EPE Special Opportunities plc

Half-Yearly Report and Unaudited Financial Statements

For the period ended 31 July 2009

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Chairman's Statement

Since my last report at the full year ended 31 January 2009, the global recession has continued unabated, with the UK experiencing a further two quarters of contraction in economic output. Debt and equity finance has begun to return, but companies remain capital constrained and only the highest performing or asset-rich are successfully re-financing. Throughout the six month period to 31 July 2009, distressed investing strategies have experienced increasing interest from the financial press, high profile opinion-leading investors and the wider media.

During the period, EPE Special Opportunities plc ("the Company") has benefitted from its significant experience of distressed investing. As well as investigating a high number of attractive deals the Company has also completed a successful fundraising. It is clear that there has probably never been a better time for distressed private equity investing and this was demonstrated by the successful take up of the Open Offer and Placing which raised £5 million for the Company in June, with 75% of existing investors taking up their allocation (excluding Lehman Brothers in administration). With new capital available the Company is well positioned to take advantage of attractive investment opportunities.

For the half year ended 31 July 2009, the Company had gross income of £0.7 million. This translated to a net loss for the Company of £0.6 million due to the write-down of the remaining equity value at Kemutec (£0.75 million). Net asset value per share as at 31 July 2009 for the Company was 71.84p. The net asset value per share is calculated on the basis of 26,541,501 ordinary shares, following the issue of 100,000,000 new shares as part of the Open Offer and Placing, and the subsequent consolidation of all shares in a ratio of 5:1.

The gross income for the period, received or receivable, arises from yielding instruments in the portfolio companies. Except through re-financings and scheduled repayment of capital from portfolio companies, the expectation is that these instruments will remain in place, yielding the Company an income stream throughout the forthcoming financial year.

The initial turnaround phase of Whittard of Chelsea has been achieved to plan and we await the outcome of the important Christmas sales period. The remainder of the portfolio continues to perform much in line with expectations. Kemutec underwent a secondary restructuring in June but is anticipated to perform in line with previous forecasts at EBITDA level. The Company is seeking to exit its smaller investments and continues to identify potential bolt-on opportunities for the remainder of the portfolio. All portfolio companies are subject to the vagaries of the market place and the Directors have applied a conservative write-down policy as appropriate.

The Board consulted widely with the Investment Advisor and auditors – KPMG – at the time of the full year audit and determined a prudent downgrade in the valuation of the portfolio to reflect the market turmoil then prevailing. This included stress testing and reviewing a range of upside and downside valuations to come to what the Directors considered to be an appropriate median valuation.
As we stand today, although the economic environment remains uncertain and the return of liquidity only gradual, the markets are significantly more settled, with the adjustment to new, recessionary, conditions complete. The Board consider therefore that, with the exception of Kemutec, in light of a continuing stable performance of the wider portfolio, no further downward revisions to the

Chairman's Statement (continued)

valuation should be necessary at this time. The remaining equity value at Kemutec has been written down to zero to reflect the increased risk of the restructuring. All investments are therefore now considered to be held at fair value.

The Directors do not recommend a dividend in respect of the half-year ended 31 July 2009.

The stable overall performance of the portfolio since I last reported indicates that the Company has positioned itself to continue to weather the storm and take advantage of the growing opportunities available in the market for distressed private equity investors. I look forward to further updating you on developments as at the year end.

Geoffrey Vero
Chairman

12 October 2009

Investment Adviser's Report

In the six month period since 31 January 2009, the Investment Advisor (EPE Private Equity, EPE) has continued to focus on maintaining and creating value from within the portfolio, whilst seeking out new opportunities for investment. The Company is focused on the control and ownership of distressed assets.

With the acquisition of Whittard of Chelsea on 23 December 2008, the Company now has five trading assets in the portfolio, all of which are relatively immature and in the early stages of profit turnaround. The sixth asset, a property in Glasgow, requires further development to realise the full potential gain, which will almost certainly be delayed given current property market conditions.

The Net Asset Value per share as at 31 July 2009 for the Company was 71.84p. The Net Asset Value per share is calculated on the basis of 26,541,501 ordinary shares. Subsequent to the Open Offer and issue of 100,000,000 new shares, all 132,707,509 shares were consolidated on the basis of 5:1. The resultant number of shares outstanding is 26,541,501.

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

- deployed £39 million of capital and already returned over £27 million to the Company in capital and income;
- generated gross income of £12 million since the original Placing;
- paid dividends of £5 million; and
- the Portfolio is currently valued at a gross 0.9x money multiple (calculated as the current value of investments plus sums received or receivable from investments compared with the aggregate Net Proceeds) and the Company at a net 0.7x money multiple (calculated as current NAV plus Dividends paid to date compared with the aggregate Net Proceeds).

The Investment Advisor continues to develop relationships with various lenders, insolvency practioners and operating partners to ensure that the Company has privileged access to investment opportunities and that portfolio companies have continued access to financing wherever possible. The Investment Advisor also continues to explore opportunities for adding value to portfolio companies through revenue enhancing and cost-saving initiatives as well as support in identifying appropriate management to optimise performance. The onset of the banking crisis and the associated lack of liquidity, combined with a worsening economic outlook, have made these initiatives ever more important yet demanding.

The Investment Advisor believes that the potential to create value within the distressed investing market place remains significant, and the economic cycle continues to create a wide range of investment opportunities. As such the Investment Advisor is actively engaged in communicating the Company's investment strategy within the restructuring industry:

- The Company has been actively involved in acquiring distressed assets since 2003 and has built up an extensive network of deal sources, advisers and financing partners. The Investment Adviser has investigated over 550 opportunities in the last five years, with 17 transactions completed to date.

- The Company has a predominantly concentrated and informed shareholder base including Brit Insurance plc, Jupiter Asset Management, Immia Investment Management, and EPIC plc who all supported the Open Offer and Placing.

- The Company is able to use its own cash resources to fund acquisitions. The Company also intends to use its shares to support quoted transactions if appropriate. Furthermore for larger acquisitions the Company is able to engage with its larger shareholders and third parties with co-investment proposals.

- The Investment Advisor continues to strengthen its existing network and develop new relationships with advisors and managers who can provide deal flow and the necessary expertise in acquiring and turning around distressed businesses.

Current Market

In the last two decades, strong economic growth made it less likely that good businesses would become distressed. Market conditions today are significantly different, with the prevailing global recession and the continuing banking crisis creating forced sellers and an optimal environment for distressed private equity investing. In addition, the UK is currently seen as the most attractive market in Europe. This is illustrated by the following:

- The banking crisis has particularly affected the UK, with the failure of Northern Rock being seen as the tipping point of the credit crunch. Since then, RBS has been nationalised (70% owned by the UK government) and HBoS rescued by Lloyds TSB in a government-sponsored deal (currently 43% owned by the UK government).

- The UK had experienced the highest level of leveraged buyout activity in Europe in the preceding years with 34% of all European LBOs in the period from January 2000 to July 2009[1].

- The UK was the leading entrant into recession: officially entering recession in January 2009, following a 0.6%

[1] Close Brothers Corporate Finance – Research Paper, "UK is European Hot-Spot for Distressed Companies"

decline in GDP in the third quarter of 2008 and 1.5% decline in the final quarter.

- The decline has continued into 2009, with a 2.4% contraction in GDP in the first quarter and a 0.8% contraction in the second quarter, more than twice the 0.3% decline forecast by analysts. This indicates the highest four consecutive quarter of contraction since records began in 1955.

- The indicated annual contraction is significantly greater than the UK Treasury forecast of a 3.25% – 3.75% decline. This suggests that public sector net borrowing will exceed the £175 billion projected for 2009/10, creating spending constraints within the public sector and potentially increasing unemployment .

- The UK employment rate is at its lowest level since records began; down 0.9% for the three months to May 2009 at 72.9%, and down 2% over the year. This is the largest quarterly fall in the working age employment rate since comparable records began in 1971[2].

- Falling demand in the UK has been exacerbated by excessive consumer borrowing in the period between 2001 and 2009.

- Unemployment, personal debt and the negative outlook for the UK has weakened consumer confidence, tightened demand and has had a significant impact on corporate profits. 2009 first quarter data indicated a 60% increase in company stress, with an 87% increase in companies with critical problems[3]. The majority of these are small to mid-cap businesses.

[2] ONS (Office for National Statistics)
[3] Begbies Traynor – Red Flag Alert, Q1 2009

- The insolvency regime in the UK is classified in the most creditor-friendly category by Standard & Poors. It offers the greatest predictability and strongest absolute recovery rates, making it more conducive to distressed investing.

The combination of all of the above has created an environment for forced sellers in the UK, be they large corporate conglomerates, private equity houses, banks or individuals. This makes the market for distressed private equity investing currently highly attractive in terms of value opportunities. The Investment Advisor believes that the Company is well positioned to take advantage of this situation.

Distressed private equity investing is highly specialised, requiring in-house operational and restructuring expertise not demanded by traditional private equity. EPE knows the market and competition well and has been investing in distressed private equity since 2003.

Valuation methodology

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

Current Portfolio

Autocue (2005)

Autocue is a manufacturer of prompting equipment for the media industry, as well as the developer and provider of a range of software for a similar customer base. The business went into administration early in 2005 due to significant historic leverage raised to expand the software division of the business, a strategy which subsequently proved disastrous. The Company teamed up with another private equity provider to buy the business out of Administration, employing a new management team, who have looked to restructure the business, through the removal of unnecessary excess costs and a realignment of the business to its core prompter (rather than software) sales. The Company has a £0.875 million debt exposure to Autocue, currently accruing at 15% per annum. Trading is in line with expectations, despite recessionary pressures, and the company achieved budget for the year ended 31 May 2009.

Kemutec (2005)

Kemutec is a manufacturer of mixing and sifting equipment for the chemical, pharmaceutical and food industries. Since the initial acquisition, the Investment Adviser had some success with the turnaround of the business, which achieved a good financial performance in the year ended 31 March 2009. However, a decline in performance in Q2 2009, as a result of customers cutting back on capital expenditure programmes, led to a restructuring to retain profitability levels across divisions. The resulting business will supply higher margin products and operate from a much lower cost base. Profitability is expected to return to historic levels following the restructuring. The new business has £1.4 million of loans outstanding to the Company yielding 15% per annum.

Morada Home Limited (2005)

In 2005, the Company backed a management buyout of the Morada Home business from the administration of Morada International. The Company has a £0.99 million debt exposure to Morada Home yielding 15% per annum. The business was originally focussed on contracts with the Ministry of Defence ("MoD") to supply curtains and blinds for MoD living accommodation. Morada has since begun to diversify, supplying PFI contractors as well as a large number of customers in the retail sector. Morada has recently recruited a new Managing Director and the business continues to perform strongly with the retail proposition developing ahead of schedule.

Past Times (2005)

Past Times is a niche retailer of historically inspired jewellery, gifts, books and housewares. Past Times was acquired in December 2005 from the administrators of Retail Variations plc. The Company has provided debt of £7.75 million yielding 15% per annum. During the initial phase of the turnaround, Past Times underwent a major restructuring process, with the number of stores significantly reduced, the head office cost base reduced, and the product range improved. As a result of these improvements, the business has experienced a £3.6 million turnaround in profitability, from a loss of £(3.3) million in the year of acquisition (2006) to a positive EBITDA of £0.3 million in the year ending 30 April 2009. Past Times continues to expand the number of stores under the guidance of the CEO Mike Taylor and performance is improving despite the challenging retail environment.

Whittard of Chelsea (2008)

Whittard of Chelsea, a specialist retailer of tea and coffee, was acquired from Baugur in December 2008. The business had previously been acquired by Baugur in 2005 at an enterprise value of approximately £21.5 million, incorporating

£20 million of Landsbanki debt funding. The Company now holds approximately 75% of the equity, with total debt of £0.98 million provided by the Company in the form of high yielding loan notes. The Company acquired a significant level of stock in the transaction, providing asset backing along with the opportunity for stock profit. The initial restructuring of the business is complete, which involved relocation of the head office and distribution centre and closure of 48 of the original 128 stores. Following this restructuring, the business is expected to achieve sales of around £34 million in the year ending 31 December 2009.

Review report by KPMG Audit LLC to EPE Special Opportunities plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 July 2009, which comprises the consolidated statement of comprehensive income, the consolidated statement of assets and liabilities, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

As disclosed in note 2 the annual financial statements are prepared in accordance with IFRS. The condensed set of financial statements included in this half yearly report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The accounting policies that have been adopted in preparing the condensed set of financial statements are consistent with those that the Directors currently intend to use in the next annual financial statements.

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 July 2009 are not prepared, in all material respects, in accordance with IAS 34 and the AIM Rules.

KPMG Audit LLC
Chartered Accountants
Douglas
Isle of Man

12 October 2009

Unaudited Consolidated Statement of Comprehensive Income

For the period from 1 February 2009 to 31 July 2009

Note		Revenue	1 Feb 2009 to 31 July 2009 (unaudited) Capital	Total	1 Feb 2008 to 31 July 2008 (unaudited) Total	1 Feb 2008 to 31 Jan 2009 (audited) Total
		£	£	£	£	£
	Income:					
	Rental income	26,583	–	26,583	20,000	46,900
	Interest income	633,245	–	633,245	579,419	1,253,640
	Total income	659,828	–	659,828	599,419	1,300,540
	Expenses:					
	Investment advisor's fees	(166,672)	–	(166,672)	(165,196)	(328,969)
	Administration fees	(15,000)	–	(15,000)	(15,000)	(30,000)
	Directors' fees	(41,941)	–	(41,941)	(40,565)	(75,000)
	Directors' and Officers' insurance	(5,175)	–	(5,175)	(4,917)	(9,531)
	Professional fees	(143,782)	–	(143,782)	(72,789)	(154,454)
	Board meetings and travel expenses	(1,995)	–	(1,995)	(1,145)	(2,077)
	Auditors' remuneration	(14,250)	–	(14,250)	(18,207)	(34,457)
	Interest and other charges	(20,454)	–	(20,454)	(30,124)	(53,901)
	Irrecoverable VAT	(60,839)	–	(60,839)	(46,904)	(96,010)
	Sundry expenses	(14,397)	–	(14,397)	(24,328)	(49,169)
	Stock exchange fees	(4,925)	–	(4,925)	(755)	(755)
	Advisor and broker fees	(9,280)	–	(9,280)	(7,813)	(27,095)
	Total expenses	(498,710)	–	(498,710)	(427,743)	(861,418)
	Net investment income	161,118	–	161,118	171,676	439,122
	Gains/(losses) on investments					
	Net realised gains on investments at fair value through profit or loss	–	–	–	143,523	202,657
	Unrealised losses on investments at fair value through profit or loss	–	(750,000)	(750,000)	–	(1,750,000)
	Revaluation of investment property	–	–	–	–	(176,000)
	Impairment of loan portfolio	–	–	–	(450,000)	(450,000)
	Profit/(loss) for the period/year before taxation	**161,118**	**(750,000)**	**(588,882)**	**(134,801)**	**(1,734,221)**
	Taxation	**–**	**–**	**–**	**-**	**18,189**
	Profit/(loss) for the period/year	**161,118**	**(750,000)**	**(588,882)**	**(134,801)**	**(1,716,032)**
8	**Basic and diluted earnings/(loss) per ordinary share (pence)**	**0.52**	**(2.43)**	**(1.91)**	**(0.45)**	**(5.67)**

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

The Group did not have other gains or losses other than those recognised above hence the loss for the period is equal to comprehensive loss for the period.

The accompanying notes on page 19 to 23 are an integral part of the interim financial statements

Unaudited Consolidated Statement of Assets and Liabilities

As at 31 July 2009

Note		31 July 2009 (unaudited)	31 July 2008 (unaudited)	31 January 2009 (audited)
		£	£	£
	Non-current assets			
6	Investment property	500,000	676,000	500,000
6	Financial assets	11,685,464	12,821,464	11,936,464
		12,185,464	**13,497,464**	**12,436,464**
	Current assets			
	Accrued interest and other receivables	2,060,645	974,819	1,448,994
	Cash and cash equivalents	5,526,790	2,463,094	1,633,890
5	Committed cash balances	1,247,895	1,377,895	1,247,895
		8,835,330	**4,815,808**	**4,330,779**
	Current liabilities			
	Accrued expenses and sundry creditors	(215,923)	(148,380)	(89,584)
	Deferred tax liability	–	(18,189)	–
	Provision for calls under guarantee	(1,239,759)	(1,123,494)	(1,239,759)
	Dividend payable	–	(972,000)	–
		(1,455,682)	**(2,262,063)**	**(1,329,343)**
	Net current assets	**7,379,648**	**2,553,745**	**3,001,436**
	Non-current liabilities			
10	Bank Loan	(497,977)	(504,437)	(500,359)
	Net assets	**19,067,135**	**15,546,772**	**14,937,541**
	Equity			
7	Share capital	1,327,075	300,000	327,075
	Share premium	32,513,880	27,850,479	28,795,404
	Capital reserve	(15,446,474)	(12,847,797)	(14,696,474)
	Revenue reserve	672,654	244,090	511,536
	Total equity	**19,067,135**	**15,546,772**	**14,937,541**
9	**Net assets value per share (pence)**	**71.84**	**51.82**	**45.67**

The accompanying notes on page 19 to 23 are an integral part of the interim financial statements

Unaudited Consolidated Statement of Changes in Equity

For the period from 1 February 2009 to 31 July 2009

	6 months ended 31 July 2009 (unaudited)					6 Months ended 31 July 2008	Year ended 31 January 2009
	Share Capital	Share Premium	Capital Reserve	Revenue Reserve	Total	Total (unaudited)	Total (audited)
	£	£	£	£	£	£	£
Equity at start of the period	327,075	28,795,404	(14,696,474)	511,536	14,937,541	16,653,573	16,653,573
Total comprehensive loss for the period/year	–	–	(750,000)	161,118	(588,882)	(134,801)	(1,716,032)
Contributions by and distributions to owners							
Shares issued	1,000,000	4,000,000	–	–	5,000,000	–	–
Share issue costs	–	(281,524)	–	–	(281,524)	–	–
Dividends paid	–	–	–	–	–	(972,000)	–
Total transactions with owners	**1,000,000**	**3,718,476**	**–**	**–**	**4,718,476**	**(972,000)**	**–**
Equity at end of the period	**1,327,075**	**32,513,880**	**(15,446,474)**	**672,654**	**19,067,135**	**15,546,772**	**14,937,541**

The Group did not have other gains or losses other than those recognised in the Consolidated Statement of Comprehensive Income hence the loss for the period is equal to total comprehensive loss for the period.

The accompanying notes on page 19 to 23 are an integral part of the interim financial statements

Unaudited Consolidated Statement of Cash Flows

For the period from 1 February 2009 to 31 July 2009

	1 February 2009 to 31 July 2009 (unaudited)	1 February 2008 to 31 July 2008 (unaudited)	1 February 2008 to 31 January 2009 (audited)
	£	£	£
Cash flows from operating activities			
Rental income received	26,583	15,000	46,900
Interest income received	4,642	139,041	337,624
Expenses paid	(475,419)	(429,072)	(856,792)
Net cash outflows from from operating activities	**(444,194)**	**(275,031)**	**(472,268)**
Cash flows from investing activities			
Loan advances to investee companies	(725,000)	(510,000)	(1,375,000)
Loan repayments received	226,000	–	–
Purchase of investee company assets	–	(261,893)	(261,893)
Receipts on disposal of equipment	–	187,500	175,000
Transfer from/(to) committed cash	–	605,170	735,170
Payments of calls under guarantee	–	(223,982)	(345,170)
Receipts from calls under guarantee	–	–	274,737
Payments of investment transaction costs	–	–	(33,938)
Net cash outflows from investing activities	**(499,000)**	**(203,205)**	**(831,094)**
Cash flows from financing activities			
Proceeds from share issue	5,000,000	–	–
Share issue costs	(161,524)	–	–
Repayment of loans	(2,382)	(3,584)	(7,662)
Net cash inflows/(outflows) from financing activities	**4,836,094**	**(3,584)**	**(7,662)**
Increase/(decrease) in cash and cash equivalents	3,892,900	(481,820)	(1,311,024)
Cash and cash equivalents at start of period/year	1,633,890	2,944,914	2,944,914
Cash and cash equivalents at end of period/year	**5,526,790**	**2,463,094**	**1,633,890**

The accompanying notes on page 19 to 23 are an integral part of the interim financial statements

Notes to the Unaudited Consolidated Interim Financial Statements

1 The Company

The Company was incorporated with limited liability in the Isle of Man with the registered number 108834C on 25 July 2003. The Company's ordinary shares are listed on the Alternative Investment Market ("AIM"), a market of the London Stock Exchange Plc.

The interim consolidated financial statements of the Company as at and for the six months ended 31 July 2009 comprise the Company and its subsidiaries (together referred to as the "Group"). The interim consolidated financial statements are unaudited.

The consolidated financial statements of the Group as at and for the year ended 31 January 2009 are available upon request from the Company's registered office at IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP or at www.epicprivateequity.com.

The Company has three wholly owned subsidiaries – EPIC Structured Finance Limited, a company incorporated on 21 August 2003 in the Isle of Man; EPIC Reconstruction Property Company II Limited, a company incorporated on 30 December 2004 in England and Wales and EPIC Reconstruction Property Company (IOM) Limited, a company incorporated on 26 September 2005 in the Isle of Man.

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

2 Statement of compliance

These interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* except for the non-consolidation of certain companies. As part of the Group's investment in businesses emerging from distressed situations the Group may receive preference and ordinary shares. Such shares permit the Group to participate in any increase in the value of portfolio companies. However, the Directors consider that consolidation would render the consolidated financial statements misleading, as such interests were acquired for nil consideration, as part of loan finance arranged for such companies and such interests were acquired with a view to income and capital gain.

The interim consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 January 2009.

These interim consolidated financial statements were approved by the Board of Directors on 12 October 2009.

Notes to the Unaudited Consolidated Interim Financial Statements (continued)

3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in these interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 January 2009.

Change in accounting policy

a) Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these interim financial statements as of and for the six months period ended on 31 July 2009. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

The total column of the Group's Consolidated Statement of Comprehensive Income is prepared in accordance with IFRSs. The supplementary revenue return and capital return columns are both prepared under Board approved guidelines in relation to the allocation between revenue and capital.

b) Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the board of directors, who are the Group's chief operating decision makers. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. The adoption of the standard had no impact on presentation and disclosure of segment information.

The Directors are of the opinion that the Group is engaged in a single segment of business and geographic area being arranging financing for businesses emerging from distressed situations in the United Kingdom.

4 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 January 2009.

5 Financial commitments and guarantees

Under a credit risk participation agreement signed with Eurosales, a division of RBS, a third party finance company, the Group is committed to fund a minimum of 70% and a maximum of 100% (depending on the nature of loan and amount of security) of the credit losses for loans arranged by the Group and funded by Eurosales. No new business has been written under this agreement since July 2005.

Under the terms of the credit risk participation agreement, the Group must retain a minimum amount in a security account, which is charged in favour of Eurosales. As at 31 July 2009, £1,247,895 (31 January 2009: £1,247,895) of the term deposit was charged in favour of Eurosales.

This agreement is now in run-off and no new business is written under this agreement.

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

6 Non-current assets

	31 July 2009 (unaudited)	31 July 2008 (unaudited)	31 January 2009 (audited)
	£	£	£
Investment Property	500,000	676,000	500,000
Financial assets:			
Secured loans	11,685,464	10,321,464	11,186,464
Unquoted equity investments	–	2,500,000	750,000
	12,185,464	**13,497,464**	**12,436,464**

Unquoted equity investments are stated at Director's valuations. The secured loans are secured by way of floating charge and bear interest at fixed rates of between 15% and 20%. The loans are repayable as follows:

	Principal	Interest rate	Maturity
	£		
Past Times Trading Limited	7,750,000	15%	30 April 2011
Kemutec Powder Technologies Limited	1,423,464	15%	31 December 2016
Morada Home Limited	1,078,000	15%	31 January 2011
Whittard of Chelsea (Hamsard 3146 Limited)	984,000	20%	22 December 2009
Autocue Group Limited	875,000	15%	31 December 2015

Notes to the Unaudited Consolidated Interim Financial Statements (continued)

7 Share Capital

	Number	£
Authorised		
Ordinary shares of 5 pence each	33,000,000	1,650,000
Called up, allotted and fully paid		
Ordinary shares of 5 pence each	26,541,501	1,327,075

On 8 June 2009, a resolution was passed to increase the authorised share capital of the company from £500,000 to £1,650,000 by the creation of 115,000,000 new ordinary shares of 1 pence each ranking *pari passu* in all respects with the existing ordinary shares.

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

With effect from 15 June 2009, each five existing, issued and unissued, shares of 1 pence each in the capital of the Company were consolidated into one ordinary share of 5 pence each with the same rights attached to them in the Articles of Association of the Company. The authorised share capital of the Company became £1,650,000 comprising 33,000,000 ordinary shares of 5 pence each.

8 Basic and diluted loss per share

The basic loss per share is calculated by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period of 30,891,962 (6 month period ended 31July 2008: 30,000,000 ordinary shares).

Fully diluted loss per share is the same as basic loss per share

9 Net asset value per share (pence)

The net asset value per share is based on the net assets at the period end of £19,067,135 divided by 26,541,501 ordinary shares in issue at the end of the period (31 January 2009: £14,937,541 net assets and 32,707,509 ordinary shares).

10 Bank Loan

	31 July 2009 (unaudited)	31 July 2008 (unaudited)	31 January 2009 (audited)
	£	£	£
Mortgage loan	497,977	504,437	500,359

The mortgage bank loan bears interest of 6.00% and is secured on investment property valued in the financial statements at £500,000. The term currently outstanding on the loan is 19 years and 11 months.

11 Related Party Transactions

During the period there were no transactions with any related parties.

12 Post Balance Sheet Events

On 28 August 2009, the Chancery Division of the High Court of Justice of the Isle of Man approved a reclassification of an amount of £32,513,880 standing to the credit of the share premium account to distributable reserves.

13 Directors' Interests

As at 31July 2009 the following Directors had interests in the shares of the company

	31 July 2009 (unaudited)	31 July 2008 (unaudited)	31 January 2009 (audited)
	Ordinary share	Ordinary share	Ordinary share
G O Vero	40,000	–	–
N V Wilson	20,000	–	–

14 Dividends

	31 July 2009 (unaudited)	31 July 2008 (unaudited)	31 January 2009 (audited)
	£	£	£
Dividends	–	972,000	–

The Directors do not recommend the payment of an interim dividend.

Company Information

Directors

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

Secretary

P.P. Scales

Registrar and Registered Office

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Auditors and reporting Accountants

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Crest Providers

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