to a high conviction, high risk, capital markets product. Over the 24 month investment period, the EAC team reviewed over 250 opportunities, engaged actively with 12 targets and held over 100 investor meetings. Interesting transaction opportunities arose but could not be completed given the lack of appetite for public market transactions during the period. A disappointing end to an interesting investment product and opportunity for ESO. ESO's holding in EAC was realised at par after the year end, while the value realised from EAC Sponsor will be determined following the completion of the liquidation.

The Investment Advisor continues to monitor the Company's credit fund investments. European Capital Private Debt Fund has completed its investment period and is distributing capital to the Company. In July 2023, the Company completed the realisation of its holdings in Atlantic Credit Opportunities Fund and in August 2023 completed the realisation of its holdings in Prelude Structured Alternatives Master Fund LP, both realised at carrying value.

The Investment Advisor would like to convey its thanks to all of the management teams across the portfolio for their continued commitment during a difficult period, and to the Board and the Company's shareholders for their counsel and support.

**EPIC Investment Partners LLP**  
**Investment Advisor to the Company**

27 March 2024

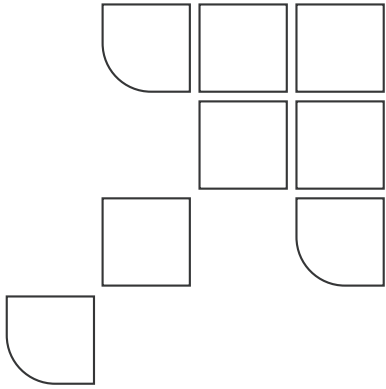
## As at 31 January 2024

NAV per share*	324 pence
Share price	165 pence
Portfolio returns*	3.1x MM / 22% IRR
Mature unquoted asset valuation <sup>2*</sup>	7.2x EV / EBITDA
Portfolio leverage*	1.4x Net Third Party Debt / EBITDA

\* See Alternative Performance Measures on page 86 to 87 of this Report and Accounts.

<sup>1</sup> Company liquidity is stated inclusive of cash held in subsidiaries in which the Company is the sole investor.

<sup>2</sup> EV / EBITDA multiple excludes Pharmacy2U and Denzel's as the assets are in a growth stage, prior to mature profitability.



# Introduction to EPE Special Opportunities



ESO portfolio asset:  
David Phillips



EPE Special Opportunities Limited (“ESO” or the “Company”) is a private equity investment company established in 2003.

The Company’s ordinary shares trade on the AIM market of the London Stock Exchange and the Growth Market of the Aquis Stock Exchange. The Company’s zero dividend preference shares trade on the main market of the London Stock Exchange (standard listed). The Company’s unsecured loan notes trade on the Aquis Stock Exchange.

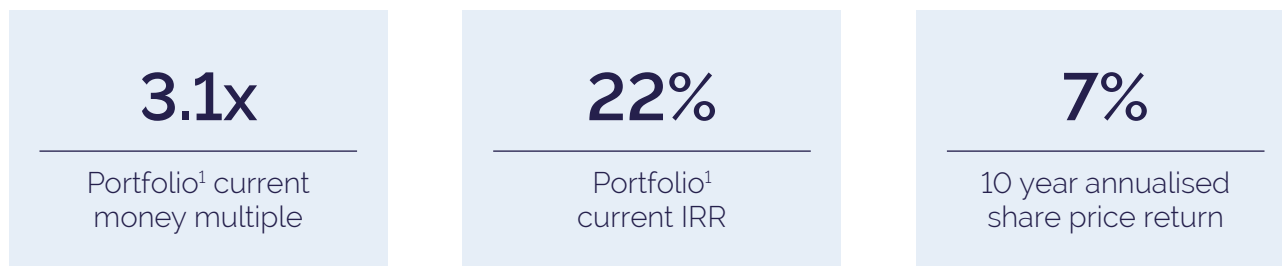
The Company’s primary objective is to provide long-term return on equity for its shareholders by investing in small and medium sized companies in the UK.

The Company targets growth and buy-out opportunities, special situations and distressed transactions, deploying capital where it believes the potential for shareholder value creation to be compelling.

The Investment Advisor to the Company is EPIC Investment Partners LLP (“EPIC”).



## Investment highlights:\*



## Recent developments:

<b>June 2021</b>	ESO realises £15.0 million from the sale of shares in Luceco plc and retains 22.1 per cent holding.
<b>July 2021</b>	ESO acquires Rayware Group, a family of iconic British-heritage kitchenware brands.
<b>December 2021</b>	ESO invests €10.0 million in EPIC Acquisition Corp, a special purpose acquisition company, and its sponsor.
<b>December 2021</b>	ESO raises £20.0 million via the issuance of zero dividend preference shares.
<b>July 2022</b>	ESO extends the maturity of £4.0 million of unsecured loan notes to July 2023, with an option to further extend the maturity to July 2024.
<b>October 2022</b>	ESO invests £2.0 million in Denzel's, a fast growing, healthy and sustainable premium dog snacks brand.
<b>July 2023</b>	ESO extends the maturity of £4.0 million of unsecured loan notes to July 2024.
<b>July 2023</b>	ESO retires 7.5 million zero dividend preference shares.
<b>July 2023</b>	ESO completes the realisation of its holdings in Atlantic Credit Opportunities Fund.
<b>August 2023</b>	ESO completes the realisation of its holdings in Prelude Structured Alternatives Master Fund LP.
<b>January 2024</b>	EPIC Acquisition Corp announced it will return all residual capital to third parties and wind up.

\* See Alternative Performance Measures on page 86 to 87 of this Report and Accounts.

<sup>1</sup> Portfolio returns are prepared on the basis of the aggregate total returns for current ESO portfolio companies, excluding fund investments, as at 31 January 2024.



EPIC Investment Partners LLP (“EPIC” or the “Investment Advisor”) was founded in June 2001 and is an independent investment manager wholly owned by its partners.

Since inception, EPIC has made 37 investments into small and medium sized companies in the UK and was appointed Investment Advisor to the Company in September 2003.

EPIC manages the Company’s investments in accordance with guidelines determined by the Board and the Company’s constitutional framework. The governance structure is subject to annual review by the Board.

In addition to private equity, EPIC has complementary business lines, including Advisory, Markets and Administration.



### Market-leading track record

37 investments across a broad range of sectors and situations. EPIC has returned 2.3x money multiple and 15 per cent. IRR on its investments to 31 January 2024.\*

### Highly aligned and stable team

Committed and stable partnership, with average tenure in excess of 10 years. The EPIC team is the largest investor in ESO.

### Extensive industry network

Longstanding relationships in the UK market provide EPIC with access to c.300 deals per annum. EPIC leverages its network of operating partners to drive portfolio value creation.

### Listed market experience

EPIC has a successful track record of advising listed vehicles spanning more than 20 years. In addition to ESO, EPIC has advised EPIC plc, EPIC Brand Investments plc, Luceco plc and EPIC Acquisition Corp.

### Complementary business lines

The cross-disciplinary expertise of EPIC's Advisory, Markets and Administration divisions allows EPIC to access off-market investment opportunities and deploy specialist knowledge.

\* See Alternative Performance Measures on page 86 to 87 of this Report and Accounts.

## Why lower mid-market private equity?

### Large market of companies

A greater universe of potential transactions allows EPIC to be more selective, applying a higher investment threshold and greater pricing discipline.

### Low competition for transactions

Diminished investor engagement and buy-side competition in the lower mid-market is a structural driver for attractive valuations and leads to a higher likelihood of successful completions.

### Funding gap

The difficulty experienced by lower mid-market companies in accessing bank or alternative financing solutions often drives stakeholders to seek equity funding in order to achieve the company's growth or liquidity objectives.

### Shareholders seeking liquidity

The lower mid-market is characterised by owner managers. Many of these owners seek funding partners to achieve their personal growth and liquidity objectives.

### Growth and operational improvements

Strong potential to create value either via top line growth, operational improvements or through acquisitions. Private equity investors bring critical development capital and leverage cross-sector expertise to produce transformational change.

These factors create an attractive investment universe, with favourable entry pricing and the potential for meaningful future value creation.



# Why EPE Special Opportunities?

## Market-leading returns

The Company has continued to deliver market leading returns with an annualised share price return of 7 per cent. over the last 10 years. Current portfolio returns are 3.1x MM and 22 per cent. IRR to 31 January 2024.\*

## Access to high quality portfolio

The Company offers investors access to a conservatively valued, high growth portfolio. Mature unquoted assets (excluding assets investing for growth) are valued at 7.2x EBITDA. The combined sales of the portfolio have grown at a CAGR of 8 per cent. over the last 3 years.\*

## Established deal pipeline

EPIC consistently targets proprietary deal opportunities. Deals are also sourced from a network of industry contacts including operating partners and corporate finance advisors. EPIC reviews c.300 deals per annum in the UK lower mid-market.

## Long term capital vehicle

The Company's quoted structure allows investments to develop over the long term, benefiting from the ability to implement transformational initiatives and compound returns over periods in excess of standard private equity hold periods (typically 3-5 years).

## Manager alignment

EPIC is a focussed and independent manager with substantial investment in the Company. The EPIC team is the largest investor in ESO, creating significant alignment with investors and a focus on long-term sustainable shareholder returns.

\* See Alternative Performance Measures on page 86 to 87 of this Report and Accounts.

## Biographies of the Directors

### Clive Spears (Non-executive Chairman)

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

### Heather Bestwick (Non-executive Director)

Heather Bestwick has been a financial services professional for over 25 years, onshore in the City of London and offshore in the Cayman Islands and Jersey. She qualified as an English solicitor, specialising in ship finance, with City firm Norton Rose, and worked in their London and Greek offices for 8 years. Ms. Bestwick subsequently practised and became a partner with global offshore firm Walkers in the Cayman Islands, and Managing Partner of the Jersey office. Ms Bestwick sits on the boards of the Deutsche Bank company which managed the dbX fund platform and Rathbones Investment Management International Limited. She is a resident of Jersey.

### Michael Gray (Non-executive Director)

Michael Gray was at The Royal Bank of Scotland for over 30 years, latterly as Managing Director (Corporate) of RBS International, before retiring in 2015. During his 32 years at the firm Michael covered a broad spectrum of financial services including corporate and commercial banking, funds, trusts and real estate. Mr Gray currently holds a number of non-executive positions across private equity, infrastructure and fund management. Michael's appointments currently include non-executive directorships of Triton Investment Management (a Swedish private equity group), GCP Infrastructure Investments (a FTSE 250 listed company), J-Star Jersey Company Limited (a Japanese private equity group), Foresight 4 VCT plc (a listed venture capital fund), JTC plc (a FTSE 250 listed trust and corporate services company) and TEAM plc (a listed wealth management company). He is a resident of Jersey.

### David Pirouet (Non-executive Director)

David Pirouet retired from PricewaterhouseCoopers Channel Islands LLP in 2009 after being an Audit and Assurance Partner for over 20 years. During his 29 years at the firm Mr Pirouet specialised in the financial services sector, in particular in the alternative investment management area and also led the business's Hedge Fund and business recovery practices for over four years. Mr Pirouet currently holds a number of non-executive positions across private equity, infrastructure and corporate debt. Mr Pirouet was previously a non-executive Director and Chair of the Audit and Risk committee for GCP Infrastructure Investments (FTSE 250 listed company) until he retired in February 2021. He is a resident of Jersey.

# Biographies of the Investment Advisor

## Giles Brand

Giles Brand is a Partner and the founder of EPIC. He is currently Non-executive Chairman of Whittard of Chelsea and Luceco plc. Before joining EPIC, Giles was a founding Director of EPIC Investment Partners, a fund management business which at sale had US\$5bn under management. Prior to this, Giles worked in Mergers and Acquisitions at Baring Brothers in Paris and London. Giles read History at Bristol University.

## James Henderson

James Henderson is a Managing Director of EPIC. He previously worked in the Investment Banking division of Deutsche Bank before joining EPIC. Whilst at Deutsche Bank he worked on a number of M&A transactions and IPOs in the energy, property, retail and gaming sectors, as well as providing corporate broking advice to mandated clients. At EPIC, James manages the investments in Pharmacy2U, Denzel's and EPIC Acquisition Corp. James read Modern History at Oxford University and Medicine at Nottingham University.

## Ian Williams

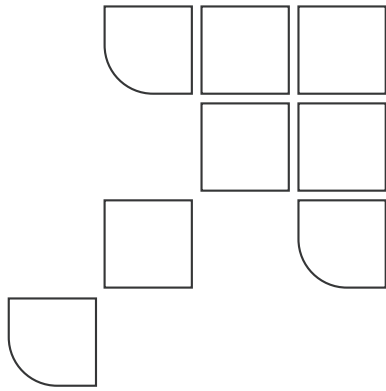
Ian Williams is a Managing Director of EPIC. He was previously a Partner at Lyceum Capital Partners LLP, responsible for deal origination and engagement, with a primary focus on the business services and software sectors, as well as financial services, education and health sectors. Prior to Lyceum, Ian was a Director at Arbutnot Securities, involved in IPOs, secondary fund raisings and M&A, focused on the support services, healthcare, transport & IT sectors. Ian started his career at Hambros Bank in the M&A team. Ian read Politics and Economics at the University of Bristol.

## Hiren Patel

Hiren Patel is a Partner of EPIC. He has worked in the investment management industry for the past twenty years. Before joining EPIC, Hiren was Finance Director of EPIC Investment Partners. Prior to this, Hiren was employed at Groupama Asset Management where he was the Group Financial Controller.

## Alex Leslie

Alex Leslie is a Managing Director of EPIC. He previously worked in Healthcare Investment Banking at Piper Jaffray before joining EPIC. Whilst at Piper Jaffray he worked on a number of M&A transactions and equity fundraisings within the Biotechnology, Specialty Pharmaceutical and Medical Technology sectors. At EPIC, Alex manages the investments in Luceco plc, Rayware and European Capital Private Debt Fund. He previously managed the Company's investments in Process Components, BigHead Industries, David Phillips, Prelude, Atlantic Credit Opportunities Fund and Driver Require. Alex read Human Biological and Social Sciences at the University of Oxford and obtained an MPhil in Management from the Judge Business School at the University of Cambridge.



# Investment Strategy and Portfolio Review



ESO portfolio asset:  
Whittard of Chelsea

## Investment Strategy

The Company aims to generate long-term returns on equity for its shareholders by investing in a portfolio of private equity assets.

### Deal Sourcing

Given its attractive fundamentals, the Investment Advisor believes there is a strong case to invest in the UK lower mid-market.

Proprietary deal sourcing is complemented by active engagement within the wider corporate advisory community to communicate the Company's clearly defined investment strategy.

### Active Management

The portfolio is likely to be concentrated, numbering between two and ten assets at any one time, which allows EPIC to allocate the resource to form genuinely engaged and supportive partnerships with management teams.

This active approach facilitates the delivery of truly transformational initiatives in underlying investments during the period of ownership.

### Investment Criteria

The Company aims to invest in businesses exhibiting inter alia the following characteristics:

- Attractive entry pricing
- High quality management teams with established track records
- Defensible competitive position
- Opportunity for strong revenue growth, either by market expansion or increased market share
- Opportunity for strong cash generation

## Investment Criteria

### Size

The Company seeks to invest up to £30 million per transaction. For investments larger than £30 million, the Company may seek co-investment from third parties.

### Sector

The Company will consider most sectors, but has particular expertise in consumer, retail, financial services, manufacturing and the wider services sector (including education, healthcare and social housing).

### Control

The Company aims to take controlling equity positions, but may also consider minority stakes where the investment case is compelling and shareholder protections are robust.

### Deal Type

The Company targets growth, buyout, special situations and private investment in public equities ("PIPE") investments. Given EPIC's listed market experience, the Company may also partner with outstanding management teams on the listing and management of special purpose acquisition vehicles. The Company may occasionally invest in third-party funds.

### Geography

The Company primarily seeks to invest in UK focused assets as well as those with significant overseas operations; for example, Luceco plc within the current portfolio.

# Portfolio

The portfolio as at 31 January 2024 consists of two listed assets, five private equity assets and two private fund investments.



## Luceco plc

Supplier of wiring accessories and LED lighting



## Rayware

Wholesaler of six heritage British homeware brands



## Whittard of Chelsea

Speciality tea, coffee and hot chocolate brand



## David Phillips

Furniture provider to the UK property sector



## Pharmacy2U

Leading online pharmacy in the UK



## Denzel's

Premium dog snacks brand

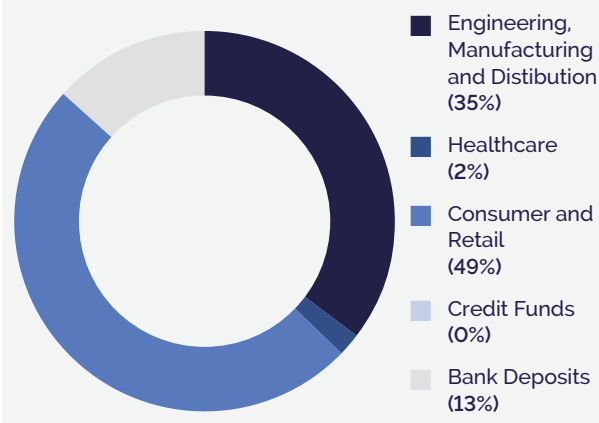
## Other Investments

European Capital Private Debt Fund

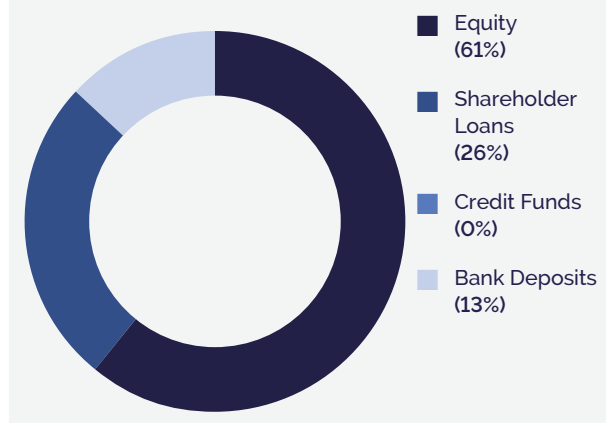
EAC Sponsor Limited

EPIC Acquisition Corp

### Sector Diversification



### Instrument Diversification







## Leading supplier of LED lighting and electrical accessories

### Key facts

Location:	UK / China
Sector:	Wiring Accessories & LED
Type of deal:	Buyout
Equity holding:	22%
Financial year:	December
Latest sales:	£209m (2023)

### Description

Luceco plc is a manufacturer and distributor of electrical accessories and LED lighting products to the UK and, increasingly, international markets. The business is headquartered in the UK and has a Chinese manufacturing facility and several international sales offices.

### Background

Luceco plc is a manufacturer of wiring accessories, predominantly switches and sockets, under the British General and Masterplug brands. Luceco also supplies to the LED lighting market under the Luceco and Kingfisher brands. In 2007, the business established a Chinese manufacturing facility which has been subsequently expanded twice. The facility has provided Luceco plc with supply chain flexibility and margin efficiencies. In October 2016, Luceco plc was admitted to trading on the Main Market of the London Stock Exchange.

### Recent developments

Luceco released its results for the year ended 31 December 2023 in March 2024. The business announced trading ahead of market expectations, with sales of £209 million and Q4 trading 9.5 per cent. ahead of the prior year. The business generated operating profit of £24 million, ahead of expectations. The business achieved strong cash generation driven by higher operating profit and improved working capital efficiency which supported further deleveraging, with net debt of 0.6x LTM EBITDA as at 31 December 2023. An excellent achievement and well below Luceco's target range of 1.0-2.0x net debt to EBITDA.





## Wholesaler of six heritage British homeware brands

### Key facts

Location:	Liverpool
Sector:	Consumer
Type of deal:	Buyout
Equity holding:	73%
Financial year:	December
Latest sales:	£31m (2023)

### Description

The Rayware Group ("Rayware") is a wholesaler of six heritage British homeware brands, including the iconic Kilner and Mason Cash marques, as well as Viners, Typhoon, Ravenhead and Price & Kensington. The business develops and distributes a wide product range including jars, mixing bowls, cutlery, glassware and tableware.

### Background

The business was established in 1975 and has grown through acquisitions, building a portfolio of heritage British homeware brands. In July 2021, ESO acquired a majority interest in Rayware.

### Recent developments

Rayware experienced challenging trading conditions throughout the period. Financial performance was impacted by customer destocking, acute supply chain costs, depressed consumer confidence and well publicised inflationary cost pressures. Rayware's capital structure has therefore remained under pressure due to depressed EBITDA, interest exposure and mezzanine finance raised at acquisition. ESO invested £3.35 million in the period to reduce external debt and has a contingent guarantee of £1.75 million outstanding. More positively, in support of the international growth strategy, a new Head of US Sales and Marketing was appointed in June 2023 and a new Head of Export was appointed in February 2024.

### Outlook

Rayware remains focussed on investing behind key growth channels, prioritising initiatives such as international expansion and omnichannel growth. The Investment Advisor is confident the company will benefit as the challenging environment, including high freight costs, weak FX rates and subdued consumer demand, begins to normalise. Over the long term, there is the opportunity for Rayware to strengthen its position in the branded homeware market through targeted M&A.





## Speciality tea, coffee and hot chocolate brand

### Key facts

Location:	Oxfordshire
Sector:	Consumer
Type of deal:	Turnaround
Equity holding:	85%
Financial year:	December
Latest sales:	£46m (2023)

### Description

Whittard of Chelsea ("Whittard") is a British heritage brand supplying a range of premium tea, coffee and hot chocolate to a global consumer market. The business operates an established omni-channel platform spanning retail (UK store estate), e-commerce (UK site with global distribution), China (Tmall e-commerce platform), wholesale and franchise.

### Background

Founded by Walter Whittard in 1886, Whittard has accumulated over 135 years of specialist expertise, establishing strong brand recognition and a loyal customer base. Since the acquisition in 2008, EPIC and management have led the successful turnaround of Whittard by restructuring its operations, developing a scalable omni-channel platform and investing in the brand to establish a premium positioning appropriate to the brand's heritage.

### Recent developments

Whittard of Chelsea delivered a strong performance in the period led by growth in its UK retail channel, due to strengthening domestic and tourist footfall, further enhanced by a new pop-up store in London Paddington station over the Christmas period. Whittard has continued to progress its international strategy, with the business entering a strategic partnership with Rayware to develop its overseas presence and with its South Korean franchise partner opening a new store in Samsung Town in April 2023. The business made two senior appointments in January 2024, including a new Chief Financial Officer and Chief Marketing Officer.

### Outlook

Whittard's strong brand and omni-channel platform is well positioned to take advantage of international growth opportunities, supported by strategic market openings, digital excellence and increased selling points. The business is expected to continue to benefit from the return of domestic and international shoppers to UK high-streets and sustained appetite for premium, British brands.



## David Phillips

### Leading furniture provider to the UK property sector

#### Key facts

Location:	Nationwide
Sector:	Property Services
Type of deal:	Turnaround / Growth
Equity holding:	34%
Financial year:	March
Latest sales:	£43m (2023)

#### Description

David Phillips provides furniture and furnishing services to the UK property sector, supplying owners, managers, agents and developers in the residential, build-to-rent, student accommodation and social housing sectors.

#### Background

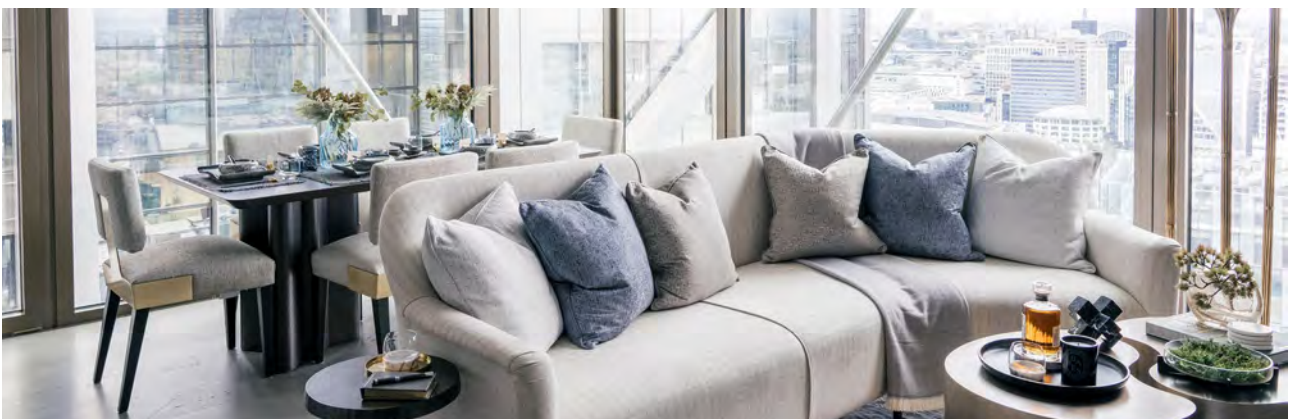
The business was established in 1999 as a London-focused furniture supplier and has since expanded through acquisitions, increasing its geographic reach and product offering to become a market leader.

#### Recent developments

David Phillips has continued to develop its built-to-rent and project-based divisions, delivering year-on-year sales growth. Profitability has improved from better product sourcing, pricing and a focus on recurring sales channels. Efficiency has been further enhanced through prudent actions taken to reduce the cost base.

#### Outlook

Sustained structural improvements, achieved during the successful turnaround and amid the COVID-19 pandemic, continue to bolster the business, positioning it for enhanced growth. The emphasis remains on optimising operational efficiency and supporting the channel strategy. Over the long term, significant growth opportunities have been identified.



# Pharmacy2U

The UK's leading online pharmacy

## Key facts

Location:	West Yorkshire
Sector:	Healthcare
Type of deal:	Growth
Equity holding:	2%
Financial year:	March
Latest sales:	£173m (2023)

## Description

Pharmacy2U is focussed on delivering repeat NHS prescriptions to patients in the community. Repeat prescriptions comprise c.80 per cent. of the c.£10 billion NHS community prescription market. Pharmacy2U benefits from highly attractive customer dynamics, with low churn rates following patient acquisition and significant lifetime value. Pharmacy2U operates from facilities in Leeds and Leicestershire which employ automated dispensing systems and have substantial capacity to support growth.

## Background

Pharmacy2U created the concept of online pharmacy and, in conjunction with the NHS, helped to develop the Electronic Prescription Service technology. The technology allows for prescriptions to be electronically signed by doctors and medicines to be delivered direct to the home.

## Recent developments

Pharmacy2U demonstrated an increased rate of organic growth in its core NHS online prescription division in the period.

In October 2023, P2U announced the acquisition of LloydsDirect, the UK's second largest online pharmacy, from McKesson UK. In March 2024, the UK Competition and Markets Authority provided clearance for the transaction.

## Outlook

Pharmacy2U remains fixed on consolidating its position as the UK's leading online pharmacy, supported by the integration of the LloydsDirect acquisition.





## Healthy and sustainable premium dog snacks brand

### Key facts

Location:	London
Sector:	Consumer
Type of deal:	Growth
Equity holding:	18%
Financial year:	January
Latest sales:	£3m (2024)

### Description

Founded in 2018, Denzel's is a healthy and sustainable premium dog snacks brand. Denzel's products are made in the UK and Ireland using entirely natural ingredients and 100% plastic-free eco-friendly packaging.

Denzel's operates an omni-channel distribution strategy, underpinned by listings in some of the UK's leading retailers. Denzel's e-commerce channel includes its own website and subscription offering as well as listings on marketplaces. In addition, Denzel's products are available in a range of hospitality locations, notably dog-friendly pubs and hotels across the UK. Denzel's products are currently stocked in over two thousand locations in the UK.

### Background

In October 2022, ESO completed a £2.0 million investment in Denzel's as lead investor within a £3.0 million growth capital raise.

### Recent developments

Denzel's has focussed on developing its team and infrastructure in the period to support its ambitious growth plans, whilst at the same time achieving strong year-on-year sales growth. The business relaunched its website and has seen a significant increase in online marketing and transactional activity to support its early successes in offline retail channels. In January 2024, the business appointed an experienced Chairman to the board.

### Outlook

Denzel's is focused on enhancing the digital brand, aiming to establish a comprehensive omnichannel strategy while expanding listings with grocers and major retailers. The team are actively making improvements to the product range and operational platform to facilitate the next stage of growth.



# Governance Report



ESO Portfolio Asset:  
Luceco

# Audit and Risk Committee Report

The Audit and Risk Committee is chaired by David Pirouet and comprises all other Directors. Mr Pirouet was appointed as Chairman of the Committee on 28 June 2019.

The Audit and Risk Committee's main duties are:

- To review and monitor the integrity of the interim and annual financial statements, interim statements, announcements and matters relating to accounting policy, laws and regulations of the Company;
- To evaluate the risks to the quality and effectiveness of the financial reporting process;
- To review the effectiveness and robustness of the internal control systems and the risk management policies and procedures of the Company;
- To review the valuation of portfolio investments;
- To review corporate governance compliance, including the Company's compliance with the QCA Corporate Governance Code and Disclosure Guidance and Transparency Rules ("DTR") reporting requirements;
- To review the nature and scope of the work to be performed by the Auditors, and their independence and objectivity; and
- To make recommendations to the Board as to the appointment and remuneration of the external auditors.

The Audit and Risk Committee has a calendar which sets out its work programme for the year to ensure it covers all areas within its remit appropriately. It met four times during the period under review to carry out its responsibilities and senior representatives of the Investment Advisor attended the meetings as required by the Audit and Risk Committee. In between meetings, the Audit and Risk Committee chairman maintains ongoing dialogue with the Investment Advisor and the lead audit partner via regular calls and physical meetings.

During the past year the Audit and Risk Committee carried out an ongoing review of its own effectiveness. These concluded that the Audit and Risk Committee is satisfactorily fulfilling its terms of reference and is operating effectively. In addition, the Audit and Risk Committee undertook a review of the Company's corporate governance and compliance with the QCA Corporate Governance Code and DTR reporting requirements.

## Significant accounting matters

The primary risk considered by the Audit and Risk Committee during the period under review in relation to the financial statements of the Company is the valuation of unquoted investments.

The Company's accounting policy for valuing investments is set out in notes 3i and 12. The Audit and Risk Committee examined and challenged the valuations prepared by the Investment Advisor, taking into account the latest available information on the Company's investments and the Investment Advisor's knowledge of the underlying portfolio companies through their ongoing monitoring. The Audit and Risk Committee satisfied itself that the valuation of investments had been carried out consistently with prior accounting periods, or that any change in valuation basis was appropriate, and was conducted in accordance with published industry guidelines.

The Auditors explained the results of their review of the procedures undertaken by the Investment Advisor in preparation of valuation recommendations for the Audit and Risk Committee. On the basis of their audit work, no material adjustments were identified by the Auditor.

## External audit

The Audit and Risk Committee reviewed the audit plan and fees presented by the auditors, PricewaterhouseCoopers CI LLP ("PwC"), and considered their report on the financial statements. The fee for the audit of the annual report and financial statements of the Company (and subsidiaries) for the year ended 31 January 2024 is £81,200 (2023: £61,350).

The Audit and Risk Committee reviews the scope and nature of all proposed non-audit services before engagement, with a view to ensuring that none of these services have the potential to impair or appear to impair the independence of their audit role. The Audit and Risk Committee receives an annual assurance from the auditors that their independence is not compromised by the provision of such services, if applicable. During the period under review, the auditors provided non-audit services to the Company in relation to the Interim Review representing total fees of £26,350 (2023: £17,000).



On 22 April 2022, PwC were appointed as auditors to the Company from the 31 July 2023 Interim review and the 31 January 2023 audit. The Audit and Risk Committee regularly considers the need to put the audit out to tender, the auditors' fees and independence, alongside matters raised during each audit.

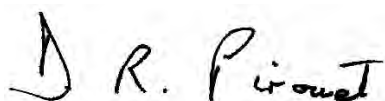
PwC, being eligible, have expressed their willingness to continue in office for the current financial year.

### Other service providers

The Board will review the performance and services offered by Langham Hall, as fund administrator and EPIC Administration as fund sub-administrator on an ongoing basis. EPIC Administration completed its last triennial agreed upon procedures review during the year ended 31 January 2021. The agreed upon procedures review for 2024 is currently ongoing.

### Risk management and internal control

The Company does not have an internal audit function. The Audit and Risk Committee believes this is appropriate as all of the Company's operational functions are delegated to third party service providers who have their own internal control and risk monitoring arrangements. A report on these arrangements is prepared by each third party service provider and submitted to the Audit and Risk Committee which it reviews on behalf of the Board to support the Directors' responsibility for overall internal control. The Company does not have a whistleblowing policy and procedure in place. The Company delegates this function to the Investment Advisor who is regulated by the FCA and has such policies in place. The Audit and Risk Committee has been informed by the Investment Advisor that these policies meet the industry standard and no whistleblowing took place during the year.



**David Pirouet**  
Chairman of the Audit and Risk Committee

27 March 2024

# Corporate Governance Statement

The Board of EPE Special Opportunities is pleased to update shareholders of the Company's compliance with the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code").

The Company is committed to the highest standards of corporate governance, ethical practices and regulatory compliance. The Board believe that these standards are vital to generate long-term, sustainable value for the Company's shareholders. In particular the Board is concerned that the Company is governed in a manner to allow efficient and effective decision making, with robust risk management procedures.

As an investment vehicle, the Company is reliant upon its service providers for many of its operations. The Board maintains ongoing and rigorous review of these providers. Specifically the Board reviews the governance and compliance of these entities to ensure they meet the high standards of the Company.

The Board is dedicated to upholding these high standards and will look to strengthen the Company's governance on an ongoing basis.

The Company's compliance with the QCA Code is included in this report and on the Company's website ([www.epespecialopportunities.com](http://www.epespecialopportunities.com)). The Board deems the QCA Code sufficient and any additional listing rules and DTR disclosures are covered in this Corporate

Governance report. The Company will provide annual updates on changes to compliance with the QCA Code.

The Quoted Companies Alliance has announced that a revised version of the QCA Code will apply to accounting periods commencing on or after 1 April 2024. The Company will update its corporate governance disclosures to reflect the revised code in the Report and Accounts released in the relevant future accounting period.

The FCA also progresses on changing the UK Listing Rules. The key changes include creating a single segment for listed equity securities, replacing the current premium and standard distinctions and placing additional obligations on standard listed issuers, including related party transactions as well as bringing them within scope of the UK Governance Code. The Board will monitor and make an assessment of how these changes impact the Company.

The Board has reviewed the analysis below and confirms in its view that the Company has complied with the applicable requirements of the 2018 QCA Code.



**Clive Spears**  
Chairman

27 March 2024

## The 2018 QCA Code

QCA Code Application	Explanation of the Company's Compliance
<p><b>1. Establish a strategy and business model which promote long-term value for shareholders</b></p> <p>The board must be able to express a shared view of the company's purpose, business model and strategy.</p> <p>It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term.</p> <p>It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long term future.</p>	<p><i>The annual and interim reports detail the Company's investment strategy, historic performance, current portfolio and future outlook.</i></p> <p><i>These reports discuss challenges faced by the Company and the portfolio and how these are mitigated.</i></p> <p><i>Further the Company provides updates to shareholders on significant changes in the Company's or the portfolio's position or prospects through ad hoc announcements, as required.</i></p>
<p><b>2. Seek to understand and meet shareholder needs and expectations</b></p> <p>Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base.</p> <p>The Board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.</p>	<p><i>The Board seeks to develop a strong and ongoing understanding with the Company's shareholders.</i></p> <p><i>The Board is available to respond to or address any queries or concerns raised by shareholders. Such concerns should be raised via the Company's Investment Advisor or the Company's administrator, as appropriate.</i></p>

QCA Code Application	Explanation of the Company's Compliance
<b>2. Seek to understand and meet shareholder needs and expectations (continued)</b>	
	<p><i>Throughout the year the Company's Investment Advisor and Nominated Advisor ("Nomad") meet with key shareholders to keep them informed of the Company's progress. Both these advisors report to the Board on these interactions regularly.</i></p> <p><i>The Company holds general meetings of its shareholders on an annual basis, where the annual report is presented to shareholders for their approval. The Board attends these meetings and is available to respond to or address any queries or concerns raised by attendees.</i></p>
<b>3. Take into account wider stakeholder and social responsibilities and their implications for long-term success</b>	
<p>Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others).</p> <p>The board needs to identify the company's stakeholders and understand their needs, interests and expectations.</p> <p>Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model.</p> <p>Feedback is an essential part of all control mechanisms.</p> <p>Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.</p>	<p><i>The Company seeks to invest capital in a responsible manner, generating benefit to shareholders, its portfolio companies and the wider economy.</i></p> <p><i>The Company, primarily through its Investment Advisor, engages in ongoing communication with all its stakeholders, in particular its shareholders. The Board seeks to ensure that the portfolio companies, in which the Company has an interest, act in a responsible manner with consideration to their various stakeholders.</i></p> <p><i>The Company's Investment Advisor, in its capacity as manager of these portfolio assets, provides feedback to the Board on their performance and interaction with the wider community.</i></p> <p><i>The Board gives consideration to steps which might be taken to enhance the impact the Company's investments might have on the wider economy, within the Company's strategic objectives. The Board makes specific enquiry of the Investment Advisor where relevant to the activities of these portfolio assets.</i></p>
<b>4. Embed effective risk management, considering both opportunities and threats, throughout the organisation</b>	
<p>The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.</p> <p>Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).</p>	<p><i>The Board maintains a robust risk management framework, which is reviewed and challenged on an ongoing basis.</i></p> <p><i>The Board has established an Audit and Risk Committee to advise the Board on the Company's risk management approach and overall risk profile. The Audit and Risk Committee meets at least twice a year and undertakes periodic business risk assessments. The key risks categories for the Company are portfolio performance and operational performance.</i></p> <p><i>In relation to the risks associated with the portfolio's performance, the Company's Investment Advisor manages the portfolio.</i></p> <p><i>The performance and capabilities of the Investment Advisor are reviewed on an ongoing basis and in particular, via an annual site visit by the Board to the Investment Advisor most recently completed on 23 February 2024. Further, the Board receives updates on the portfolio on a quarterly basis (and on an ad hoc basis, as required) and challenges the Investment Advisor, as appropriate. The portfolio is relatively concentrated with a target size of 2-10 assets.</i></p>

# Corporate Governance Statement

(continued)

QCA Code Application	Explanation of the Company's Compliance
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation (continued)	<p><i>In relation to risks associated with the Company's operational performance, the Company has no direct employees or operations, and has instead delegated its operations to certain service providers, in particular the Company's Investment Advisor, Nomad, Administrator and Financial Administrator. The Company reviews the performance of these key suppliers on an annual basis with site visits and in-person meetings with all key advisors.</i></p> <p><i>In relation to the financial reporting process :</i></p> <ul style="list-style-type: none"> <li>• <i>The Company receives independent agreed upon procedures compliance reports on a three year cycle (and when procedures are significantly amended) from the Financial Administrator.</i></li> <li>• <i>The Audit and Risk Committee monitors the reporting process and reviews and submits recommendations to the Board, where necessary, challenging the integrity of financial statements.</i></li> <li>• <i>The Audit and Risk Committee reviews the assessments of going concern, longer-term prospects and viability.</i></li> <li>• <i>The Audit and Risk Committee considers proposed changes to accounting policy.</i></li> </ul> <p><i>The Subsidiary investment holding vehicles have their own Boards and governance structure in place. The Subsidiary Boards' review and approve the direct investments. The Subsidiary investment holding vehicles are not consolidated in the group's financial statements in accordance with IFRS 10. The internal control and risk management systems in relation to the financial reporting process for the subsidiaries are in line with the controls followed by the Company.</i></p> <p><i>The Company also controls an employee benefit trust ("EBT") established to operate the jointly owned share plan and share based payment scheme for the Company's Directors and certain employees of the Investment Advisor. The EBT subsidiary's financial statements are consolidated in the financial statements as presented in this Report and Accounts. The EBT subsidiary has its own Trustees and they act independently to the Company. The financial reporting process and controls of the EBT subsidiary are in line with the Company. The Board considers the EBT subsidiary as an insignificant component to the consolidated financial statements.</i></p> <p><i>The Audit and Risk Committee ensures that all service providers remain compliant with relevant regulation and remain suitable to provide their contracted services.</i></p>

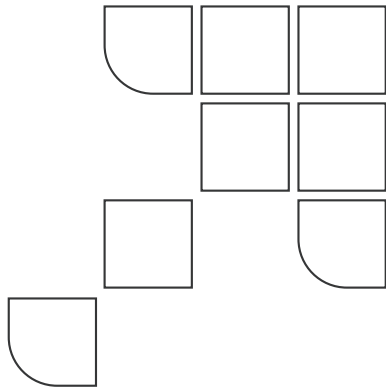
QCA Code Application	Explanation of the Company's Compliance
<p><b>5. Maintain the board as a well-functioning, balanced team led by the chair</b></p> <p>The board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.</p> <p>The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.</p> <p>The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a board judgement.</p> <p>The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.</p> <p>Directors must commit the time necessary to fulfil their roles.</p>	<p><i>All members of the Board are considered to be of independent thought and are non-executive directors. In particular, the Board feel that they are sufficiently independent of the Investment Advisor and that they sufficiently challenge the advice received from the Investment Advisor.</i></p> <p><i>Some Board members have long periods of service. The Board believe that the experience and familiarity with the Company is to the benefit of the Company, its portfolio, its shareholders and objectives. The investment period of portfolio assets matches the long period of service held by certain Board members, providing deep knowledge of the Company's investment portfolio. Board members voluntarily retire by rotation for re-election by shareholders, on 4-year cycles.</i></p> <p><i>The Board has established the following committees to advise on the Board's responsibilities:</i></p> <ul style="list-style-type: none"> <li>• <i>Audit and Risk Committee</i></li> </ul> <p><i>All directors are members of this committee.</i></p> <p><i>The Board does not feel that that the establishment of either a Remuneration Committee or a Nomination Committee would be appropriate for an investment company of the Company's current size.</i></p> <p><i>The Board meets at least four times a year to review the Company's performance and operations. All directors attended the majority of the routine meetings convened in the last twelve months.</i></p> <p><i>The Board may convene additional meetings, as required to address investment opportunities and other matters arising. Where directors are not able to attend (often given the short notice), directors typically communicate their input on the subject matter under discussion to the rest of the Board ahead of time such that it may be incorporated in the Board meeting's deliberations.</i></p> <p><i>The Audit and Risk Committee meets at least twice a year. The Chairman of the Audit and Risk Committee meets with the Company's auditors at least three times a year.</i></p> <p><i>The time commitment required of directors varies dependent upon the activity level of the Company. It is anticipated that 8-12 days per annum are required of directors for the attendance of routine meetings of the Board. In addition it is anticipated that 4-10 days per annum are required for the participation in other matters arising.</i></p>
<p><b>6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</b></p> <p>The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities.</p> <p>The board should understand and challenge its own diversity, including gender balance, as part of its composition.</p> <p>The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.</p>	<p><i>The experience and skills of the directors are detailed in their biographies included on the website and in the annual and interim reports.</i></p> <p><i>The Board reviews the experience and skills of the Board, as a collective, on an annual basis, along with the efficacy of the Board's operations. Any deficiencies identified by these exercises are mitigated, where possible, by development of individual directors or recruitment of directors, when necessary.</i></p>

# Corporate Governance Statement

(continued)

QCA Code Application	Explanation of the Company's Compliance
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities (continued)	<p><i>Each director is responsible for the maintenance of their skills. All directors hold other complementary directorships and are active participants in the investment management community.</i></p> <p><i>By way of example, certain Jersey-based directors are required, given their directorships and under local regulations, to complete a certain amount of Continuing Professional Development ("CPD") each year.</i></p> <p><i>The Board receives investment advice from its Investment Advisor on an ongoing basis. The Board receives compliance advice from the Nomad on an ongoing basis. The Board seeks legal advice where appropriate and for all significant corporate actions and legal agreements.</i></p> <p><i>The Company's secretary and Administrator provide compliance advice, as relevant.</i></p> <p><i>The Company's advisors are detailed on the Company's website and in the annual and interim reports.</i></p> <p><i>Michael Gray is the senior independent director of the Company.</i></p>
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	<p><i>The Board reviews the experience and skills of the Board, as a collective, on an annual basis, along with the efficacy of the Board's operations. Any deficiencies identified by these exercises are mitigated, where possible, by development of individual directors or recruitment of directors, when necessary.</i></p> <p><i>This review is conducted by an anonymised questionnaire completed by directors, with results collated by the Company's Administrator. The matrix of skills and experience against which the Board reviews itself is broad and reflects the Company's strategy and long-term objectives.</i></p> <p><i>The directors collectively review the succession plan for the Board on an annual basis, with recruitment of directors, when necessary, aligned to the skill reviews performed by the Board.</i></p>
8. Promote a corporate culture that is based on ethical values and behaviours	<p><i>The Company seeks to invest capital in a responsible and ethical manner, generating benefit to shareholders, its portfolio companies and the wider economy.</i></p> <p><i>The Company, as a vehicle for holding investments, has no employees and limited capacity to effect changes in culture in companies it is affiliated with. That said, the Board is keen that the portfolio companies, in which the Company has an interest, act in an ethical manner with consideration to the wider community.</i></p> <p><i>The Board ensures that all portfolio companies have policies in place to comply with applicable governance laws and regulations, such as anti-bribery and modern day slavery. The Board has a zero tolerance approach to breaches of these laws and regulations.</i></p> <p><i>The Board promotes ethical behaviour throughout the portfolio, through directions to the Company's Investment Advisors in relation to the ethical management of the portfolio.</i></p> <p><i>No diversity policy has been applied by the Company as it qualifies as a medium company in accordance with DTR 7.2.8 B and DTR 1B.17R.</i></p>

QCA Code Application	Explanation of the Company's Compliance
<p><b>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</b></p> <p>The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:</p> <ul style="list-style-type: none"> <li>• size and complexity; and</li> <li>• capacity, appetite and tolerance for risk.</li> </ul> <p>The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.</p>	<p><i>The roles and responsibilities of the directors are detailed in the Governance Report in the annual and interim reports.</i></p> <p><i>A summary of the role and responsibilities of the chairman of the Board is included on the Company's website.</i></p> <p><i>All significant matters related to the operation of the Company are reserved to the Board, in particular given the Company does not have an executive function.</i></p> <p><i>The committee of the Board has been established to advise the Board on certain matters.</i></p> <p><i>A summary of the terms of reference of the Board and the committee of the Board is included on the Company's website.</i></p> <p><i>The Company has engaged certain suppliers to provide services to the Company. These suppliers are engaged by and report to the Board.</i></p>
<p><b>10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</b></p> <p>A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company.</p> <p>In particular, appropriate communication and reporting structures should exist between the board and all constituent parts of its shareholder base. This will assist:</p> <ul style="list-style-type: none"> <li>• the communication of shareholders' views to the board; and</li> <li>• the shareholders' understanding of the unique circumstances and constraints faced by the company.</li> </ul> <p>It should be clear where these communication practices are described (annual report or website).</p>	<p><i>The annual report includes the following details:</i></p> <ul style="list-style-type: none"> <li>• <i>The work of the Board during the period of review – please see the Chairman's Statement; and</i></li> <li>• <i>The work of the Audit and Risk Committee – please see the Governance Report.</i></li> </ul> <p><i>The annual and interim reports do not include a remuneration report as the Board does not consider such a report appropriate, given the Company does not have executive directors and the remuneration of the non-executive directors is detailed elsewhere in the reports.</i></p> <p><i>The directors of the Company participate in a share-based remuneration scheme. Participation in this scheme requires the purchase by directors of shares in the Company. The Board feel that this scheme is appropriate as equity participation in the Company is important for fostering alignment with shareholders. The scheme has caps on director participation and has been approved by a general meeting of shareholders.</i></p> <p><i>The outcomes of all votes of shareholders are disclosed shortly afterwards via announcement to the market. These announcements are retained on the Company's website.</i></p> <p><i>Historic interim and annual reports are contained on the Company's website (last five years).</i></p>

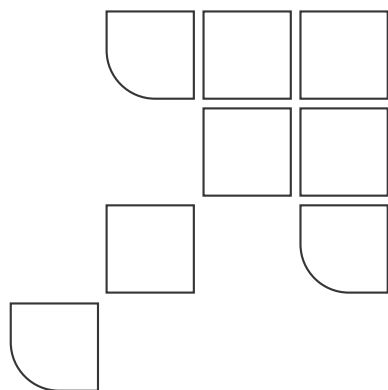




# Financial Statements



ESO Portfolio Asset:  
Denzel's



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# Report of the Directors

## Principal activity and incorporation

EPE Special Opportunities Limited (the "Company") was incorporated in the Isle of Man as a company limited by shares under the Laws with registered number 108834C on 25 July 2003. On 23 July 2012, the Company re-registered under the Isle of Man Companies Act 2006, with registration number 008597V. On 11 September 2018, the Company re-registered under the Bermuda Companies Act 1981, with registration number 53954. The Company's ordinary shares are quoted on AIM, a market operated by the London Stock Exchange, and the Growth Market of the Aquis Stock Exchange (formerly the NEX Exchange). The Company's Unsecured Loan Notes ("ULN") are quoted on the Aquis Stock Exchange.

The Company's Zero Dividend Preference Shares ("ZDP") are admitted to trade on the main market of the London Stock Exchange (standard listed). It was identified that the 31 January 2023 accounts did not fully include certain disclosures and requirements necessitated by the main market listing of the ZDP shares. Detailed review has been performed by management to consider obligations and reporting requirements in accordance with the Listing Rules and DTR for the standard listed segment (shares) on the London Stock Exchange. The format of the annual report has been updated to include the required disclosures.

The principal activity of the Company and its subsidiaries holding vehicles (together the "Subsidiaries") is to provide long-term return on equity for its shareholders by investing between £2m and £30m in small and medium sized companies. The Company targets growth capital and buy-out opportunities, special situations and distressed transactions, deploying capital where it believes the potential for shareholder value creation to be compelling. The Company has the flexibility to invest in public as well as private companies and is also able to invest in Special Purpose Acquisition Companies ("SPACs") and third party funds. The Company will consider most industry sectors including business services, consumer and retail, financial services and the industrials sector. The portfolio is likely to be concentrated, numbering between two and ten assets at any one time, which allows the Company to allocate the necessary resource to form genuinely engaged and supportive partnerships with management teams. This active approach facilitates the delivery of truly transformational initiatives in underlying investments during the Company's period of ownership.

The Subsidiary investment holding vehicles are not consolidated in the group's financial statements in accordance with IFRS 10. The Company also controls an employee benefit trust ("EBT") established to operate the jointly owned share plan and share based payment scheme for the Company's Directors and certain employees of the Investment Advisor. The financial statements presented in this Report and Accounts are the consolidated financial statements of the Company and the EBT subsidiary. The Company and the EBT subsidiary are collectively referred to as the "Group" hereinafter.

## Registered office

The Company's registered office is:

Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

## Place of business

Prior to 15 May 2023, the Company operated out of and was controlled from:

Liberation House, Castle Street, St Helier, Jersey JE1 2LH.

On 15 May 2023, the Company's place of business was amended to:

Gaspe House, 66-72 Esplanade, St Helier, Jersey, Channel Islands, JE1 2LH.

## Results of the financial year

Results for the year are set out in the Consolidated Statement of Comprehensive Income on page 54 and in the Consolidated Statement of Changes in Equity on page 56.

## Dividends

The Board does not recommend a dividend in relation to the current year (2023: nil) (see note 10 for further details).

## Corporate governance principles

Please refer to the Corporate Governance Statement of this Report & Accounts. The Directors, place a high degree of importance on ensuring that the Company maintains high standards of Corporate Governance and have therefore adopted the Quoted Companies Alliance 2018 Corporate Governance Code (the "QCA Code").

The Board holds at least four meetings annually and has established an Audit and Risk Committee. The Investment Committee was agreed to be disbanded by the Board, given that the Subsidiary investment holding vehicles have their own Boards and governance structure in place. The Subsidiary investment holding vehicles' Boards review and approve the direct investments, and as such a separate Investment Committee at the Company level is not required. The Board does not intend to establish remuneration and nomination committees given the current composition of the Board and the nature of the Company's operations. The Board reviews annually the remuneration of the Directors and agrees on the level of Directors' fees.

## Composition of the Board

The Board currently comprises four non-executive directors, all of whom are independent. Clive Spears is Chairman of the Board, David Pirouet is Chairman of the Audit and Risk Committee.

Nicholas Wilson stepped down from the Board on 30 September 2023.

## Audit and Risk Committee

The Audit and Risk Committee comprises David Pirouet (Chairman of the Committee) and all other Directors. The Audit and Risk Committee provides a forum through which the Company's external auditors report to the Board.

The Audit and Risk Committee meets twice a year, at a minimum, and is responsible for considering the appointment and fee of the external auditors and for agreeing the scope of the audit and reviewing its findings. It is responsible for monitoring compliance with accounting and legal requirements, ensuring that an effective system of internal controls is maintained and for reviewing the annual and interim financial statements of the Company before their submission for approval by the Board. The Audit and Risk Committee has adopted and complied with the extended terms of reference implemented on the Company's readmission to AIM in August 2010, as reviewed by the Board from time to time.

The Board is satisfied that the Audit and Risk Committee contains members with sufficient recent and relevant financial experience.

## Principal risks and uncertainties

The Group has a robust approach to risk management that involves ongoing risk assessments, communication with our Board of Directors and Investment Advisor, and the development and implementation of a risk management framework along with reports, policies and procedures. We continue to monitor relevant emerging risks and consider the market and macro impacts on our key risks.

Risk	Description	Mitigation
<b>Performance Risk</b>	In the event the Company's investment portfolio underperforms the market, the Company may underperform vs. the market and peer benchmarks.	<p>The Board independently reviews any investment recommendation made by the Investment Advisor in light of the investment objectives of the Company and the expectations of shareholders.</p> <p>The Investment Advisor maintains board representation on all majority owned portfolio investments and maintains ongoing discussions with management and other key stakeholders in investments to ensure that there are controls in place to ensure the success of the investment.</p>

# Report of the Directors

(continued)

Risk	Description	Mitigation
<b>Portfolio Concentration Risk</b>	The Company's investment policy is to hold a concentrated portfolio of 2-10 assets. In a concentrated portfolio, if the valuation of any asset decreases it may have a material impact on the Company's NAV.	The Directors and Investment Advisor keep the portfolio under review and focus closely on those holdings which represent the largest proportion of total value.
<b>Liquidity Management</b>	Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.	The Board and Investment Advisor closely monitors cash flow forecasts in conjunction with liability maturity. Liquidity forecasts are carefully considered before capital deployment decisions are made.
<b>Credit Risk</b>	Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. The Company, through its interests in subsidiaries, has advanced loans to a number of private companies which exposes the Company to credit risk. The loans are advanced to unquoted private companies, which have no credit risk rating.	Loan investments are entered into as part of the investment strategy of the Company and its subsidiaries, and credit risk is managed by taking security where available (typically a floating charge) and the Investment Advisor taking an active role in the management of the borrowing companies. In addition to the repayment of loans advanced, the Company and subsidiaries will often arrange additional preference share structures and take significant equity stakes so as to create shareholder value. It is the performance of the combination of all securities including third party debt that determines the Company's view of each investment.
<b>Operational Risk</b>	The Company outsources investment advisory and administrative functions to service providers. Inadequate or failed internal processes could lead to operational performance risk and regulatory risk.	The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers. The Directors' assessment of the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via regular discussions with the service providers as well as site visits to their offices. The Company also undertakes periodic third-party reviews of service providers' activities.

## Significant holdings

Significant shareholdings are analysed on page 88. The Directors are not aware of any other holdings greater than 3 per cent. of issued shares.

## Directors

The Directors of the Company holding office during the financial year and to date are:

Mr. C.L. Spears (Chairman)  
Mr. N.V. Wilson (resigned on 30 September 2023)  
Ms. H. Bestwick  
Mr. D.R. Pirouet  
Mr. M.M Gray

## Related Party Transactions

Details in respect of the Group's related party transactions during the period are included in note 22 to the financial statements.

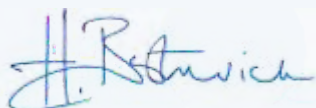
## Staff and Secretary

At 31 January 2024 the Group employed no staff (2023: none).

## Independent Auditors

The current year is the second year in which PricewaterhouseCoopers CI LLP are undertaking the audit for the Group. PricewaterhouseCoopers CI LLP have indicated willingness to continue in office.

On behalf of the Board



**Heather Bestwick**  
Director

27 March 2024

# Statement of Directors' Responsibilities

## in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Directors are required to prepare financial statements for each financial year. The Group is required to prepare the financial statement in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (hereinafter "IFRS Accounting Standards") and applicable legal and regulatory requirements of Bermuda Companies Act 1981.

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of its profit or loss for that period. In preparing the Group's financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRS Accounting Standards; and
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Bermuda Companies Act 1981. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the Company's website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that might have occurred to the annual financial statements since they were initially presented on the website. Legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors confirm that, to the best of their knowledge:

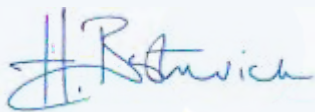
- The financial statements, prepared in accordance with IFRS Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Investment Advisor's report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.



In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This annual report was approved by the Board and the above Director's Responsibility Statement was signed on behalf of the Board by:



**Heather Bestwick**  
Director

27 March 2024

# Independent Auditors' Report

## to the Members of EPE Special Opportunities Limited

### Report on the audit of the financial statements

#### Our opinion

In our opinion, EPE Special Opportunities Limited's group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 January 2024 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

We have audited the group financial statements, included within the Report and Accounts (the "Annual Report"), which comprise: the Consolidated Statement of Assets and Liabilities as at 31 January 2024; the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash flows for the year then ended; and the notes to the group financial statements, comprising material accounting policy information and other explanatory information.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Our audit approach

##### Overview

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##### Audit scope

- EPE Special Opportunities Limited (the "Company") is registered in Bermuda but operates from Jersey. We conducted our audit work in Jersey. The Company's subsidiaries comprise subsidiary investments measured at fair value through profit or loss which are not consolidated in accordance with IFRS 10, and an employee benefit trust which is consolidated in the group's financial statements. The group is composed of the Company and its consolidated subsidiary.
- We tailored the scope of our audit taking into account the type of investments held by the group, the accounting processes and controls, and the industry in which the group operates.
- We have audited the financial statements of the group prepared by its financial administrator who is based in London.

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##### Key audit matters

- Valuation of the underlying Level 3 investments recognised as part of the Investments at fair value through profit or loss.

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##### Materiality

- Overall materiality: £2,179,000 (2023: £1,948,000) based on 2.25% (2023: 2%) of net assets.
  - Performance materiality: £1,634,000 (2023: £974,000).
-

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matter below is consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Valuation of the underlying Level 3 investments recognised as part of the Investments at fair value through profit or loss.</i></b></p> <p>The Company's Investments at fair value through profit or loss include underlying Level 3 investments amounting to £59,461,949 as at 31 January 2024 (2023: £50,568,639). These underlying investments are held through the Company's subsidiaries. Details of these investments including the valuation techniques used in determining the fair value are disclosed in Note 12 to the financial statements.</p> <p>The Company's underlying investment in a listed special purpose acquisition company ("SPAC") is classified as Level 3 together with the unquoted investments in private equity ("Direct PE investments").</p> <p>The valuation of these underlying Level 3 investments, where material, has been assessed as a key audit matter due to the significant judgement required and assumptions applied in determining the fair value as at 31 January 2024.</p>	<p>We evaluated the investment valuation accounting policy for compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and the International Private Equity and Venture Capital Valuation Guidelines. We also tested that the investment valuations were accounted for in accordance with the stated policy.</p> <p>We obtained an understanding and performed an evaluation of the Investment Advisor's processes, key controls and methodology applied in determining the fair value of the investment portfolio, along with the subsequent consideration and approval by the Directors. We tested the classification, approach and valuation basis of the underlying Level 3 investments held through the Company's subsidiaries.</p> <p><b>Level 3 investments comprise of the following:</b></p> <p><b>Investment in Direct PE investments</b> – We evaluated the appropriateness of the valuation methodology for each investment. This included:</p> <ul style="list-style-type: none"> <li>• testing the financial metrics applied using independently obtained latest financial information from portfolio companies;</li> <li>• assessing the suitability of selected peers; checking the valuation multiples used to third party sources; and</li> <li>• challenging the reasonableness of the significant unobservable inputs into the valuation models.</li> </ul>

# Independent Auditors' Report

to the Members of EPE Special Opportunities Limited (continued)

Key audit matter	How our audit addressed the key audit matter
	<p><b>Investment in the SPAC</b> – the fair value for this asset is calculated with reference to the liquidation value of the investments. We tested the basis of the liquidation value to underlying agreements and confirmed the recoverable amount held in escrow for the SPAC to bank statements.</p> <p>We considered the quality of information obtained through our confirmation process, as well as the date of the latest available information used to support these valuations at year end. This included a review of the latest audited financial statements of the underlying investment companies or funds and an assessment of the appropriateness of the confirming parties supplying us with the requested valuation support.</p> <p>Based on the audit work detailed above, we have not identified anything material to report to those charged with corporate governance.</p>

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which it operates.

The group's portfolio investments are held by its three controlled subsidiary investments: ESO Investment 1 Limited; ESO Investments 2 Limited and ESO Alternative Investments. These entities are not consolidated in the group's financial statements in accordance with IFRS 10. The Company also controls the EPIC Private Equity Employee Benefit Trust, an employee benefit trust established to operate the jointly owned share plan and share based payment scheme for the Company's directors and certain employees of the Investment Advisor. The employee benefit trust's financial statements are consolidated in the group's financial statements.

The accounting processes and finance function of the Company and its subsidiaries are managed centrally by EPIC Administration Limited, financial administrator. Each portfolio company held through a subsidiary investment is responsible for its own accounting processes and controls. Financial information is shared to the relevant subsidiary which forms the basis of estimating the fair value of the subsidiary investments by the Investment Advisor.

We consider the consolidated subsidiary to be an insignificant component and based on our professional judgement have tailored our audit scope to account for the group's consolidated financial statements as a single component to which we have applied the group materiality.

## The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's financial statements.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Overall group materiality</b>	£2,179,000 (2023: £1,948,000).
<b>How we determined it</b>	2.25% (2023: 2%) of net assets
<b>Rationale for benchmark applied</b>	We believe that net assets is the most appropriate benchmark because this is the key metric of interest to investors. It is also a generally accepted measure used for companies in this industry.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 50%) of overall materiality, amounting to £1,634,000 (2023: £974,000) for the group financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £108,000 (2023: £97,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- Evaluating risks and factors that could impact the going concern basis of accounting, including both internal risks (i.e., business model and strategy execution) and external risks (i.e., macroeconomic conditions);
- Understanding and evaluating the group's financial forecasts and stress testing of the key assumptions used;
- Assessing the level of available financial resources against the group's financing facilities and commitments and performing sensitivity analysis;
- Reviewing and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

# Independent Auditors' Report

## to the Members of EPE Special Opportunities Limited (continued)

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

### Responsibilities for the financial statements and the audit

#### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to, but were not limited to, the Companies Act 1981 (Bermuda) and the Listing Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 1981 (Bermuda). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and the potential for management bias in accounting estimates and key judgements impacting the financial statements, specifically the valuation of investments held at fair value through profit or loss. Audit procedures performed by the engagement team included:

- Enquiries with the directors, the investment advisor and the regulated third party administrators to any actual or suspected instances of fraud or non-compliance with laws and regulations;
- Understanding and assessing the impact of known and suspected instances of non-compliance with laws and regulations that could rise to a material misstatement in the group financial statements, including, but not limited to, the Companies Act 1981 (Bermuda) and the Listing Rules;
- Inspecting and testing significant transactions or financial statement disclosures determined in accordance with the terms of the relevant agreements, such as any fees paid to the investment advisor and related entities;

- Inspecting legal fee expenditure for any indication of undisclosed litigation or non-compliance with laws and regulations;
- Evaluating assumptions and judgements made in relation to significant accounting estimates, particularly the determination of fair value of the investments;
- Performing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Identifying and testing journal entries considered to be of higher fraud risk, and the evaluation of the business rationale for any significant or unusual transactions identified as being outside the normal course of business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Section 90 of the Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors for the year ended 31 January 2024 is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal and regulatory requirements.

In light of the knowledge and understanding obtained in the course of the audit, we did not identify any material misstatement in the Report of the Directors.

### Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.114R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

**Michael Byrne**  
**For and on behalf of PricewaterhouseCoopers CI LLP**  
Chartered Accountants  
Jersey, Channel Islands

27 March 2024

# Consolidated Statement of Comprehensive Income

For the year ended 31 January 2024

Note	31 January 2024 Total £	31 January 2023 Total £	
<b>Income</b>			
4	Interest income	366,660	79,899
11	Net fair value movement on investments*	3,384,604	(39,438,551)
	<b>Total income / (loss)</b>	<b>3,751,264</b>	<b>(39,358,652)</b>
<b>Expenses</b>			
5	Investment advisor's fees	(1,832,745)	(1,755,442)
6	Directors' fees	(162,474)	(172,000)
7	Share based payment expense	(339,593)	(555,225)
8	Other expenses	(635,675)	(557,416)
	<b>Total expense</b>	<b>(2,970,487)</b>	<b>(3,040,083)</b>
	<b>Profit / (loss) before finance costs and tax</b>	<b>780,777</b>	<b>(42,398,735)</b>
<b>Finance charges</b>			
15	Interest on unsecured loan note instruments	(309,049)	(309,382)
15	Zero dividend preference shares finance charge	(868,190)	(1,128,093)
	<b>Loss for the year before taxation</b>	<b>(396,462)</b>	<b>(43,836,210)</b>
9	Taxation	-	-
	<b>Loss for the year</b>	<b>(396,462)</b>	<b>(43,836,210)</b>
	Other comprehensive income	-	-
	<b>Total comprehensive loss</b>	<b>(396,462)</b>	<b>(43,836,210)</b>
17	<b>Basic loss per ordinary share (pence)</b>	<b>(1.39)</b>	<b>(147.95)</b>
17	<b>Diluted loss per ordinary share (pence)</b>	<b>(1.33)</b>	<b>(141.77)</b>

\* The net fair value movements on investments is allocated to the capital reserve and all other income and expenses are allocated to the revenue reserve in the Consolidated Statement of Changes in Equity. All items derive from continuing activities.



# Consolidated Statement of Assets and Liabilities

At 31 January 2024

Note	31 January 2024 £	31 January 2023 £
<b>Non-current assets</b>		
11 Investments at fair value through profit or loss	95,459,612	100,412,977
	<b>95,459,612</b>	<b>100,412,977</b>
<b>Current assets</b>		
11 Investments at fair value through profit or loss	5,262,427	-
13 Cash and cash equivalents	14,462,495	22,226,008
Trade and other receivables and prepayments	73,646	87,899
	<b>19,798,568</b>	<b>22,313,907</b>
<b>Current liabilities</b>		
14 Trade and other payables	(676,284)	(596,790)
15 Unsecured loan note instruments	(3,987,729)	(3,987,729)
	<b>(4,664,013)</b>	<b>(4,584,519)</b>
<b>Net current assets</b>	<b>15,134,555</b>	<b>17,729,388</b>
<b>Non-current liabilities</b>		
15 Zero dividend preference shares	(13,714,191)	(20,721,001)
	<b>(13,714,191)</b>	<b>(20,721,001)</b>
<b>Net assets</b>	<b>96,879,976</b>	<b>97,421,364</b>
<b>Equity</b>		
16 Share capital	1,730,828	1,730,828
16 Share premium	13,619,627	13,619,627
24 Capital reserve	100,523,993	97,139,389
24 Revenue reserve and other equity	(18,994,472)	(15,068,480)
<b>Total equity</b>	<b>96,879,976</b>	<b>97,421,364</b>
18 <b>Net asset value per share (pence)</b>	<b>324.26</b>	<b>328.41</b>

The financial statements were approved by the Board of Directors on 27 March 2024 and signed on its behalf by:



**Clive Spears**  
Director



**David Pirouet**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 January 2024

		Year ended 31 January 2024				
Note		Share capital £	Share premium £	Capital reserve £	Revenue reserve and other equity £	Total £
	<b>Balance at 1 February 2023</b>	1,730,828	13,619,627	97,139,389	(15,068,480)	97,421,364
	Total comprehensive loss for the year	–	–	3,384,604	(3,781,066)	(396,462)
	<b>Contributions by and distributions to owners</b>					
7	Share-based payment charge	–	–	–	339,593	339,593
	Share ownership scheme participation	–	–	–	41,401	41,401
16	Share acquisition for JOSP scheme	–	–	–	(525,920)	(525,920)
	<b>Total transactions with owners</b>	–	–	–	<b>(144,926)</b>	<b>(144,926)</b>
	<b>Balance at 31 January 2024</b>	<b>1,730,828</b>	<b>13,619,627</b>	<b>100,523,993</b>	<b>(18,994,472)</b>	<b>96,879,976</b>
		Year ended 31 January 2023				
Note		Share capital £	Share premium £	Capital reserve £	Revenue reserve and other equity £	Total £
	<b>Balance at 1 February 2022</b>	1,730,828	13,619,627	136,577,940	(8,303,418)	143,624,977
	Total comprehensive loss for the year	–	–	(39,438,551)	(4,397,659)	(43,836,210)
	<b>Contributions by and distributions to owners</b>					
7	Share-based payment charge	–	–	–	555,225	555,225
	Share ownership scheme participation	–	–	–	149,568	149,568
16	Purchase of shares	–	–	–	(2,587,375)	(2,587,375)
16	Share acquisition for JOSP scheme	–	–	–	(484,821)	(484,821)
	<b>Total transactions with owners</b>	–	–	–	<b>(2,367,403)</b>	<b>(2,367,403)</b>
	<b>Balance at 31 January 2023</b>	<b>1,730,828</b>	<b>13,619,627</b>	<b>97,139,389</b>	<b>(15,068,480)</b>	<b>97,421,364</b>

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 January 2024

Note	31 January 2024 £	31 January 2023 £
<b>Operating activities</b>		
	366,660	79,899
	(2,535,853)	(2,853,467)
<b>11</b>	(3,350,000)	(3,174,948)
<b>11</b>	6,425,542	3,848,880
<b>19</b>	<b>906,349</b>	<b>(2,099,636)</b>
<b>Financing activities</b>		
<b>15</b>	(309,049)	(299,080)
	(525,920)	(3,072,196)
<b>15</b>	(7,875,000)	-
	41,401	149,568
	<b>(8,668,568)</b>	<b>(3,221,708)</b>
	(7,762,219)	(5,321,344)
	(1,294)	2,310
	22,226,008	27,545,042
<b>13</b>	<b>14,462,495</b>	<b>22,226,008</b>

## Reconciliation of net debt

	On 31 January 2023 £	Cash flows £	Other non-cash charge £	On 31 January 2024 £
Cash and cash equivalents				
Cash at bank	22,226,008	(7,762,219)	(1,294)	14,462,495
Unsecured loan note instruments	(3,987,729)	309,049	(309,049)	(3,987,729)
Zero dividend preference shares	(20,721,001)	7,875,000	(868,190)	(13,714,191)
<b>Net debt</b>	<b>(2,482,722)</b>	<b>421,830</b>	<b>(1,178,533)</b>	<b>(3,239,425)</b>

The accompanying notes form an integral part of these financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 January 2024

## 1 General information

On 25 July 2003, the Company was incorporated with limited liability in the Isle of Man. On 23 July 2012, the Company then re-registered in the Isle of Man in order to bring the Company within the Isle of Man Companies Act 2006, with registration number 008597V. On 11 September 2018, the Company re-registered under the Bermuda Companies Act 1981, with registration number 53954. The Company moved its operations to Jersey with immediate effect on 17 May 2017 and has subsequently operated from Jersey only.

The Company's ordinary shares are quoted on AIM, a market operated by the London Stock Exchange, and the Growth Market of the Aquis Stock Exchange (formerly the NEX Exchange). The Company's zero dividend preference shares are admitted to trade on the main market of the London Stock Exchange (standard listed). The Company's unsecured loan notes are quoted on the Aquis Stock Exchange.

The Company's portfolio investments are held in two majority owned subsidiary entities, ESO Investments 1 Limited and ESO Investments 2 Limited and one wholly owned subsidiary entity, ESO Alternative Investments LP (together the "Subsidiaries"). ESO Investments 1 Limited and ESO Investments 2 Limited operate out of Jersey and ESO Alternative Investments LP operates out of the United Kingdom.

Direct interests in the individual portfolio investments are held by the following Subsidiaries:

- ESO Investment 1 Limited: Rayware, Whittard, David Phillips and Denzel's
- ESO Investments 2 Limited: Luceco and Pharmacy2U
- ESO Alternative Investments LP: European Capital Private Debt Fund LP, Atlantic Credit Opportunities DAC, EPIC Acquisition Corp and EAC Sponsor Limited

The above Subsidiaries are subsidiary holding vehicles and are not consolidated in accordance with IFRS 10 as detailed in Notes 3a and 3b.

The Company also controls the EPIC Private Equity Employee Benefit Trust (referred herein as the "EBT subsidiary"), an employee benefit trust, which financial position and results are consolidated in these financial statements (refer to Notes 3a and 7 for details). These financial statements are consolidated financial statements of the Company and the EBT subsidiary. The Company and the EBT subsidiary are collectively referred to as the "Group" hereinafter.

The Group's primary objective is to provide long-term return on equity for its shareholders by investing between £2m and £30m in small and medium sized companies.

The Group targets growth capital and buy-out opportunities, special situations and distressed transactions, deploying capital where it believes the potential for shareholder value creation to be compelling. ESO has the flexibility to invest in public as well as private companies and is also able to invest in Special Purpose Acquisition Companies ("SPACs") and third party funds.

ESO will consider most industry sectors including business services, consumer and retail, financial services and the industrials sector.

The portfolio is likely to be concentrated, numbering between two and ten assets at any one time, which allows the Group to allocate the necessary resource to form genuinely engaged and supportive partnerships with management teams. This active approach facilitates the delivery of truly transformational initiatives in underlying investments during the Group's period of ownership.

The Group has no employees.

## 1 General information (continued)

The following significant changes occurred during the year ended 31 January 2024:

- In July 2023, the Company completed the realisation of its holdings in Atlantic Credit Opportunities Fund and in August 2023 completed the realisation of its holdings in Prelude Structured Alternatives Master Fund LP, with both realised at carrying value.
- In January 2024, EPIC Acquisition Corp. announced that it will return all residual capital to third parties and wind up. The valuation methodology for EPIC Acquisition Corp. and EAC Sponsor Limited was amended to a liquidation valuation, implying a reduction in the aggregate value of the holdings. As a result, the designation of the level of fair value hierarchy of EPIC Acquisition Corp was amended to Level 3 from Level 2 as at 31 January 2023 (see note 12).
- In July 2023, the Company completed the buyback of 7.5 million zero dividend preference shares ("ZDP"). Following this buyback, the Company has 12.5 million ZDP shares remaining in issue, maturing in December 2026 for a value of £7,875,000 (see note 15).
- The movement in the value of investments and fair value movement are deemed as significant changes during the period (see note 12).

## 2 Basis of preparation

### a. Statement of compliance

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and applicable legal and regulatory requirements of Bermuda Companies Act 1981. The following accounting policies have been adopted and applied consistently. The financial statements comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

### b. Basis of measurement

The financial statements have been prepared on the historical cost convention except for financial instruments at fair value through profit or loss which are measured at fair value (note 12). The following are amendments that the Group has decided not to adopt early:

- **Standards and amendments to existing standards effective 1 January 2023**  
There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2023 that have a material effect on the financial statements of the Group.
- **New standards, amendments and interpretations effective after 1 January 2023 and have not been early adopted**  
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2023, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 January 2024 (continued)

## 2 Basis of preparation (continued)

### c. Functional and presentation currency

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

'Functional currency' is the currency of the primary economic environment in which the Group operates. The expenses (including investment advisory and administration fees) and investments are denominated and paid in Sterling. Accordingly, management has determined that the functional currency of the Group is Sterling.

A foreign currency transaction is recorded initially at the rate of exchange at the date of the transaction. Assets and liabilities are translated from foreign currency to the functional currency at the closing rate at the end of the reporting period. The resulting gains or losses are included in the Consolidated Statement of Comprehensive Income.

### d. Use of estimates and judgements

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

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

Critical accounting estimates and assumptions made by Directors and the Investment Advisor in the application of IFRS Accounting Standards that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the year relate to the determination of fair value of financial instruments with significant unobservable inputs (see note 12).

The critical judgements made by the Directors and the Investment Advisor in preparing these financial statements are:

- Classification of the zero dividend preference share as a non-current liability in the Consolidated Statement of Assets and Liabilities. The zero dividend preference shares meet the definition of a non-current liability as detailed in note 3(l). Please refer to note 15 for further details.
- Categorisation of ESO Alternative Investments LP, ESO Investments 1 Limited and ESO Investments 2 Limited as Subsidiaries. The Company is deemed to have control over these Subsidiaries. Please refer to note 3(a) for details.

## 2 Basis of preparation (continued)

### e. Unconsolidated structured entities

The Company invests in portfolio investments through its Subsidiaries. See note 3(a) for an explanation of why these entities are considered controlled subsidiary investments. The purpose of the Subsidiaries is to hold investments. The Subsidiaries meet the definition of unconsolidated structured entities under IFRS 12. There are letters of support in place between the Company and ESO Investments 1 Limited and ESO Investments 2 Limited for the payment of expenses. ESO Alternative Investments LP pays its own expenses.

The total fair value of the Subsidiaries, and the amount recognised in the Company's financial statements (as investments at fair value) is £100,722,039 (2023: £100,412,977).

In respect of ESO Alternative Investments LP, the Company has 100% beneficial ownership of the entity.

In respect of ESO Investments 1 Limited, the Company has 80% beneficial ownership of the entity.

In respect of ESO Investments 2 Limited, the Company has 80% beneficial ownership of the entity.

There are no restrictions on the ability of the above Subsidiaries to transfer funds to the Company in the form of cash dividends or loan repayments.

The Company's maximum exposure to loss from its interest in its Subsidiaries is equal to the total fair value of its investment in its Subsidiaries.

The Company's Subsidiaries invest in quoted and unquoted securities, in line with the Company's investment policy. The value of these investments may be impacted by market price risk arising from uncertainty about the future market value of these holdings as well as the risk of underperformance of the underlying portfolio companies.

The exposure to investments in Subsidiaries measured at fair value is disclosed in the following table :

	31 January 2024 £	31 January 2023 £
ESO Investments 1 Limited	52,200,243	43,217,307
ESO Investments 2 Limited	42,722,072	44,330,483
ESO Alternative Investments LP	5,799,724	12,865,187
	<b>100,722,039</b>	<b>100,412,977</b>

During the year ended 31 January 2024 total net profit incurred on the fair value movement on investments in Subsidiaries was £3,384,604 (2023: loss of £39,438,551) (as set out in note 11).

### f. Going concern

The Group's management has assessed the Group's ability to continue as a going concern and is satisfied that the Group has adequate resources to continue in business for at least twelve months from the date of approval of financial statements. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 January 2024 (continued)

## 3 Material accounting policy information

### a. Subsidiaries and consolidation

The Company has subsidiaries which have been determined to be controlled subsidiary investments. Controlled subsidiary investments are measured at fair value through profit or loss and are not consolidated in accordance with IFRS 10. The fair value of controlled subsidiary investments is determined on a consistent basis to all other investments measured at fair value through profit or loss, and as described in note 3.i.

A controlled subsidiary investment involves holding companies over which the Company has the power to govern the financial and operating policies. These holding companies are subsidiaries that have been incorporated for the purpose of holding underlying investments on behalf of the Company. Such holding companies have no operations other than providing a vehicle for the acquisition, holding and onward sale of certain portfolio investment companies. The holding companies are also reflected at its fair value, with the key fair value driver thereof being the investment in the underlying portfolio company investments that the holding company holds on behalf of the Company. The holding companies require no consolidation, because the holding companies are not deemed to be providing investment related services, as defined by IFRS 10.

Where the Company is deemed to have control over an underlying portfolio company, either directly or indirectly, and whether the control is via voting rights or through the ability to direct the relevant activities in return for access to a significant portion of the variable gains and losses derived from those relevant activities, the Company does not consolidate the underlying portfolio company; instead, the Company reflects its investment at fair value through profit or loss.

The EPIC Private Equity Employee Benefit Trust ("EBT Subsidiary or Trust") is treated as a subsidiary and consolidated in the financial statements. The impact on the financial statements is immaterial. All transactions and balances between the Company and EBT Subsidiary are eliminated on consolidation. Amounts reported in the financial statements have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company. Please refer to note 7 for more details.

### b. Investment entity

IFRS 10: "Consolidated Financial Statements", provides an exception to the consolidation requirement for entities that meet the definition of an investment entity.

The Directors believe the Company meets the definition of an investment entity as the following conditions exist:

- The Company obtains funds from its members for the purpose of providing those members with investment management services;
- The Company commits to its members that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- The Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

### c. Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business and geographic area, being arranging financing for growth, buyout and special situations investments in the United Kingdom. Information presented to the Board of Directors for the purpose of decision making is based on this single segment. All significant operating decisions are based upon the analysis of the Company's investments as a single operating segment. The financial information from this segment are equivalent to the financial information of the Company as a whole, which are evaluated on a regular basis by the Board of Directors.



### 3 Material accounting policy information (continued)

#### d. Income

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is accounted for when the right to receive such income is established.

#### e. Expenses

All expenses are accounted for on an accrual basis.

#### f. Cash and cash equivalents

Cash and cash equivalents comprise of current cash deposits with banks only. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

#### g. Finance charges

Other finance charges are recognised as an expense.

#### h. Trade and other payables

Trade and other payables are stated at amortised cost in accordance with IFRS 9.

#### i. Unsecured loan note instruments

Unsecured loan note instruments are stated at amortised cost in accordance with IFRS 9.

#### j. Financial assets and financial liabilities

##### A. Classification

##### Financial assets

When the Group first recognises a financial asset, it classifies it based on the business model for managing the asset and the asset's contractual cash flow characteristics, as follows:

- Amortised cost: a financial asset is measured at amortised cost if both of the following conditions are met:
  - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Fair value through other comprehensive income: financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Fair value through profit or loss: any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

When, and only when, the Group changes its business model for managing financial assets it must reclassify all affected financial assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 January 2024 (continued)

## 3 Material accounting policy information (continued)

### Financial liabilities

All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities include derivatives (other than derivatives that are financial guarantee contracts or are designated and effective hedging instruments), other liabilities held for trading, and liabilities that an entity designates to be measured at fair value through profit or loss.

### B. Recognition

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

### C. Measurement

Equity and debt investments, including those held by Subsidiaries, are stated at fair value. Loans and Receivables are stated at amortised cost less any impairment losses.

The Investment Advisor determines asset values using the valuation principles of IFRS 13.

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company measures instruments quoted in an active market at closing price on the relevant exchange at the measurement date.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Financial assets that are not carried at fair value through profit and loss are subject to an impairment test. For loans to portfolio companies the impairment test is undertaken as part of the assessment of the fair value of the enterprise value of the related business, as described above. If expected life cannot be determined reliably, then the contractual life is used.

### D. Impairment

#### 12-month expected credit losses

12-month expected credit losses are calculated by multiplying the probability of a default occurring in the next 12 months with the total (lifetime) expected credit losses that would result from that default, regardless of when those losses occur. Therefore, 12-month expected credit losses represent a financial asset's lifetime expected credit losses that are expected to arise from default events that are possible within the 12 month period following origination of an asset, or from each reporting date for those assets in initial recognition stage.

### 3 Material accounting policy information (continued)

#### Lifetime expected credit losses

Lifetime expected credit losses are the present value of expected credit losses that arise if a borrower defaults on its obligation at any point throughout the term of a lender's financial asset (that is, all possible default events during the term of the financial asset are included in the analysis). Lifetime expected credit losses are calculated based on a weighted average of expected credit losses, with the weightings being based on the respective probabilities of default.

#### E. Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9.

The Company uses the weighted average method to determine realised gains and losses on derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

#### k. Share capital

##### Ordinary share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

##### Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from revenue reserves.

##### Capital Reserve and Revenue Reserve and other equity

The capital reserve comprises net gains and losses on investments. The revenue reserve and other equity comprise other income and expenses plus other items recorded directly in equity (excluding items recorded as share capital / share premium).

#### l. Jointly owned share plan ("JOSP") and share-based payments

Directors of the Company and certain employees of the Investment Advisor (together "Participants") receive remuneration in the form of equity-settled share-based payment transactions, through a JOSP Scheme.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is determined based on the share price of the equity instrument at the grant date. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of shares that will eventually vest. The instruments are subject to a three-year service vesting condition from the grant date, and their fair value is recognised as a share-based expense with a corresponding increase in revenue reserves within equity over the vesting period. Contributions received from employees as part of the JOSP arrangement are recognised directly in equity in the line share ownership scheme participation.

The assets (other than investments in the Company's shares), liabilities, income and expenses of the Trust established to operate the JOSP scheme are consolidated in these financial statements. Any expense incurred by the Trust are borne by the Company. The Trust's investment in the Company's shares is deducted from shareholders' funds in the Consolidated Statement of Asset and Liabilities as if they were treasury shares (see note 7).

# Notes to the Consolidated Financial Statements

For the year ended 31 January 2024 (continued)

## 3 Material accounting policy information (continued)

### m. Zero dividend preference shares (“ZDP”)

Under IAS 32 – Financial Instruments: Presentation, the ZDP Shares are classified as financial liabilities and are held at amortised cost. An accrual for the final capital entitlement of the ZDP Shares is included in the Consolidated Statement of Comprehensive Income as a finance cost and is calculated using the effective interest rate method (“EIR”). The costs of issue of the ZDP Shares are amortised over the period to the ZDP Share redemption date.

### n. Future changes in accounting policies

Several new standards and interpretations have been published that are not mandatory for 31 January 2024 reporting periods and earlier application is permitted; however, the Group has not adopted early the new or amended standards in preparing these financial statements.

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

### o. Change in categorisation of holding companies

During the year ended 31 January 2023, the Directors reassessed its categorisation of ESO Alternative Investments LP, ESO Investments 1 Limited and ESO Investments 2 Limited from Associates to Subsidiaries. These entities were set up by the Company as holding vehicles for investments acquired for the benefit of the Company. The holding companies are structured entities and as such voting rights or similar rights are not the dominant factor in decision-making power over them. As a result, the Directors deem the classification of these entities as Subsidiaries to be more appropriate.

## 4 Interest income

	2024 Group £	2023 Group £
Interest earned on cash balances	366,660	79,899
<b>Total</b>	<b>366,660</b>	<b>79,899</b>

## 5 Investment advisory, administration and performance fees

### Investment advisory fees

The investment advisory fee payable to EPIC Investment Partners LLP ("EPIC") is assessed and payable at the end of each fiscal quarter and is calculated as 2 per cent. of the Group's NAV where the Group's NAV is less than £100 million; otherwise the investment advisory fee is calculated as the greater of £2.0 million or the sum of 2 per cent. of the Group's NAV comprising Level 2 and Level 3 portfolio assets, 1 per cent. of the Group's NAV comprising Level 1 assets, no fees on assets which are managed or advised by a third-party manager, 0.5 per cent. of the Group's net cash (if greater than nil), and 2 per cent. of the Group's net cash (if less than nil) (i.e. reducing fees for net debt positions).

The charge for the current year was £1,832,745 (2023: £1,755,442). The amount outstanding as at 31 January 2024 was £484,400 (2023: £487,107) (see note 14).

### Administration fees

EPIC Administration Limited provides accounting and financial administration services to the Group. The fee payable to EPIC Administration Limited is assessed and payable at the end of each fiscal quarter and is calculated as 0.15 per cent. of the Group's NAV where the Group's NAV is less than £100 million (subject to a minimum fee of £35,000); otherwise the advisory fee shall be calculated as 0.15 per cent. of £100 million plus a fee of 0.1 per cent. of the excess of the Group's NAV above £100 million.

The charge for the current year was £141,330 (2023: £147,043).

Other administration fees during the year were £82,406 (2023: £76,302).

### Performance fees paid by Subsidiaries

The Subsidiaries are stated at fair value. Performance fees are paid to the Investment Advisor based on the performance of the Subsidiaries and deducted in calculating the fair value of Subsidiaries.

### Performance fee in ESO Investments 1 Limited

The distribution policy of ESO Investments 1 Limited includes an allocation of profits to the Investment Advisor such that, for each investment where a returns hurdle of 8 per cent. per annum has been achieved, the Investment Advisor is entitled to receive 20 per cent. of the increase above the base value of investment. As at 31 January 2024, £4,983,792 has been accrued in the profit share account of the Investment Advisor in the records of ESO Investments 1 Limited (2023: £nil accrued).

### Performance fee in ESO Investments 2 Limited

The distribution policy of ESO Investments 2 Limited includes an allocation of profit to the Investment Advisor such that, for each investment where a returns hurdle of 8 per cent. per annum has been achieved, the Investment Advisor is entitled to receive 20 per cent. of the increase above the base value of investment. As at 31 January 2024, £9,104,320 has been accrued in the profit share account of the Investment Advisor in the records of ESO Investments 2 Limited (2023: £9,112,002 accrued).

### Joint Owned Share Plan ("JOSP") and share-based payments

Directors of the Company and certain employees of the Investment Advisor (together "Participants") receive remuneration in the form of equity-settled share-based payment transactions, through a JOSP Scheme (see note 7).

# Notes to the Consolidated Financial Statements

For the year ended 31 January 2024 (continued)

## 6 Directors' fees

	2024 Company £	2024 Share-based payment £	2023 Company £	2023 Share-based payment £
C.L. Spears (Chairman)	42,000	6,393	42,000	9,388
N.V. Wilson (resigned on 30 September 2023)	22,474	5,972	32,000	9,216
H. Bestwick	32,000	6,393	32,000	9,388
D.R. Pirouet	34,000	8,298	34,000	6,132
M.M. Gray	32,000	4,296	32,000	2,093
<b>Total</b>	<b>162,474</b>	<b>31,352</b>	<b>172,000</b>	<b>36,217</b>

In addition to the fees noted above, C.L. Spears, H. Bestwick and M.M Gray received during the year:

- £3,750 each as Directors' fees for their directorship of ESO Investments 1 Limited; and
- £3,750 each as Directors' fees for their directorship of ESO Investments 2 Limited.

Aggregate Directors' fees for ESO Investments 1 Limited and ESO Investments 2 Limited for the year ended 31 January 2024 amounted to £22,500 (2023 : £22,500).

Nicholas Wilson resigned on 30 September 2023. The share-based payment expense is calculated as set out in note 7.

## 7 Share-based payment expense

The cost of equity-settled transactions to Participants in the JOSP Scheme are measured at fair value at the grant date. The fair value is determined based on the share price of the equity instrument at the grant date.

The Trust was created to award shares to Participants as part of the JOSP. The Trust is consolidated in these financial statements in accordance with Note 3a. Participants are awarded a certain number of shares ("Matching Shares") which are subject to a three-year service vesting condition from the grant date. In order to receive their Matching Share allocation Participants are required to purchase shares in the Company on the open market ("Bought Shares"). The Participant will then be entitled to acquire a joint ownership interest in the Matching Shares for the payment of a nominal amount, on the basis of one joint ownership interest in one Matching Share for every Bought Share they acquire in the relevant award period.

The Trust holds the Matching Shares jointly with the Participant until the award vests. These shares carry the same rights as the rest of the ordinary shares.

The Trust held 1,546,693 (2023: 1,290,202) matching shares at the year-end which have historically not voted (see note 16).

257,061 shares vested to Participants in the year ended 31 January 2024 (2023: 862,290). 305,082 shares were awarded to Participants in the year ended 31 January 2024 (2023: 156,173). The weighted average fair value of the shares awarded during the period is 146.33 pence per share.

## 7 Share-based payment expense (continued)

The fair value of awards granted under the JOSP is recognised as an employee benefits expense, with a corresponding increase in equity. This has been calculated on the basis of the fair value of the equity instruments, which is the share price of the equity instrument on the AIM market of the London Stock Exchange at the grant date and the estimated number of equity instruments to be issued after the vesting period, less the amount paid for the joint ownership interest in the Matching Shares from the Participants. As the Company does not pay dividends, no expected dividends were incorporated into the measurement value. No other features other than the share price of the equity instrument is incorporated into the measurement of the fair value of the awards.

The impact of revision to original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity.

The total share-based payment expense in the year ended 31 January 2024 was £339,593 (2023: £555,225). Of the total share-based payment expense in the year ended 31 January 2024, £31,352 related to the Directors (2023: £36,217) and the balance related to members, employees and consultants of the Investment Advisor.

## 8 Other expenses

The breakdown of other expenses presented in the Consolidated Statement of Comprehensive Income is as follows:

	31 January 2024 Total £	31 January 2023 Total £
Administration fees	(223,806)	(223,345)
Directors' and officers' insurance	(27,993)	(27,464)
Professional fees	(145,363)	(94,442)
Board meeting and travel expenses	(1,639)	(1,085)
Auditors' remuneration	(81,200)	(61,350)
Interim review remuneration*	(26,350)	(17,000)
Bank charges	(1,404)	(1,705)
Foreign exchange movement	(1,137)	2,687
Nominated advisor and broker fees	(55,001)	(62,322)
Listing fees	(53,472)	(52,769)
Sundry expenses	(18,310)	(18,621)
<b>Other expenses</b>	<b>(635,675)</b>	<b>(557,416)</b>

\* This relates to the interim review of the half yearly financial report which was performed by the auditors.

## 9 Taxation

The Company is a tax resident of Jersey and is subject to 0 per cent. corporation tax (2023: 0 per cent.).

ESO Alternative Investments LP is transparent for tax purposes.

ESO Investments 1 Limited and ESO Investments 2 Limited are tax resident in Jersey and are subject to 0 per cent. (2023: 0 per cent.) corporation tax.

# Notes to the Consolidated Financial Statements

For the year ended 31 January 2024 (continued)

## 10 Dividends paid and proposed

No dividends were paid or proposed for the year ended 31 January 2024 (2023: £nil).

## 11 Investments at fair value through profit or loss

	31 January 2024 £	31 January 2023 £
Investments at fair value through profit and loss*	100,722,039	100,412,977
	<b>100,722,039</b>	<b>100,412,997</b>

### Investments roll forward schedule

	31 January 2024 £	31 January 2023 £
Investments at fair value at 1 February	100,412,977	140,525,060
Purchase of investments	3,350,000	3,174,948
Proceeds from investments	(6,425,542)	(3,848,880)
Net fair value movements	3,384,604	(39,438,551)
Reclassification of debtor balance to investee	–	400
<b>Investments at fair value</b>	<b>100,722,039</b>	<b>100,412,977</b>

\* Comprises Subsidiaries stated at fair value in accordance with accounting policy set out in note 3(a) (ESO Investments 1 Limited, ESO Investments 2 Limited and ESO Alternative Investments LP).

Discussion of the performance of individual investments is presented in the Chairman's Statement and the Investments Advisor's Report.

## 12 Fair value of financial instruments

The Company determines the fair value of financial instruments with reference to IPEV guidelines and the valuation principles of IFRS 13 (Fair Value Measurement). The Company measures fair value using the IFRS 13 fair value hierarchy, which reflects the significance and certainty of the inputs used in deriving the fair value of an asset:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data;
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.



## 12 Fair value of financial instruments (continued)

The Investment Advisor undertakes the valuation of financial instruments required for financial reporting purposes. Recommended valuations are reviewed and approved by the Investment's Advisor's Valuation Committee for circulation to the Company's Board. The Audit and Risk Committee of the Company's Board meets at least once every six months, in line with the Company's semi-annual reporting periods, to review the recommended valuations and approve final valuations for adoption in the Company's financial statements.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

### Valuation framework

The Company employs the valuation framework detailed below with respect to the measurement of fair values. A valuation of the Company's investments held via its Subsidiaries are prepared by the Investment Advisor with reference to IPEV guidelines and the valuation principles of IFRS 13 (Fair Value Measurement). The Investment Advisor recommends these valuations to the Board of Directors. The Audit and Risk Committee of the Company's Board considers the valuations recommended by the Investment Advisor, determines any amendments required and thereafter adopts the fair values presented in the Company's financial statements. Changes in the fair value of financial instruments are recorded in the Consolidated Statement of Comprehensive Income in the line item "Net fair value movement on investments".

### Quoted investments

Quoted investments traded in an active market are classified as Level 1 in the IFRS 13 fair value hierarchy. The investment in Luceco is a Level 1 asset. For Level 1 assets, the holding value is calculated from the closing price on the relevant exchange at the measurement date.

Quoted investments traded in markets that are considered less than active are classified as Level 2 in the IFRS 13 fair value hierarchy. The investment in EPIC Acquisition Corp was considered to be a Level 2 asset in the year ended 31 January 2023. For the year ended 31 January 2024, the investment in EPIC Acquisition Corp is considered to be a Level 3 asset, and therefore no assets are considered to be Level 2.

### Unquoted private equity investments and unquoted fund investments

Private equity investments and fund investments are classified as Level 3 in the IFRS 13 fair value hierarchy. The investments in Whittard, David Phillips, Rayware, Denzel's, Pharmacy2U, European Capital Private Debt Fund LP, EPIC Acquisition Corp and EAC Sponsor Limited are considered to be Level 3 assets. Various valuation techniques may be applied in determining the fair value of investments held as Level 3 in the fair value hierarchy:

- For underperforming assets, net asset or liquidation valuation is considered more applicable, in particular where the business' performance be contingent on shareholder financial support;
- For performing assets, market approach is considered to be the most appropriate with a specific focus on trading comparables, applied on a forward basis. Transaction comparables, applied on a historic basis may also be considered. The financial metric to which the multiple is applied will depend on the stage of the company and the sector in which it operates. Typically, mature companies will be valued on the basis of the basis of an EBITDA multiple, while growth companies will be valued on the basis of a sales multiple;
- For assets managed and valued by third party managers, the valuation methodology of the third party manager is reviewed. If deemed appropriate and consistent with reporting standards, the valuation prepared by the third-party manager will be used.

# Notes to the Consolidated Financial Statements

For the year ended 31 January 2024 (continued)

## 12 Fair value of financial instruments (continued)

For the year ended 31 January 2024, a public comparable sales multiple valuation is employed for the investment in Denzel's. The valuation methodology has been amended from investment cost given the elapsed time since investment, with changes in market conditions and trading outlook in the intervening period.

The Investment Advisor believe that it is appropriate to apply an illiquidity discount to the multiples of comparable companies when using them to calculate valuations for small, private companies. This discount adjusts for the difference in size between generally larger comparable companies and the smaller assets being valued. The illiquidity discount also considers the premium the market gives to comparable companies for being freely traded or listed securities. The Investment Advisor has determined between 15 per cent. and 25 per cent. to be an appropriate illiquidity discount with reference to market data and transaction multiples seen in the market in which the Investment Advisor operates.

Where portfolio investments are held through subsidiary holding companies, the net assets of the holding company are added to the value of the portfolio investment being assessed to derive the fair value of the holding company held by the Company.

### EPIC Acquisition Corp and EAC Sponsor Limited

EPIC Acquisition Corp ("EAC") is a special purpose acquisition company ("SPAC"). For the year ended 31 January 2024, a liquidation valuation is employed for the holdings in EPIC Acquisition Corp and EAC Sponsor Limited, calculated on the basis of the value of ESO Alternative Investments LP's holding in a liquidation scenario. The investments are considered as Level 3 assets. For the year ended 31 January 2023, EPIC Acquisition Corp was valued on a marked to market basis and considered a Level 2 asset and EAC Sponsor Limited was valued on the basis of a probability weighted range of implied values under potential realisation scenarios and considered a Level 3 asset. The valuation methodology has been amended to a liquidation value to reflect the announcement in January 2024 that EPIC Acquisition Corp. will return all residual capital to third parties and wind up. The liquidation valuation approach implies both assets are considered Level 3 assets.

Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements of EPIC Acquisition Corp and EAC Sponsor Limited's assets, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on the investment valuations. The key inputs into the preparation of the valuations of EPIC Acquisition Corp and EAC Sponsor Limited were the distributions available in a liquidation scenario to EAC Sponsor Limited. If these inputs had been taken at the higher end of the range of expected realisations, the value of these assets and profit for the year would have been £33,299 higher. If these inputs had been taken at the lower end of the range, their would be nil change to the value of these assets and profit for the year, given the valuation is prepared on a nil realisation basis. This sensitivity excludes amounts held by EPIC Acquisition Corp. in escrow, which will deliver a fixed distribution in the event of a liquidation scenario.

## 12 Fair value of financial instruments (continued)

### Fair value hierarchy – Financial instruments measured at fair value

The Company's investments in the Subsidiaries at 31 January 2024 are classified as Level 3 (in line with 31 January 2023), given the variation in classification of the underlying assets. The Company values these investments on the basis of the net asset value of these holdings.

The table below analyses the underlying investments held by the Subsidiaries measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The Board assesses the fair value of the total investment, which includes debt and equity.

The tables below show the gross amount and the net amount of all investments held via the Subsidiaries per the fair value hierarchy. The net amount is a result of the application of profit share adjustments relating to the performance fees discussed in Note 5.

31 January 2024	Level 1 £	Level 3 £	Total £
<b>Financial assets at fair value through profit or loss</b>			
Unquoted private equity investments (including debt)	–	59,103,536	59,103,536
Fund investments	–	451,348	451,348
Quoted investments*	48,865,293	5,262,427	54,127,720
<b>Investments at fair value through profit or loss</b>	<b>48,865,293</b>	<b>64,817,311</b>	<b>113,682,604</b>
Other asset and liabilities (held at cost)	–	–	1,127,547
Performance fee adjustment	(8,732,750)	(5,355,362)	(14,088,112)
<b>Total</b>	<b>40,132,543</b>	<b>59,461,949</b>	<b>100,722,039</b>

31 January 2023	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Financial assets at fair value through profit or loss</b>				
Unquoted private equity investments (including debt)	–	–	47,752,184	47,752,184
Unquoted fund investments	–	–	3,184,749	3,184,749
Quoted investments	50,501,249	5,495,557	–	55,996,806
<b>Investments at fair value through profit or loss</b>	<b>50,501,249</b>	<b>5,495,557</b>	<b>50,936,933</b>	<b>106,933,739</b>
Other asset and liabilities (held at cost)	–	–	–	2,591,240
Performance fee adjustment	(8,743,708)	–	(368,294)	(9,112,002)
<b>Total</b>	<b>41,757,541</b>	<b>5,495,557</b>	<b>50,568,639</b>	<b>100,412,977</b>

\* There has been a change in the designation of the level of fair value hierarchy of EPIC Acquisition Corp from Level 2 to Level 3 during the current year, with the valuation methodology amended to a liquidation value approach.

# Notes to the Consolidated Financial Statements

For the year ended 31 January 2024 (continued)

## 12 Fair value of financial instruments (continued)

The following table, detailing the value of portfolio investments only, shows a reconciliation of the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy for the underlying investments held by the Subsidiaries.

	31 January 2024	31 January 2023
	£	£
<b>Unquoted investments (including debt)</b>		
Balance as at 1 February	50,568,639	47,886,854
Additional investments	3,350,912	2,086,948
Capital distributions from investments	(2,694,993)	(2,235,136)
Transfer to Level 3 investments	5,495,557	–
Change in fair value through profit & loss	2,741,834	2,829,973
<b>Balance as at 31 January</b>	<b>59,461,949</b>	<b>50,568,639</b>

### Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 January 2024 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 31 January 2024	£ Significant unobservable inputs
Unquoted private equity investments (including debt)	53,748,174	Sales / EBITDA multiple
Fund investments	5,713,775	Reported net asset value or liquidation value

Significant unobservable inputs are developed as follows:

- Trading comparable multiple: valuation multiples used by other market participants when pricing comparable assets. Relevant comparable assets are selected from public companies determined to be proximate to the investment based on similarity of sector, size, geography or other relevant factors. The valuation multiple for a comparable company is determined by calculating the enterprise value of the company implied by its market price as at the reporting date and dividing by the relevant financial metric (sales or EBITDA).
- Reported net asset value: for assets managed and valued by a third party, the manager provides periodic valuations of the investment. The valuation methodology of the third-party manager is reviewed. If deemed appropriate and consistent with reporting standards, the Board will adopt the valuation prepared by the third-party manager. Adjustments are made to third party valuations where considered necessary to arrive at the Director's estimate of fair value.
- Investment cost: for recently acquired assets (typically completed in the last twelve months), the Investment Advisor considers the investment cost an appropriate fair value for the asset. No asset was valued using investment cost as at 31 January 2024.
- Liquidation value: for underperforming assets, the Investment Advisor considers the value recovered in the event of a liquidation of the asset an appropriate fair value for the asset.

## 12 Fair value of financial instruments (continued)

Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements of Level 3 assets, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on the Level 3 investment valuations:

- For the Company's investment in mature Level 3 assets, the valuations used in the preparation of the financial statements imply an average EV to EBITDA multiple of 7.2x (weighted by each asset's total valuation) (2023: 6.7x). The key unobservable inputs into the preparation of the valuation of mature Level 3 assets was the EBITDA multiple applied to the asset's financial forecasts. A sensitivity of 25 per cent. has been applied to these multiples, in line with the maximum liquidity discount employed in the valuations. If these inputs had been taken to be 25 per cent. higher, the value of the Level 3 assets and profit for the year would have been £15,161,561 higher. If these inputs had been taken to be 25 per cent. lower, the value of the Level 3 assets and profit for the year would have been £17,786,484 lower. A corresponding increase or decrease in the asset's financial forecasts would have a similar impact on the Company's assets and profit.
- For the Company's investment in growth Level 3 assets, the valuations used in the preparation of the financial statements imply an average EV to sales multiple of 1.5x (weighted by each asset's total valuation) (2023: 1.4x). The key unobservable inputs into the preparation of the valuation of growth Level 3 assets were the sales multiple applied to the asset's financial forecasts. A sensitivity of 25 per cent. has been applied to these multiples, in line with the maximum liquidity discount employed in the valuations. If these inputs had been taken to be 25 per cent. higher, the value of the Level 3 assets and profit for the year would have been £860,072 higher. If these inputs had been taken to be 25 per cent. lower, the value of the Level 3 assets and profit for the year would have been £707,743 lower. A corresponding increase or decrease in the asset's financial forecasts would have a similar impact on the Company's assets and profit.

### Classification of financial assets and liabilities

The table below sets out the classifications of the carrying amounts of the Company's financial assets and liabilities into categories of financial instruments.

31 January 2024

	At fair value £	At amortised cost £	Total £
<b>Financial assets</b>			
Investments at fair value through profit or loss	100,722,039	–	100,722,039
Cash and cash equivalents	–	14,462,495	14,462,495
	<b>100,722,039</b>	<b>14,462,495</b>	<b>115,184,534</b>
<b>Financial liabilities</b>			
Trade and other payables	–	676,284	676,284
Unsecured loan note instruments*	–	3,987,729	3,987,729
Zero dividend preference shares**	–	13,714,191	13,714,191
	–	<b>18,378,204</b>	<b>18,378,204</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 January 2024 (continued)

## 12 Fair value of financial instruments (continued)

31 January 2023

	At fair value £	At amortised cost £	Total £
<b>Financial assets</b>			
Investments at fair value through profit or loss	100,412,977	–	100,412,977
Cash and cash equivalents	–	22,226,008	22,226,008
	<b>100,412,977</b>	<b>22,226,008</b>	<b>122,638,985</b>
<b>Financial liabilities</b>			
Trade and other payables	–	596,790	596,790
Unsecured loan note instruments*	–	3,987,729	3,987,729
Zero dividend preference shares**	–	20,721,001	20,721,001
	–	<b>25,305,520</b>	<b>25,305,520</b>

\* The Directors consider that the fair value of the unsecured loan note instruments is the same as its carrying value.

\*\* The Directors consider that the fair value of the zero dividend preference shares is £12,812,500 (2023: £19,100,000) calculated on the basis of the quoted price of the instrument on the London Stock Exchange of 102.50 pence as at 31 January 2024 (2023: 95.50 pence).

## 13 Cash and cash equivalents

	2024 £	2023 £
Current and call accounts	14,462,495	22,226,008
	<b>14,462,495</b>	<b>22,226,008</b>

The current and call accounts have been classified as cash and cash equivalents in the Consolidated Statement of Cash Flows.

## 14 Trade and other payables

	2024 £	2023 £
Trade payables	91,297	1,008
Accrued administration fee	36,330	36,533
Accrued audit fee	20,918	9,920
Accrued professional fee	29,272	45,489
Accrued investment advisor fees	484,400	487,107
Accrued Directors' fees	11,667	14,333
Other payables	2,400	2,400
<b>Total</b>	<b>676,284</b>	<b>596,790</b>

## 15 Liabilities

### Unsecured Loan Notes (“ULN”)

The Company has issued ULN's that are redeemable on 24 July 2024, following the extension of their maturity in July 2023. The Company's ULN's are quoted on the Aquis Stock Exchange. The interest rate for the period up to 23 July 2023 was 7.5 per cent per annum. The interest rate was increased to 8.0 per cent per annum for the period subsequent to 23 July 2023. At 31 January 2024, £3,987,729 (2023: £3,987,729) of ULNs in principal amount were outstanding. Issue costs totalling £144,236 have been offset against the value of the loan note instrument and have been amortised over the period to 24 July 2022. The total issue costs expensed in the year ended 31 January 2024 was £nil (2023: £10,303). The carrying value of the ULNs in issue at the year end was £3,987,729 (2023: £3,987,729). The total interest expense for the ULNs for the year is £309,049 (2023: £309,382). The comparatives for interest expense includes the amortisation of the issue costs. The carrying value of the ULN is presented under current liabilities in the current period as they are redeemable within 12-month period from the Consolidated Statement of Assets and Liabilities date. The ULN has in place Financial Covenants including an Interest Coverage Test (that the ratio of cash and cash equivalents to interest payable is greater than or equal to 6:1) and a Gross Asset Test (that the ratio of gross asset value to financial indebtedness of the Company is greater than or equal to 2:1). The Covenants have been met for the years ended 31 January 2024 and 31 January 2023.

### Zero Dividend Preference Shares (“ZDP Shares”)

On 17 December 2021 the Company issued 20,000,000 ZDP Shares at a price of £1 per share, raising £20,000,000. The Company's ZDP shares are admitted to trade on the main market of the London Stock Exchange (standard listed). The ZDP Shares will not pay dividends but have a final capital entitlement at maturity on 16 December 2026 of 129.14 pence per ZDP Share. It should be noted that the predetermined capital entitlement of a ZDP Share is not guaranteed and is dependent upon the Company's gross assets being sufficient on 16 December 2026 to meet the final capital entitlement. Under IAS 32 – Financial Instruments: Presentation, the ZDP Shares are classified as financial liabilities and are held at amortised cost. Issue costs totalling £573,796 have been offset against the value of the ZDP Shares and are being amortised over the life of the instrument. In July 2023, the Company completed the repurchase of 7,500,000 ZDP shares, which are held in treasury. Following this buyback, the Company has 12,500,000 ZDP shares remaining in issue. The total issue costs expensed in the year ended 31 January 2024 was £115,359 (2023: £115,359). The carrying value of the ZDP Shares in issue at the year-end was £13,714,191 (2023: £20,721,001). The total finance charge for the ZDP Shares for the year is £868,190 (2023: £1,128,093). This includes the ZDP Share finance charge and the amortisation of the Issue costs.

	31 January 2024 £	31 January 2023 £
Balance as at 1 February	20,721,001	19,580,190
ZDP non cash charge	945,348	1,140,811
Buyback of ZDP shares	(7,952,158)	–
<b>Total</b>	<b>13,714,191</b>	<b>20,721,001</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 January 2024 (continued)

## 16 Share capital

	2024 Number	2024 £	2023 Number	2023 £
<b>Authorised share capital</b>				
Ordinary shares of 5p each	45,000,000	2,250,000	45,000,000	2,250,000
<b>Called up, allotted and fully paid</b>				
Ordinary shares of 5p each	34,616,554	1,730,828	34,616,554	1,730,828
Ordinary shares of 5p each held in treasury	(4,739,707)	–	(4,951,575)	–
	<b>29,876,847</b>	<b>1,730,828</b>	<b>29,664,979</b>	<b>1,730,828</b>
<b>Share Premium</b>	–	<b>13,619,627</b>	–	<b>13,619,627</b>

No shares were issued during the year ended 31 January 2024 and year ended 31 January 2023.

During the year ended 31 January 2024, the Company transferred 211,868 out of treasury to the Trust (2023: repurchase of 1,855,000 shares into treasury) with a total value of £350,006 (2023: £2,587,375). These shares are held as treasury shares.

During the year ended 31 January 2024, the Trust purchased 301,684 shares (2023: 280,739 shares) with a total value of £525,920 (2023: £484,821). 257,061 shares vested to Participants in the year ended 31 January 2024 (2023: 862,290). At 31 January 2024 1,546,693 shares were held by the Trust (2023: 1,290,202) (see note 7).

## 17 Basic and diluted loss per share (pence)

Basic loss per share for the year ended 31 January 2024 is 1.39 pence (2023: basic loss per share of 147.95 pence). This is calculated by dividing the loss of the Group for the year attributable to the ordinary shareholders of £396,462 (2023: loss of £43,836,210) divided by the weighted average number of shares outstanding, excluding the shares of the EBT subsidiary, during the year of 28,469,486 (2023: 29,628,992 shares). The basic loss per share for the year ended 31 January 2023 has been restated to exclude the shares of the EBT subsidiary from the weighted average number of outstanding shares so that it is consistent with the calculation for the year ended 31 January 2024.

Diluted loss per share for the year ended 31 January 2024 is 1.33 pence (2023: diluted profit per share of 141.77 pence). This is calculated by dividing the loss of the Group for the year attributable to ordinary shareholders of £396,462 (2023: loss of £43,836,210) divided by the weighted average number of shares outstanding, including the shares of the EBT subsidiary, during the year of 29,832,732 (2023: 30,921,130 shares).

## 18 NAV per share (pence)

The Group's NAV per share of 324.26 pence (2023: 328.41 pence) is based on the net assets of the Group at the year-end of £96,879,976 (2023: £97,421,364) divided by the outstanding shares of 29,876,847 (2023: 29,664,979).

The shares of the EBT subsidiary are included in the outstanding shares when calculating the Company's NAV per share to ensure that the NAV per share is stable in the event of share purchases made by the EBT subsidiary or the vesting of shares of the EBT subsidiary.



## 19 Net cash used in operating activities

Reconciliation of profit before finance cost and tax to net cash used in operating activities:

	2024 Group £	2023 Group £
Loss for the year before taxation	(396,462)	(43,836,210)
Adjustments for non-cash income / expense		
Net fair value movement on investments	(3,384,604)	39,438,551
Interest on unsecured loan note instruments	309,049	309,382
Zero dividend preference shares finance charge	868,190	1,128,093
Loss before finance cost	(2,603,827)	(2,960,184)
Adjustments:		
Share-based payment expense	339,593	555,225
Purchase of investments	(3,350,000)	(3,174,948)
Proceeds from investments	6,425,542	3,848,880
	<b>811,308</b>	<b>(1,731,027)</b>
Working capital changes		
Movement in trade and other receivables and prepayments	14,253	6,848
Movement in trade and other payables	79,494	(373,147)
Non-cash items		
Effect of exchange rate fluctuations on cash and cash equivalents	1,294	(2,310)
<b>Net cash generated from / (used in) operating activities</b>	<b>906,349</b>	<b>(2,099,636)</b>

## 20 Financial instruments

The Company's financial instruments comprise:

- Investments in listed and unlisted companies held by Subsidiaries, comprising equity and loans
- Cash and cash equivalents, ZDP shares and unsecured loan note instruments; and
- Accrued interest and trade and other receivables, accrued expenses and trade and other payables.

### Financial risk management objectives and policies

The main risks arising from the Company's financial instruments are liquidity risk, credit risk, market price risk and interest rate risk. None of those risks are hedged. These risks arise through directly held financial instruments and through the indirect exposures created by the underlying financial instruments in the Subsidiaries. These risks are managed by the Directors in conjunction with the Investment Advisor. The Investment Advisor is responsible for day to day management of financial instruments in the Subsidiaries.

### Capital management

The Company's capital comprises share capital, share premium and reserves and is not subject to externally imposed capital requirements.

# Notes to the Consolidated Financial Statements

For the year ended 31 January 2024 (continued)

## 20 Financial instruments (continued)

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's liquid assets comprise cash and cash equivalents and trade and other receivables, which are readily realisable.

### Residual contractual maturities of financial assets

	Less than 1 Month £	1 – 3 Months £	3 months to 1 year £	1 – 5 years £	Over 5 years £	No stated maturity £
31 January 2024						
<b>Financial assets</b>						
Cash and cash equivalents	14,462,495	–	–	–	–	–
<b>Total</b>	<b>14,462,495</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

	Less than 1 Month £	1 – 3 Months £	3 months to 1 year £	1 – 5 years £	Over 5 years £	No stated maturity £
31 January 2023						
<b>Financial assets</b>						
Cash and cash equivalents	22,226,008	–	–	–	–	–
<b>Total</b>	<b>22,226,008</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

### Residual contractual maturities of financial liabilities

	Less than 1 Month £	1 – 3 Months £	3 months to 1 year £	1 – 5 years £	Over 5 years £	No stated maturity £
31 January 2024						
<b>Financial liabilities</b>						
Trade and other payables	676,284	–	–	–	–	–
Loan note instruments	–	–	3,987,729	–	–	–
Zero dividend preference shares	–	–	–	16,142,500	–	–
<b>Total</b>	<b>676,284</b>	<b>–</b>	<b>3,987,729</b>	<b>16,142,500</b>	<b>–</b>	<b>–</b>

	Less than 1 Month £	1 – 3 Months £	3 months to 1 year £	1 – 5 years £	Over 5 years £	No stated maturity £
31 January 2023						
<b>Financial liabilities</b>						
Trade and other payables	596,790	–	–	–	–	–
Loan note instruments	–	–	3,987,729	–	–	–
Zero dividend preference shares	–	–	–	25,827,284	–	–
<b>Total</b>	<b>596,790</b>	<b>–</b>	<b>3,987,729</b>	<b>25,827,284</b>	<b>–</b>	<b>–</b>

## 20 Financial instruments (continued)

### Credit risk

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

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

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

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following (excluding exposure in the underlying Subsidiaries):

	2024 £	2023 £
Cash and cash equivalents	14,462,495	22,226,008
<b>Total</b>	<b>14,462,495</b>	<b>22,226,008</b>

Cash balances are placed with HSBC Bank plc, Barclays Bank plc and Santander Financial Services plc, all of which have the credit rating of A1 Stable (Moody's).

### Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is exposed to a market price risk via its equity investments held through its interests in Subsidiaries, which are stated at fair value.

### Market price risk sensitivity

The Company is exposed to market price risk with regard to its underlying equity interests in a number of quoted and unquoted companies which are stated at fair value. Luceco plc was quoted on the Main Market of the London Stock Exchange at 31 January 2024. EPIC Acquisition Corp's shares and warrants were quoted on the Euronext Amsterdam Stock Exchange at 31 January 2024.

If Luceco plc's share price had been 5.0 per cent. higher than actual close of market on 31 January 2024, EPE Special Opportunities Limited's NAV per share would have been 2.0 per cent. (2023: 2.03 per cent.) higher than reported. If Luceco's share price had been 5.0 per cent. lower than actual close of market on 31 January 2024, EPE Special Opportunities Limited's NAV per share would have been 2.0 per cent. (2023: 2.03 per cent.) lower than reported. These movements would have had a corresponding effect on the profit for the year.

A sensitivity is not prepared for EPIC Acquisition Corp. given that the vehicle is in liquidation.

# Notes to the Consolidated Financial Statements

For the year ended 31 January 2024 (continued)

## 20 Financial instruments (continued)

### Interest rate risk

The Company is exposed to interest rate risk through its unsecured loan note instruments and on its cash balances. Most of the loans are at fixed rates. Cash balances earn interest at variable rates. The unsecured loan note instruments carry fixed interest rates.

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

31 January 2024	Less than 1 month £	1 month to 1 year £	1 – 5 years £	Over 5 years £	Non- interest bearing £	Total £
<b>Assets</b>						
<b>Receivables and cash</b>						
Cash and cash equivalents	14,462,495	–	–	–	–	14,462,495
<b>Total financial assets</b>	<b>14,462,495</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14,462,495</b>
<b>Liabilities</b>						
<b>Financial liabilities measured at amortised cost</b>						
Trade and other payables	–	–	–	–	(676,284)	(676,284)
Unsecured loan note instruments	–	(3,987,729)	–	–	–	(3,987,729)
<b>Total financial liabilities</b>	<b>–</b>	<b>(3,987,729)</b>	<b>–</b>	<b>–</b>	<b>(676,284)</b>	<b>(4,664,013)</b>
<b>31 January 2023</b>						
<b>Assets</b>						
<b>Receivables and cash</b>						
Cash and cash equivalents	22,226,008	–	–	–	–	22,226,008
<b>Total financial assets</b>	<b>22,226,008</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>22,226,008</b>
<b>Liabilities</b>						
<b>Financial liabilities measured at amortised cost</b>						
Trade and other payables	–	–	–	–	(596,790)	(596,790)
Unsecured loan note instruments	–	(3,987,729)	–	–	–	(3,987,729)
<b>Total financial liabilities</b>	<b>–</b>	<b>(3,987,729)</b>	<b>–</b>	<b>–</b>	<b>(596,790)</b>	<b>(4,584,519)</b>

## 20 Financial instruments (continued)

### Interest rate sensitivity

The Company is exposed to market interest rate risk via its cash balances and unsecured loan note instruments. A sensitivity analysis has not been provided as it is not considered significant to Company performance.

### Currency risk

The Group has no significant exposure to foreign currency risk.

### Exposure to other market price risk

The Investment Advisor monitors the concentration of risk for equity and debt securities based on counterparties and industries (and geographical location). The Company's underlying investments including bank deposits held through its Subsidiaries are concentrated in the following industries.

	2024 %	2023 %
Consumer and Retail	49	41
Engineering, Manufacturing and Distribution	35	34
Healthcare	2	2
Credit Funds	<1	3
Bank Deposits	13	20
	<b>100</b>	<b>100</b>

The Group notes that there was a concentration on the Consumer and Retail sector, representing 49 per cent. of investments for the year ended 31 January 2024 (2023: Consumer and Retail sector representing 41 per cent.). The Company monitors carefully the sector concentration risk across the portfolio.

### Operational risk

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities (both at the Company and at its service providers) and from external factors (other than credit, market and liquidity risks) such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The Company's objective is to manage operational risk so as to balance the limitation of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures;
- requirements for:
  - appropriate segregation of duties between various functions, roles and responsibilities;
  - reconciliation and monitoring of transactions; and
  - periodic assessment of operational risk faced;

# Notes to the Consolidated Financial Statements

For the year ended 31 January 2024 (continued)

## 20 Financial instruments (continued)

- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective.

The Company's key service providers include the following:

- Administrator: Langham Hall Fund Management (Jersey) Limited
- Investment Advisor: EPIC Investment Partners LLP
- Financial Administrator: EPIC Administration Limited
- Nominated Advisor and Broker: Numis Securities Limited
- Registrar and CREST Providers: Computershare Investor Services (Jersey) Limited

The Directors' assessment of the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via regular discussions with the service providers as well as site visits to their offices. The Company also undertakes periodic third-party reviews of service providers' activities.

## 21 Directors' interests

Four of the Directors have interests in the shares of the Company as at 31 January 2024 (2023: five). Clive Spears holds 63,010 ordinary shares (2023: 51,841). Heather Bestwick holds 50,600 ordinary shares (2023: 39,431). David Pirouet holds 33,635 ordinary shares (2023: 17,309). Michael Gray holds 11,627 ordinary shares (2023: 5,614).

## 22 Related parties

The Company has no ultimate controlling party.

Directors' fees expenses during the year amounted to £162,474 (2023: £172,000) of which £11,667 is accrued as at 31 January 2024 (2023: £14,333).

There were no shares re-acquired from related parties during the year ended 31 January 2024 (2023: nil). Certain Directors of the Company and other participants are incentivised in the form of equity settled share-based payment transactions, through a Jointly Owned Share Plan (see note 7).

Details of remuneration payable to key service providers are included in note 5 to the financial statements.

Performance fees are paid to the Investment Advisor based on the performance of the Subsidiaries and deducted in calculating the fair value of Subsidiaries (see note 5).

In December 2021, ESO Alternative Investments LP invested €10 million into EPIC Acquisition Corp ("EAC"), a special purpose acquisition company ("SPAC") and EAC's sponsor, EAC Sponsor Limited (the "Sponsor"). The Sponsor was jointly led by the Investment Advisor and TT Bond Partners (an independent party). In January 2024, EPIC Acquisition Corp announced that it will return all residual capital to the Company and to third parties and wind up. In February 2024, the realisation of the investment in EPIC Acquisition Corp was completed, returning €6.2 million. The realisation from EAC Sponsor Limited remains subject to the completion of the liquidation.

## 22 Related parties (continued)

In July 2023, the Company agreed the extension of the maturity of £4.0 million unsecured loan notes to 24 July 2024. Delphine Brand, a Managing Partner of EPIC and a connected party of Giles Brand (a person discharging managerial responsibilities ("PDMR") for the Company), is a minority holder of the unsecured loan notes.

Giles Brand, Managing Partner of the Investment Advisor, is a director of certain portfolio holding vehicles, including Luceco plc and Hamsard 3145 Limited (trading as Whittard of Chelsea).

## 23 Commitments and Contingencies

As at 31 January 2024, ESO Investments 1 Limited has a contingent guarantee of £1.75 million outstanding (2023: £nil) in favour of Rayware Limited and its third party debt providers (a £2.50 million guarantee was provided in July 2023 of which £0.75 million was drawn down in the subsequent period).

## 24 Other information

The revenue and capital reserves are presented in accordance with the Board of Directors' agreed principles, which are that the net gain / loss on investments is allocated to the capital reserve and all other income and expenses are allocated to the revenue reserve and other equity. The total reserve of the Company for the year ended 31 January 2024 is £81,529,521 (2023: £82,070,909).

## 25 Subsequent events

In February 2024, the Company received €6.2 million as proceeds from the realisation of its holding in EPIC Acquisition Corp.

# Alternative Performance Measures

An Alternative Performance Measure is a numerical measure of the Group's historical or current performance.

Measures	Definition			
<b>Premium / Discount to NAV</b>	The amount by which the share price of the Company is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per share. Please find a reconciliation to the NAV per share of the Company below:			
			31 January 2024	31 January 2023
		Share price (pence)	165	170
		NAV per share (pence)	324	328
	<b>Discount to NAV (%)</b>	<b>49%</b>	<b>48%</b>	
<b>EBITDA</b>	Earnings before interest, taxation, depreciation and amortisation. This measure is calculated at the level of the underlying portfolio and therefore is not directly reconcilable to GAAP metrics in the financial statements.			
<b>EV / EBITDA multiple</b>	The EV / EBITDA multiple is calculated by dividing a company's Enterprise Value ('EV') by its annual EBITDA. The mature unquoted asset valuation EV / EBITDA multiple quoted in the report is weighted by the Fair Value of the underlying investments, and excludes assets at a pre-profitability growth stage. This measure is calculated at the level of the underlying portfolio and therefore is not directly reconcilable to GAAP metrics in the financial statements.			
			31 January 2024	31 January 2023
		Mature unquoted asset valuation	7.2x	6.7x
<b>EV / Sales multiple</b>	The EV / Sales multiple is calculated by dividing a company's EV by its annual Sales. This measure is calculated at the level of the underlying portfolio and therefore is not directly reconcilable to GAAP metrics in the financial statements.			
<b>IRR</b>	The gross Internal Rate of Return ("IRR") of an investment or set of investments, calculated as the annual compound rate of return on the investment cashflows. Gross IRR does not reflect expenses to be borne by the relevant fund or its investors, including performance fees, management fees, taxes and organisational or transaction expenses. This measure is calculated at the level of the underlying portfolio and therefore is not directly reconcilable to GAAP metrics in the financial statements.			
			31 January 2024	31 January 2023
		Portfolio IRR	22%	23%
		EPIC IRR	15%	16%
<b>Liquidity</b>	Company liquidity is calculated as cash balances held by the Company, inclusive of cash held by Subsidiaries in which the Company is the sole investor. Please find a reconciliation to the cash balances held by the Company below:			
			31 January 2024	31 January 2023
		Cash held by the Company	14,462,495	22,226,008
		Cash held by the Subsidiaries	868,510	2,284,081
	<b>Total liquidity</b>	<b>15,331,005</b>	<b>24,510,089</b>	



Measures	Definition		
<b>Portfolio Sales CAGR</b>	<p>The portfolio sales compound annual growth rate ("CAGR") is calculated on the basis of the CAGR implied by the sum of the annual sales for the portfolio companies' latest completed financial year vs. the prior three year period.</p> <p>This measure is calculated at the level of the underlying portfolio and therefore is not directly reconcilable to GAAP metrics in the financial statements.</p>		
		<b>31 January 2024</b>	<b>31 January 2023</b>
		Portfolio Sales CAGR	8%      12%
<b>MM</b>	<p>The Money Multiple ("MM") is calculated as the total gross realisations from an investment or set of investments, divided by the total cost of the investment. Gross money multiple does not reflect expenses to be borne by the relevant fund or its investors, including performance fees, management fees, taxes and organisational or transaction expenses.</p> <p>This measure is calculated at the level of the underlying portfolio and therefore is not directly reconcilable to GAAP metrics in the financial statements.</p>		
		<b>31 January 2024</b>	<b>31 January 2023</b>
		Portfolio MM	3.1x      3.1x
		EPIC MM	2.3x      2.3x
<b>NAV per share</b>	<p>The Group's NAV per share is calculated as the net assets of the Group at the year-end divided by the outstanding shares.</p> <p>The shares of the EBT subsidiary are included in the outstanding shares when calculating the Company's NAV per share to ensure that the NAV per share is stable in the event of share purchases made by the EBT subsidiary or the vesting of shares of the EBT subsidiary.</p>		
		<b>31 January 2024</b>	<b>31 January 2023</b>
		Net asset value (£)	96,879,976      97,421,364
		Outstanding shares	29,876,847      29,664,979
		<b>NAV per share (pence)</b>	<b>324.26      328.41</b>
<b>Net Debt</b>	<p>Net Debt is calculated as the total third party debt of a portfolio company, less cash balances.</p> <p>This measure is calculated at the level of the underlying portfolio and therefore is not directly reconcilable to GAAP metrics in the financial statements.</p>		
<b>Portfolio Leverage</b>	<p>Portfolio Leverage is calculated as the aggregate Net Debt of the portfolio, divided by the aggregate annual EBITDA of the portfolio.</p> <p>This measure is calculated at the level of the underlying portfolio and therefore is not directly reconcilable to GAAP metrics in the financial statements.</p>		
		<b>31 January 2024</b>	<b>31 January 2023</b>
		Portfolio Leverage	1.4x      1.3x
<b>Annualised share price return</b>	<p>The annualised share price return is calculated as the CAGR implied by the Company's share price vs. the share price 10 years prior.</p> <p>Please find a reconciliation to the share price of the Company below:</p>		
		<b>31 January 2024</b>	<b>31 January 2023</b>
		Company's share price 10 years prior to the year end (pence)	87      56
		Company's share price at the year end (pence)	165      170
		<b>Annualised share price return (%)</b>	<b>7%      12%</b>

# Unaudited schedule of shareholders holding over 3% of issued shares

As at 31 January 2024

	Percentage holding
Giles Brand	35.5%
Corporation of Lloyds	9.9%
Asset Value Investors	5.1%
First Equity	4.8%
Boston Trust Company Limited (Trustee to the ESO JOSP Scheme)	4.5%
Lombard Odier Darier Hentsch	3.5%
<b>Total over 3% holding</b>	<b>63.3%</b>

# Company Information

<b>Directors</b>	C.L. Spears ( <i>Chairman</i> ) H. Bestwick D.R. Pirouet M.M. Gray	<b>Administrator and Company Address</b>	Langham Hall Fund Management (Jersey) Limited Gaspe House 66-72 Esplanade, St Helier Jersey JE1 2LH
<b>Investment Advisor</b>	EPIC Investment Partners LLP Audrey House 16-20 Ely Place London EC1N 6SN	<b>Financial Administrator</b>	EPIC Administration Limited Audrey House 16-20 Ely Place London EC1N 6SN
<b>Auditors and Reporting Accountants</b>	PricewaterhouseCoopers CI LLP 37 Esplanade St Helier, Jersey Channel Islands JE1 4XA	<b>Nominated Advisor and Broker</b>	Numis Securities Limited 45 Gresham Street London EC2V 7BF
<b>Bankers</b>	Barclays Bank plc 1 Churchill Place Canary Wharf London E14 5HP	<b>Registered Agent (Bermuda)</b>	Conyers Dill & Pearman Clarendon House, 2 Church Street Hamilton HM 11 Bermuda
	HSBC Bank plc 1st Floor 60 Queen Victoria Street London EC4N 4TR	<b>Registrar and CREST Providers</b>	Computershare Investor Services (Jersey) Limited Queensway House Hilgrove Street St. Helier JE1 1ES
	Santander International PO Box 545 19-21 Commercial Street St Helier, Jersey, JE4 8XG	<b>Investor Relations</b>	Richard Spiegelberg Cardew Company 29 Lincoln's Inn Fields London WC2A 3EG

## EPE Special Opportunities

Registered in Bermuda number 53954. The Company's ordinary shares are quoted on the AIM Market of the London Stock Exchange, and the Growth Market of the Aquis Stock Exchange (formerly the NEX Exchange). The Company's ULN's are quoted on the Aquis Stock Exchange. The Company's zero dividend preference shares are admitted to trade on the main market of the London Stock Exchange (standard listed). The Company is advised by EPIC Investment Partners LLP.