

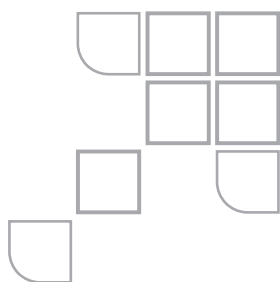
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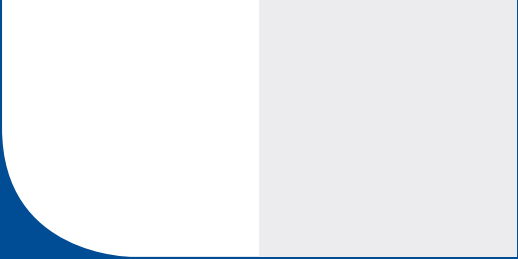
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Biographies of the Directors

Geoffrey Vero FCA qualified as a chartered accountant with Ernst & Young and then worked for Savills, chartered surveyors, and The Diners Club Limited. He has been active in venture capital since 1985, initially with Lazard Development Capital Limited and then from 1987 to 2002 as a director of Causeway Capital Limited which became ABN Amro Capital Limited. In 2002, he set up The Vero Consultancy specializing in corporate advisory services and recovery situations. He has considerable experience in evaluating investment opportunities and dealing with corporate recovery. While at Causeway Capital, Mr. Vero was a founder director of Causeway Invoice Discounting Company Limited, which was subsequently sold to N.M. Rothschild. He is also a Non-executive Director of Numis Corporation plc, Crown Place VCT plc and Chairman of Albion Development VCT plc.

Clive Spears retired from the Royal Bank of Scotland International Limited in December 2003 as Deputy Director of Jersey after 32 years' 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 of Bankers and a Member of the Chartered Institute for Securities & Investment. He has accumulated a well spread portfolio of directorships centring on private equity, property and corporate debt. His appointments currently include chairman of Nordic Capital Limited and he sits on the board of Jersey Finance Limited.





Robert Quayle qualified as an English solicitor at Linklaters & Paines in 1974 after reading law at Selwyn College, Cambridge. He subsequently practiced in London and the Isle of Man as a partner in Travers Smith Braithwaite. He served as Clerk of Tynwald (the Isle of Man's parliament) for periods totalling 12 years and holds a number of public and private appointments, and is active in the voluntary sector. Mr. Quayle is Chairman of Isle of Man Steam Packet Co Limited, Neville James International Funds plc and Neville James Preference Fund Limited. His directorships include Axa Isle of Man Limited and Total Isle of Man Limited as well as companies in the financial services sector. He is also a Commissioner of the Northern Lighthouse Board.

Nicholas Wilson has over 30 years experience in hedge funds, derivatives and global asset management. He has run offshore branch operations for MeesPierson Derivatives Limited, ADM Investor Services International Limited and several other London based brokerage companies. He is non-executive chairman of Alternative Investment Strategies Limited, the longest running quoted fund of hedge funds and a constituent of the FTSE All Share Index. In addition, he sits on the boards of a number of other public companies, including RAB Special Situations Company Limited. He is resident in the Isle of Man.

Profile of Investment Advisor

EPIC Private Equity (“EPE”) was founded in June 2001 and is independently owned by its Partners. EPE focuses on niche investment opportunities throughout the UK and Europe with a focus on leveraged buyouts (EPIC plc) and turnaround transactions (EPE Special Opportunities plc). EPE has completed over 42 transactions in nine years resulting in its current portfolio of businesses with combined turnover of more than £250m and £40m of invested capital. EPE is generally lead investor and takes control positions in its investments, partnering with Management and Entrepreneurs to leverage financial and operational expertise.

Giles Brand is a founder of EPE and EPIC Investment Partners. He is currently a non-executive director of a number of portfolio companies: Pinnacle Regeneration Group, a social housing group and PFI manager; Nexus Industries, an electrical and wiring accessories business; Pharmacy2U, an online pharmacy business; and Palatinat Schools, a group of private nurseries, pre-prep and preparatory schools. Before joining EPE he spent five years working in Mergers and Acquisitions at Baring Brothers in both Paris and London. Giles read History at Bristol University.

James Henderson worked in the Investment Banking division at Deutsche Bank before joining EPE. 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. He also manages EPE’s investments in Ryness Electrical and Pharmacy2U. He is currently a non-executive director of Indicia, an integrated marketing services provider and digital marketing agency. James read Modern History at Oxford University and Medicine at Nottingham University.

Mark Colley worked as an Investment Analyst at the Private Equity firm 3i before joining EPE. At 3i he worked on UK mid-market buyouts in a variety of sectors. At EPE Mark has completed three acquisitions – Dolcis, Evolving Media and Whittard of Chelsea. He also manages ESO plc’s investments in Past Times, Whittard of Chelsea, Morada and Autocue. He is currently a non-executive director of Evolving Media, an integrated digital marketing agency, and Bighead Bonding Fasteners, a manufacturer of specialist fasteners. Mark read Economics at Cambridge University and has completed the CFA (Chartered Financial Analyst) examinations.

Alastair Seaman worked at private equity investor and fund management business SVG Capital before joining EPE in 2009. Whilst at SVG Capital, he worked on the structuring, development and distribution of new, in-house private equity-related investment products. Prior to SVG Capital, he gained intern experience at J.P. Morgan Cazenove. Alastair read Classics at Cambridge University.

Chairman's Statement

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

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

Within the context of an unforgiving economic climate, the portfolio has held up well over the course of the year and the Investment Advisor has taken a number of proactive steps to minimise the impact of the recession on portfolio company performance. The

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

The Company is currently seeking to exit the smaller investments and continues to identify potential bolt-on opportunities for the remainder of the portfolio. All portfolio companies are subject to the vagaries of the market place. In particular, the retail climate is expected to continue to be patchy as UK government policy impacts on the consumer over the oncoming months. Accordingly the Directors and the Investment Advisor have applied a conservative valuation policy, including a write-down on the

Chairman's Statement

continued

Kemutec investment, for whilst progress has been encouraging the Board are mindful that economic conditions remain uncertain. With such reservations in mind, the current portfolio valuation prudently assigns no equity value to any of the Company's holdings at this point. Further detail on the methodology behind the valuation process is outlined in the Investment Advisor's Report. This has included stress-testing and reviewing a range of upside and downside valuations to come to what the Directors consider to be an appropriate median valuation.

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

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

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

Geoffrey Vero
Chairman

24 May 2010

Investment Advisor's Report



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

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

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

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

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

aggregate Net Proceeds).

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

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

- The Company has been actively involved in acquiring undervalued assets since 2003 and has built up an extensive network of deal sources, advisers and financing partners. The Investment Adviser has investigated over 637 opportunities in the last six years, with 17 transactions completed to date.
- The Company's principal shareholders include Brit Insurance plc, Jupiter Asset Management, Immia Investment Management, EPIC plc and EPIC Private Equity, all of whom supported the Open Offer and Placing.
- The Company is able to use its own cash resources to fund acquisitions. The Company also intends, if appropriate, to use its shares to support quoted transactions following the passing of a Special

Investment Advisor's Report

continued

Resolution at the June 2009 EGM enabling the Company to issue up to 25 per cent. of the current outstanding shares as all or part consideration for the acquisition of quoted companies. Furthermore, for larger acquisitions the Company is able to engage with its larger shareholders and third parties with co-investment proposals.

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

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

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

Valuation methodology

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

The Portfolio

Process Components (2005)

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

Past Times (2005)

Past Times is a niche retailer of historically inspired jewellery, gifts, books and house-wares. Past Times was acquired in December 2005 from the administrators of Retail Variations plc. During the initial phase of the turnaround, Past Times underwent a major restructuring process, with the number of stores significantly reduced, the head office cost base reduced, and the product range improved. As a result of these improvements, the Investment Advisor is now confident of delivering a third consecutive year of profitability. Past Times continues to expand the number of stores under the guidance of CEO Mike Taylor and the Investment Advisor expects continued improved performance despite the current weak retail environment. The Company has a £8.92 million debt exposure to Past Times.

Morada Home (2005)

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

Whittard of Chelsea (2008)

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

Report of the Directors

Principal activity

The Company was incorporated in the Isle of Man as an AIM listed public company limited by shares under the Laws with registered number 108834C on 25 July 2003.

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

Incorporation

The Company was incorporated on 25 July 2003. The Company’s registered office is:

IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP, British Isles.

Details of subsidiaries are provided in Note 22.

Results of the financial year

Results for the year are set out in the Company and Consolidated Statements of Comprehensive Income on pages 16 and 17 and in the Company and Consolidated Statements of Changes in Equity on pages 20 and 21.

Distribution and Dividends Policy

The Company adopted a distribution policy to take capital gains and losses against Capital and all income and expenses are taken to the Revenue Reserve Account, with the exception of expenses directly attributable to capital items.

The Board does not recommend a dividend in relation to the current year. As capital is returned to the Company, the Board will look to distribute excess capital by way of share buy backs and/or special dividends.

Corporate Governance Principles

As an Isle of Man registered company and under the AIM rules for companies, the Company is not required to comply with The Combined code on Corporate Governance published by the Financial Reporting Council (“Code”). The Directors, however, place a high degree of importance on ensuring that the Company maintains high standards of Corporate Governance and have therefore adopted the spirit of the Code to the extent that they consider appropriate, taking into account the size of the Company and nature of its operations.

The Board holds at least four meetings annually and has established audit and investment committees. 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.

Report of the Directors

continued

Composition of the Board

The Board currently comprises four non-executive members all of whom are independent non-executive directors. Geoffrey Vero is Chairman of the Company, Clive Spears is the chairman of the Audit Committee and Nicholas Wilson is Chairman of the Investment and Risk Committee.

Audit Committee

The activities of the Audit Committee continued, members of which are Clive Spears (Chairman of the Committee) and all the other Directors. The Audit Committee provides a forum through which the Company's external Auditors report to the Board.

The Audit Committee meets twice a year and is responsible for considering the appointment and fee of the external auditors and for discussing the scope of the audit and 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 annual and interim statements of the Company before their submission for approval by the Board.

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

Investment and Risk Committee

The Board established an Investment Committee, which comprises Nicholas Wilson (Chairman of the Committee) and all the other Directors. The purpose of this committee is to review the portfolio of the Company and evaluate the performance of the Investment Adviser.

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

Significant holdings

Significant shareholdings are analysed on page 40. The Directors are not aware of any other holding of greater than 3 per cent..

Directors

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

Mr. G.O. Vero (Chairman)
Mr. R.B.M Quayle
Mr. C.L. Spears
Mr. N.V Wilson

Report of the Directors

continued

Secretary

The secretary of the Company holding office for the financial year ended 31 January 2010 was Mr. P.P. Scales.

Staff

At 31 January 2010 the Group employed no staff (2009: none).

Auditors

Our auditors, KPMG Audit LLC, being eligible, have expressed their willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

On behalf of the Board

Nicholas Wilson

Director

24 May 2010

Statement of Directors' Responsibilities

in respect of the Directors' 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.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year, which meet the requirements of Isle of Man company law. In addition, the Directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards.

The Group and Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and to enable them to ensure that its financial statements comply with the Companies Acts 1931 to 2004. They 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 Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

Report of the Independent Auditors, KPMG Audit LLC, to the members of EPE Special Opportunities plc

We have audited the Group and Parent Company financial statements (“the financial statements”) of EPE Special Opportunities plc for the year ended 31 January 2010 which comprise the Consolidated and Parent Company Statements of Comprehensive Income, the Consolidated and Parent Company Statements of Assets and Liabilities, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company’s members, as a body, in accordance with section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s 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 and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors’ responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards are set out in the Statement of Directors’ Responsibilities on page 13.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts 1931 to 2004. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors’ Report and any other information accompanying the financial statements and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the audited financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group’s and Company’s circumstances, consistently applied and adequately disclosed.

Report of the Independent Auditors, KPMG Audit LLC, to the members of EPE Special Opportunities plc

continued

Basis of opinion (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion on the Group financial statements resulting from disagreement about accounting treatment

As stated in Note 3(a) to the financial statements, the Company has not included in the consolidated financial statements the results of the controlled portfolio companies because the Directors are of the opinion that their inclusion would render the Company's consolidated financial statements misleading. However, the results of controlled portfolio companies are required to be included in the consolidated financial statements by International Accounting Standard 27 "Consolidated and Separate Financial Statements" and such non-inclusion constitutes a departure from the above mentioned accounting standard.

In our opinion, due to the non-inclusion of the results of controlled portfolio companies in the consolidated financial statements as referred to above, the financial statements do not show a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's affairs as at 31 January 2010 and of the Group's loss for the year then ended.

Unqualified opinion in respect of the separate financial statements of the Parent Company

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Parent Company's affairs as at 31 January 2010 and of the Parent Company's loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004.

KPMG Audit LLC

Chartered Accountants

Heritage Court

41 Athol Street

Douglas

Isle of Man

24 May 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2010

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

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

The notes on pages 24 to 39 form an integral part of these financial statements.

Company Statement of Comprehensive Income

For the year ended 31 January 2010

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

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

The notes on pages 24 to 39 form an integral part of these financial statements.

Consolidated Statement of Assets and Liabilities

As at 31 January 2010

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

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

Geoffrey Vero
Chairman

Nicholas Wilson
Director

The notes on pages 24 to 39 form an integral part of these financial statements.

Company Statement of Assets and Liabilities

As at 31 January 2010

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

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

Geoffrey Vero
Chairman

Nicholas Wilson
Director

The notes on pages 24 to 39 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 January 2010

	Year ended 31 January 2010				
	Share Capital £	Share Premium £	Capital Reserve £	Revenue Reserve £	Total £
Balance at 1 February 2009	327,075	28,795,404	(14,696,474)	511,536	14,937,541
Total comprehensive income for the year	–	–	(764,592)	453,839	(310,753)
Contributions by and distributions to owners					
Shares issued	1,000,000	4,000,000	–	–	5,000,000
Share issue costs	–	(281,596)	–	–	(281,596)
Cancellation of share premium (note 15)	–	(32,513,808)	–	32,513,808	–
Total transactions with owners	1,000,000	(28,795,404)	–	32,513,808	4,718,404
Balance at 31 January 2010	1,327,075	–	(15,461,066)	33,479,183	19,345,192
	Year ended 31 January 2009				
	Share Capital £	Share Premium £	Capital Reserve £	Revenue Reserve £	Total £
Balance at 1 February 2008	300,000	27,850,479	(12,541,320)	1,044,414	16,653,573
Total comprehensive income for the year	–	–	(2,155,154)	439,122	(1,716,032)
Contributions by and distributions to owners					
Scrip dividend	27,075	944,925	–	(972,000)	–
Total transactions with owners	27,075	944,925	–	(972,000)	–
Balance at 31 January 2009	327,075	28,795,404	(14,696,474)	511,536	14,937,541

The notes on pages 24 to 39 form an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 January 2010

	Year ended 31 January 2010				
	Share Capital £	Share Premium £	Capital Reserve £	Revenue Reserve £	Total £
Balance at 1 February 2009 as previously reported	327,075	28,795,404	(14,756,646)	601,102	14,966,935
Effect of change in accounting policy (note 2c)	-	-	(1,851,592)	1,822,198	(29,394)
Balance at 1 February 2009 as restated	327,075	28,795,404	(16,608,238)	2,423,300	14,937,541
Total comprehensive loss for the year	-	-	(492,247)	181,494	(310,753)
Contributions by and distributions to owners					
Shares issued	1,000,000	4,000,000	-	-	5,000,000
Share issue costs	-	(281,596)	-	-	(281,596)
Cancellation of share premium (note 15)	-	(32,513,808)	-	32,513,808	-
Total transactions with owners	1,000,000	(28,795,404)	-	32,513,808	4,718,404
Balance at 31 January 2010	1,327,075	-	(17,100,485)	35,118,602	19,345,192
	Year ended 31 January 2009				
	Share Capital £	Share Premium £	Capital Reserve £	Revenue Reserve £	Total £
Balance at 1 February 2008 as previously reported	300,000	27,850,479	(12,759,303)	1,122,893	16,514,069
Effect of change in accounting policy (note 2c)	-	-	(1,997,267)	2,136,771	139,504
Balance at 1 February 2008 as restated	300,000	27,850,479	(14,756,570)	3,259,664	16,653,573
Total comprehensive loss for the year	-	-	(1,851,668)	135,636	(1,716,032)
Contributions by and distributions to owners					
Scrip dividend	27,075	944,925	-	(972,000)	-
Total transactions with owners	27,075	944,925	-	(972,000)	-
Balance at 31 January 2009	327,075	28,795,404	(16,608,238)	2,423,300	14,937,541

The notes on pages 24 to 39 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 January 2010

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

Supplementary information

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

The notes on pages 24 to 39 form an integral part of these financial statements.

Company Statement of Cash Flows

For the year ended 31 January 2010

Note	31 January 2010 £	31 January 2009 £
	Operating activities	
	2,045	1,074
	(722,311)	(871,398)
18	(720,266)	(870,324)
	Investing activities	
	–	64,648
	(1,961,007)	687,006
	(1,961,007)	751,654
	Financing activities	
	5,000,000	–
	(281,596)	–
	4,718,404	–
	2,037,131	(118,670)
	14,772	133,442
	2,051,903	14,772

The notes on pages 24 to 39 form an integral part of these financial statements.

Notes to the Financial Statements

Year ended 31 January 2010

1 Operations

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

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

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

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

The Company has no employees.

2 Basis of preparation

a Statement of compliance

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

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

b Basis of measurement

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

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

c Functional and presentation currency

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

d Use of estimates and judgements

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

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

Judgements made by Directors and the Investment Advisor in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year relate to impairment provisioning in connection with secured loans and valuations of unquoted equity investments. Due to the current market conditions, the level of

Notes to the Financial Statements

Year ended 31 January 2010

continued

2 Basis of preparation (continued)

estimation required in the valuation of unquoted equity investments and impairment provisions is increased due to a lack of reliable quoted market comparables and recent transaction comparables (notes 10 and 19).

e Changes in accounting policies

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

3 Significant accounting policies

a Basis of consolidation

Subsidiaries

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

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

Transactions eliminated on consolidation

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

b Segmental reporting

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

c Income

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

Notes to the Financial Statements

Year ended 31 January 2010

continued

3 Significant accounting policies (continued)

d Expense

All expenses are accounted for on an accruals basis.

e Taxation

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

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

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

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

f Cash and cash equivalents

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

g Investments

(i) Classification

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

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

(ii) Recognition

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

(iii) Measurement

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

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

Notes to the Financial Statements

Year ended 31 January 2010

continued

3 Significant accounting policies (continued)

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

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

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

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

(iv) Impairment

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

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

(v) Derecognition

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

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

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

h Financial guarantees

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

i Investment property

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

Notes to the Financial Statements

Year ended 31 January 2010

continued

3 Significant accounting policies (continued)

j Future changes in accounting policies

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

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

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

IFRIC Interpretation

IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

*Amendments resulting from April 2009 Annual Improvements to IFRSs

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

4 Interest income

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

Notes to the Financial Statements

Year ended 31 January 2010

continued

5 Investment advisory, administration and performance fees

Investment advisory fees

EPE Special Opportunities PLC

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

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

ESO Investments LLP

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

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

Administration fees

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

Performance fees

EPE Special Opportunities PLC

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

ESO Investments LLP

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

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

EPIC PLC	100 per cent.
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EPIC Carry LLP	0.00 per cent.
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- (b) On the hurdle payment date 20 per cent. of the Non-Mezzanine Relevant Sums previously allocated to ESO PLC will be transferred to ESO Carry LLP.

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

EPIC PLC	80 per cent.
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EPIC Carry LLP	20 per cent.
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Notes to the Financial Statements

Year ended 31 January 2010

continued

6 Directors' fees

Directors' fees payable for the year were as follows:

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

7 Taxation

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

	2010		2009	
	Group £	Company £	Group £	Company £
Deferred tax credit	-	-	(18,189)	-
	-	-	(18,189)	-

8 Dividends paid and proposed

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

Notes to the Financial Statements

Year ended 31 January 2010

continued

9 Financial assets and liabilities

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

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

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

10 Non-current assets

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

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

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

Notes to the Financial Statements

Year ended 31 January 2010

continued

10 Non-current assets (continued)

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

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

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

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

11 Loans to subsidiaries

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

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

12 Cash and cash equivalents

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

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

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

Notes to the Financial Statements

Year ended 31 January 2010

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13 Bank loan

	2010	2009
	£	£
Mortgage loan	485,408	500,359

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

14 Share capital

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

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

15 Share premium

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

16 Basic and diluted loss per share (pence)

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

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

Notes to the Financial Statements

Year ended 31 January 2010

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17 Net asset value per share (pence)

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

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

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

18 Net cash used in operating activities

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

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

19 Financial instruments

The Group's financial instruments comprise:

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

Financial risk management objectives and policies

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

Liquidity risk

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

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

Notes to the Financial Statements

Year ended 31 January 2010

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19 Financial instruments (continued)

Residual contractual maturities of financial liabilities:

31 January 2010

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

31 January 2009

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

Credit risk

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

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

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

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

Notes to the Financial Statements

Year ended 31 January 2010

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19 Financial instruments (continued)

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

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

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

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

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

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

Market price risk

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

Market price risk sensitivity

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

Interest rate risk

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

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

Notes to the Financial Statements

Year ended 31 January 2010

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19 Financial instruments (continued)

31 January 2010

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

31 January 2009

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

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

31 January 2010

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

Notes to the Financial Statements

Year ended 31 January 2010

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19 Financial instruments (continued)

31 January 2009

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

Interest rate sensitivity

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

Currency risk

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

Fair Values

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

20 Directors' interests

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

21 Related parties

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

Notes to the Financial Statements

Year ended 31 January 2010

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21 Related parties (continued)

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

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

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

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

22 Subsidiary Companies

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

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

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

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

23 Financial commitments and guarantees

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

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

24 Post balance sheet events

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

Shareholder Information

Schedule of shareholders holding over 3% of issued shares

Shares

	%
Brit Insurance Holdings	15.41
Nortrust Nominees	10.00
Company Related Holdings	9.91
Giles Brand	9.04
The Bank of New York (Nominees)	9.04
Pershing Nominees	6.83
Miton Asset Management	5.44
Hoares Bank	5.43
Henderson Global Investors	5.09
Renaissance Capital Partners	3.77
Total over 3% holdings	79.89

Group Information

Directors	GO Vero (<i>Chairman</i>) RBM Quayle CL Spears NV Wilson	Investment Advisor	EPIC Private Equity LLP 7th Floor, 22 Billiter Street London EC3M 2RY
Secretary	Philip P Scales	Auditors and Reporting Accountants	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN
Registrar and Registered Office	IOMA Fund and Investment Management Limited IOMA House Hope Street Douglas Isle of Man IM1 1AP	Crest Provider	Computershare Investor Services (CI) Limited Ordnance House 31 Pier Road St Helier Jersey
Nominated Advisor and Broker	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT		
Bankers	Royal Bank of Scotland International PO Box 64 71 Bath Street St Helier Jersey JE4 8PJ		

