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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and the action you should take, you are recommended immediately to seek your own advice from a person duly authorised under the Financial Services and Markets Act 2000 (as amended) who has the appropriate expertise in advising on the acquisition and/or disposal of shares and other securities.

If you have sold or otherwise transferred all of your Capital Shares in The Equity Partnership Investment Company PLC, please send this document, together with the Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected. If you have sold only part of your holding of Capital Shares in The Equity Partnership Investment Company PLC, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected as to the action you should take.

The Directors, whose names appear on page 8 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Equity Partnership Investment Company PLC

(Incorporated in the Isle of Man with registered number 103447C)

Proposed Disposal of the Private Equity Portfolio and Notice of Extraordinary General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of The Equity Partnership Investment Company PLC which is set out in Part 1 of this document and which recommends that you vote in favour of the Resolution to be proposed at the Extraordinary General Meeting referred to below and to the Risk Factors in Part 2 of this document.

This document is a Circular relating to the Disposal which has been prepared in accordance with the Listing Rules. This Circular has been approved by the Financial Services Authority.

Strand Hanson Limited, which is authorised and regulated by the Financial Services Authority, is acting for The Equity Partnership Investment Company PLC in connection with the contents of this document. Strand Hanson Limited is not acting for any person other than The Equity Partnership Investment Company PLC and will not be responsible to any person other than The Equity Partnership Investment Company PLC for providing the protections afforded to its clients or for providing advice to any other person in connection with this document or any transaction or arrangement referred to in this document.

Notice of an Extraordinary General Meeting of The Equity Partnership Investment Company PLC, to be held at the offices of IOMA Fund and Investment Management Limited at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP at 10.30 a.m. on 27 August 2010 is set out at the end of this document. To be valid, the enclosed Form of Proxy for use at the meeting should be completed in accordance with the instructions thereon, signed and returned so as to be received by the Company's Registrars, IOMA Fund and Investment Management Limited, as soon as possible but in any event not later than 10.30 a.m. on 25 August 2010. Completion of the Form of Proxy will not preclude a Capital Shareholder from attending and voting at the meeting in person.

This document contains forward-looking statements. These statements relate to the Company's future prospects, developments and business strategies. Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily but not exclusively contained in Parts 1, 3 and 4 of this document. The forward-looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. If one or more of the risks or uncertainties described in Part 2 of this document materialises, or if underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

These forward-looking statements speak only as at the date of this document. Neither the Directors nor the Company undertake any obligation to update forward-looking statements or risk factors other than as required by the Listing Rules, the Prospectus Rules, the Disclosure Rules and Transparency Rules or by the rules of any other securities regulatory authority, whether as a result of new information, future events or otherwise.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as of any subsequent time.

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Definitions

The following definitions and terms apply throughout this document unless the context otherwise requires:

“2008 AGM”	the Company’s annual general meeting held on 29 December 2008 at which Capital Shareholders approved the resolution that the Company should not continue as an investment company beyond the end of July 2011
“Act”	the Isle of Man Companies Acts 1931 to 2004
“Admission”	admission of the Ordinary Shares of ESO to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“Admission Document” or “ESO’s Admission Document”	the admission document of ESO issued by ESO today, 4 August 2010, in connection with, among other things, the Admission, the Disposal and which contains, amongst other things, details on ESO, the ESO Fund and its proposed revised investment policy
“AIM”	the AIM Market operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies and/or, where applicable, the AIM Rules for Nominated Advisers
“AIM Rules for Companies”	the rules for companies whose securities are traded on AIM published by the London Stock Exchange as amended from time to time
“AIM Rules for Nominated Advisers”	the rules for nominated advisers published by the London Stock Exchange as amended from time to time
“Articles”	the articles of association of the Company
“Board”	the board of Directors of the Company
“BVCA”	the British Venture Capital Association
“Capital Shares”	capital shares of 10 pence each in the capital of the Company
“Capital Shareholders”	holders of Capital Shares from time to time
“Circular”	this document
“City Code”	the City Code on Takeovers and Mergers as amended from time to time
“Carried Interest”	the right of EPIC Carry and EPIC Carry 2 to receive payments representing carried interest under the limited partnership agreements constituting EPIC 1 and EPIC 2, respectively
“Company” or “EPIC”	The Equity Partnership Investment Company PLC, a company incorporated in the Isle of Man with registered number 103447C
“Completion”	completion of the Disposal pursuant to the Disposal Agreement
“Consideration Shares”	the 3,580,379 Ordinary Shares to be issued by ESO to EPIC in accordance with the terms of the Disposal Agreement
“Continuing Group”	the EPIC Group as constituted after Completion
“Conversion Shares”	the 5,882,352 Ordinary Shares issuable on exercise of the Convertible Loan Notes in full, at the Initial Conversion Price

“Convertible Loan Notes”	the 10,000,000 unsecured convertible loan notes of £1 each to be issued by ESO to EPIC in accordance with the terms of the Disposal Agreement, to be constituted by the Deed Poll
“CREST”	the system for paperless settlement of trades in securities and the holding of uncertificated securities which is operated by Euroclear
“Deed Poll”	the deed poll constituting the Convertible Loan Notes executed by ESO on 4 August 2010, further details of which are set out in Part 6
“Directors”	the directors of the Company as listed on page 8 of this Circular
“Disposal”	the proposed disposal by the Company of the Private Equity Portfolio to ESO pursuant to the terms and subject to the conditions of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 4 August 2010 between the Company, EPIC Carry, EPIC Carry 2 and EPE LLP (as sellers), Fund GP, the ESO Fund (collectively with the Fund GP, the purchasers) and ESO, relating to the Disposal, the principal terms of which are summarised in paragraph 4.1(a) of Part 7 of this Circular
“EBITDA”	earnings before interest, taxes, depreciation and amortisation
“Enlarged Issued Ordinary Share Capital”	the ordinary share capital of ESO as enlarged by the issue of the Consideration Shares and the EPE Shares
“EPE”	EPIC Private Equity LLP, of 7th Floor, Billiter Street, London EC3M 2RY, which acts as the investment adviser to the LLPs and as the investment adviser to ESO
“EPE Shares”	769,781 Ordinary Shares to be issued to EPE in respect of its services to ESO in relation to the structuring of the Disposal and formation of the ESO Fund
“EPIC 1”	EPIC Investments LLP, a limited liability partnership through which debt and equity investments in certain of the companies which comprise the Private Equity Portfolio are held
“EPIC 2”	EPIC Investments 2 LLP, a limited liability partnership through which debt and equity investments in certain of the companies which comprise the Private Equity Portfolio are held
“EPIC Carry”	EPIC Carry LLP, a limited liability partnership through which members of the EPE advisory team participate in Carried Interest from EPIC 1
“EPIC Carry 2”	EPIC Carry 2 LLP, a limited liability partnership through which members of the EPE advisory team participate in Carried Interest from EPIC 2
“EPIC Securities”	EPIC Securities plc, a subsidiary of the Company
“ESD”	DES Holdings IV (A) LLC, a limited liability company formed under the laws of the State of Delaware by European Secondary Development Fund IV, L.P.
“ESO”	EPE Special Opportunities plc, a company incorporated in the Isle of Man with registered number 108834C, its subsidiaries and ESO Fund

“ESO Portfolio”	the portfolio of debt and equity investments held by ESO directly and/or indirectly in Morada, Past Times Holdings Limited and Whittard of Chelsea, except for any interest accrued but unpaid on such debt investments on the date of Admission
“ESO Fund”	ESO Investments 1 LP, a limited partnership majority owned by ESO, registered in England and Wales with registered number LP014043, to which it is proposed the Private Equity Portfolio be transferred
“ESO Investments”	ESO Investments 2 LLP, a limited liability partnership in which ESO is the sole investor, incorporated in England & Wales with registered number OC356809
“Euroclear”	Euroclear Bank, S.A./N.V., as operator of the Euroclear system
“Extraordinary General Meeting” or “EGM”	the Extraordinary General Meeting of the Company convened for 10.30 a.m. on 27 August 2010 (and any adjournment thereof), notice of which is set out at the end of this Circular
“Form of Proxy” or “Proxy Forms”	the form of proxy for use by Capital Shareholders at the Extraordinary General Meeting which accompanies this Circular
“FSMA”	the Financial Services and Markets Act 2000, as amended from time to time
“Fund GP”	EPE GP Limited, a private limited company incorporated in England and Wales with registered number 7324310 whose registered office is at 10 Norwich Street, London EC4A 1BD
“Group” or “EPIC Group”	the Company and its subsidiaries as at the date of this Circular
“Issue Price”	the issue price of the Consideration Shares of 55.86 pence per Consideration Share pursuant to the Disposal Agreement
“Income Shares”	income shares of 10 pence each in the capital of the Company
“Income Shareholders”	holders of Income Shares from time to time
“Initial Conversion Price”	170 pence nominal value of Convertible Loan Notes per Ordinary Share
“Investment Manager”	EPIC Asset Management Limited, investment manager to the Company
“LLPs”	EPIC 1 and EPIC 2, the limited liability partnerships through which the Private Equity Portfolio is held
“Listing Rules”	means the Listing Rules of the UK Listing Authority made under Part VI of FSMA
“London Stock Exchange”	London Stock Exchange plc
“Morada”	Laneside Holdings Limited, which trades under the name of “Morada”
“NAV”	the total of the consolidated share capital and reserves from time to time of the Company or ESO calculated in accordance with the relevant company’s accounting policies
“Official List”	the Official List of the UKLA

“Ordinary Shares”	ordinary shares of 5 pence each in the capital of ESO
“PLUS”	the PLUS-quoted market segment of PLUS Markets Group plc
“Private Equity Portfolio”	the portfolio of investments as described in Section A of Part 3, to be acquired by the ESO Fund through the acquisition of EPIC 1 and EPIC 2 pursuant to the Disposal Agreement
“Registrar”	IOMA Fund and Investment Management Limited, the Company’s registrars
“Resolution”	the resolution set out in the notice of EGM at the end of this Circular
“Shareholders”	holders of Capital Shares and/or Income Shares from time to time
“Shares”	the Capital Shares and the Income Shares
“Strand Hanson”	Strand Hanson Limited, the Company’s financial adviser and sponsor in relation to the contents of this Circular
“UKLA” or “UK Listing Authority”	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
“uncertificated securities” or “in uncertificated form”	any security recorded on a company’s securities register as being held in uncertificated form in CREST and title to which, by virtue of the Isle of Man Uncertificated Securities Regulations 2005, may be transferred by means of CREST
“Whittard of Chelsea”	Hamsard 3145 Limited, a limited company registered in England & Wales (with registered number 6753143 and whose registered office is at Windrush House, Windrush Park, Witney, OX29 7DX), which trades under the name of “Whittard of Chelsea”
“ZDPs”	zero dividend preference shares of 10 pence each issued by EPIC Securities
“ZDP Holders”	holders of ZDPs

Unless otherwise specified, references to Parts and Sections are to Parts and Sections of this document.

Expected Timetable of Principal Events

All times shown in this document are London times unless otherwise stated.

Latest time and date for receipt of Proxy Forms	10.30 a.m. on 25 August 2010
Extraordinary General Meeting	10.30 a.m. on 27 August 2010
Expected date of Completion of the Disposal	31 August 2010

PART 1

Letter from the Chairman of the Company

The Equity Partnership Investment Company PLC

(a company incorporated in the Isle of Man with registered number 103447C)

Directors

Dr C McPhail (*Chairman*)
D C McCrickard (*Non-executive Director*)
M Richardson (*Non-executive Director*)
P P Scales (*Non-executive Director*)

Registered Office:

IOMA House
Hope Street
Douglas
Isle of Man
IM1 1AP

4 August 2010

To Capital Shareholders and, for information only, to Income Shareholders and ZDP Holders

Dear Capital Shareholder,

Proposed Disposal of the Private Equity Portfolio

1. Introduction

Your Board announced earlier today that the Company had entered into a conditional agreement with the ESO Fund (a limited partnership majority owned by EPE Special Opportunities plc) to dispose of the Private Equity Portfolio to the ESO Fund for a total consideration of £22.0 million, subject to the terms and conditions of the Disposal Agreement, further details of which are set out in paragraph 3 below and Part 7 of this Circular. The disposal of the Private Equity Portfolio is in line with the Board's objective of realising the Company's illiquid investments in a timely manner ahead of the Company's winding up at the end of July 2011.

Owing to the size of the Disposal relative to the size of the Company, the Disposal constitutes a Class 1 transaction for the purpose of the Listing Rules. Completion of the Disposal is therefore conditional upon, among other things, the approval of Capital Shareholders at the Extraordinary General Meeting to be held at the offices of the Registrar at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP at 10.30 a.m. on 27 August 2010 as set out in the Notice of EGM at the end of this Circular.

The purpose of this Circular is to provide further information on the proposed Disposal, to explain the background to and reasons for the Disposal (particularly why the Board believes that the Disposal is in the best interests of Capital Shareholders as a whole), and to recommend that you vote in favour of the Resolution at the Extraordinary General Meeting. Further details of the Extraordinary General Meeting are set out in paragraphs 12 and 13 of this Part 1.

Shareholders should read the whole of this Circular and not just rely on the summarised information set out in this letter.

2. Background to and reasons for the Disposal

Following Capital Shareholders' approval at the 2008 AGM of the resolution that the Company should not continue as an investment company beyond the end of July 2011, your Board has stated that its priority is to ensure that both the senior classes of shares within the EPIC Group (the ZDPs and Income Shares) have their final entitlements, which are due on 31 July 2011, backed by liquid (cash and cash equivalents) and semi-liquid (listed or quoted securities) assets. Achieving this objective will then ensure that all subsequent realisations and any future initiatives to monetise the Company's assets can be focussed on achieving returns for Capital Shareholders.

The assets of the Company are categorised as liquid (cash and cash equivalents), semi-liquid (listed or quoted securities), dated loan stock (loans dated to mature within the life of the Company) and illiquid (private equity assets and other unlisted specialist funds). The redemption value of the ZDPs is currently fully covered by a combination of liquid and semi-liquid assets. However, the redemption value of the Income Shares is currently only partially covered by liquid, semi-liquid and dated loan stock assets with approximately 50 per cent. being made up by illiquid assets, meaning that the Company has a funding requirement which must be met by 31 July 2011.

The Private Equity Portfolio, which consists of investments in nine UK-based small and medium sized enterprises operating across eight sectors, accounts for approximately 90 per cent. of the Company's illiquid assets. On Completion of the disposal of the Private Equity Portfolio, the Company's illiquid assets will be significantly reduced with an increase in its liquid and semi-liquid assets resulting in full liquid asset coverage for the redemption obligation of the ZDPs and full liquid, semi-liquid and dated loan stock (loans dated to mature within the life of the Company) coverage for the redemption obligation of the Income Shares. The Disposal is therefore in line with the Company's objective to ensure that the final entitlements of the ZDPs and Income Shares are backed by liquid and semi-liquid assets. Further details in relation to the use of the proceeds are set out below in paragraph 7 of this Part 1.

The total consideration for the Private Equity Portfolio is £22.0 million, which represents a discount of approximately 17 per cent. from the unaudited total asset value, less cash and cash equivalents, of the Private Equity Portfolio of £26.4 million as at 31 January 2010. The consideration payable to the Company comprises a combination of cash, Consideration Shares and Convertible Loan Notes to be issued by ESO (further details of which are set out in paragraph 3 below and in Parts 6 and 7 of this Circular), meaning that the Company has the prospect of sharing in the future performance of the Private Equity Portfolio.

The Board believes that the disposal of the Private Equity Portfolio achieves an exit from all of its private equity investments in an orderly manner. It avoids the Company having to dispose of each of its private equity investments on an individual basis which the Directors believe would be expensive and time consuming and which may not result in the realisation of all of the Company's investments or achievement of a price comparable with the total consideration, particularly given current market conditions.

Furthermore, the Board believes that the Disposal represents the most achievable solution to the illiquidity of the Private Equity Portfolio. It is noted that ESO's investment adviser is EPE, which is also the investment adviser to the LLPs in respect of the Private Equity Portfolio. EPE is therefore very familiar with the Private Equity Portfolio and well positioned to seek to ensure that there are no complications with the transfer of the Private Equity Portfolio to ESO.

Additionally, EPIC has not given any representations or warranties to ESO or the ESO Fund in respect of the Disposal other than in relation to its interest in the LLPs, capacity and accuracy of certain information, enabling EPIC to realise the Private Equity Portfolio. In addition, the Company will not have any liability in respect of the warranties given pursuant to the Disposal Agreement upon the Company's termination on 31 July 2011.

To assist your consideration of the Disposal and the Board's recommendation set out in paragraph 14 of this Part 1, the Board would like to draw your attention to the following highlights of the Disposal:

- the Disposal will convert illiquid assets, comprising the Private Equity Portfolio, of £26.4 million (as at 31 January 2010) into £10.0 million of cash, £2.0 million of semi-liquid assets and £10.0 million of Convertible Loan Notes (which will be classed as semi-liquid assets upon the admission of the Convertible Loan Notes to trading on an appropriate exchange);
- this will result in full liquid asset coverage for the redemption obligation of the ZDPs and full liquid, semi-liquid and dated loan stock (loans dated to mature within the life of the Company) coverage for the redemption obligation of the Income Shares;
- the Convertible Loan Notes carry an interest rate of 7.5 per cent. per annum. By way of illustration only, the annual return on the Convertible Loan Notes is in excess of the cash interest received by the

Group from the Private Equity Portfolio in the financial year ended 31 July 2009 (*Source: EPIC 1 and EPIC 2 audited accounts for the year ended 31 July 2009*);

- current market conditions significantly limit the opportunities for advantageous exits of small private equity assets on an individual basis and the Disposal enables the Company to realise the Private Equity Portfolio in a timely and cost effective manner without significant value erosion;
- third party debt, which alternative potential acquirers are likely to require in order to purchase the Private Equity Portfolio, is not freely available;
- the estimated cost of completing the Disposal is approximately £0.5 million which is significantly lower than the likely estimated cost of exiting each investment individually;
- EPE is waiving its right to its Carried Interest entitlement in respect of the Private Equity Portfolio which would stand at £1.3 million were the Private Equity Portfolio realised at its unaudited total asset value, less cash and cash equivalents, of £26.4 million as at 31 January 2010. After adjusting the unaudited total asset value, less cash and cash equivalents, of the Private Equity Portfolio as at 31 January 2010 for the estimate of EPE's Carried Interest entitlement, the total consideration would represent a discount of approximately 12 per cent. as opposed to a discount of approximately 17 per cent. prior to the adjustment; and
- subsequent to Completion, the Company will hold Ordinary Shares representing approximately 20 per cent. of ESO's Enlarged Issued Ordinary Share Capital, and Convertible Loan Notes with a nominal value of £10.0 million. On the winding up of the Company at the end of July 2011, your Board will seek to provide Capital Shareholders with the option to elect to receive a pro-rata entitlement to the remaining Ordinary Shares and Convertible Loan Notes which will give them an opportunity to participate substantially in further growth in the value of the Private Equity Portfolio. It is intended that Ordinary Shares and Convertible Loan Notes which Capital Shareholders elect not to receive, will be sold by EPIC for the benefit of those Capital Shareholders.

Taking into account the above considerations and the requirements of the Company to realise the Private Equity Portfolio and maximise value for Shareholders, the Board believes that the total consideration of £22.0 million represents not only reasonable value for the Private Equity Portfolio but also gives the Company the ability to participate in the future performance of the Private Equity Portfolio.

The Private Equity Portfolio is held by the Company through two limited liability partnerships, namely EPIC 1 and EPIC 2. Further details on the Private Equity Portfolio, and financial information on EPIC 1 and EPIC 2, are set out in Part 3 of this Circular.

3. Principal Terms and Conditions of the Disposal

Under the Disposal Agreement, the Company has agreed to sell its interest in the LLPs which hold the Private Equity Portfolio to the ESO Fund for a total consideration of £22.0 million. In view of the size of the transaction it is regarded as a reverse takeover for ESO under the AIM Rules for Companies, requiring ESO to publish ESO's Admission Document, for its Ordinary Shares to be readmitted to AIM and for ESO's shareholders to approve, amongst other things, the acquisition of the Private Equity Portfolio. In addition, the Disposal also constitutes a Class 1 transaction for EPIC for the purpose of the Listing Rules, and as such, Completion of the Disposal is therefore also conditional upon, among other things, the approval of the Resolution by the Capital Shareholders.

The total consideration payable by ESO for the Private Equity Portfolio under the Disposal Agreement will be as follows:

- £10.0 million in cash;
- Convertible Loan Notes issued to EPIC with a nominal value of £10.0 million; and
- Consideration Shares issued to EPIC with a value of £2.0 million at the Issue Price.

Cash and cash equivalents held in EPIC 1 and EPIC 2 will be retained by EPIC in accordance with the terms of the Disposal Agreement. The principal terms of the Disposal Agreement are set out in more detail in paragraph 4.1(a) (Disposal Agreement) of Part 7 of this Circular.

The Convertible Loan Notes will be unsecured and issued by ESO to EPIC subject to a 7.5 per cent. interest rate per annum payable semi-annually in arrears. The Convertible Loan Notes will be convertible into Ordinary Shares at the Initial Conversion Price of 170 pence nominal value of Convertible Loan Notes per Ordinary Share. Pursuant to the Deed Poll, ESO has undertaken to use its reasonable endeavours to seek admission of the Convertible Loan Notes to PLUS or another appropriate exchange on or before 31 July 2011, being the date of the winding up of EPIC, to give holders of the Convertible Loan Notes the ability to trade their respective holdings on market. Until that event the Convertible Loan Notes will not be listed or quoted on any exchange. The Convertible Loan Notes will be repayable in full on 31 December 2015 or, if a continuation resolution is passed by the shareholders of ESO (as described in paragraph 5 below), on 31 December 2016 unless a holder of the Convertible Loan Notes elects to redeem his Convertible Loan Notes on 31 December 2015. Further details on the Convertible Loan Notes are set out in Part 6.

The Consideration Shares to be issued by ESO to EPIC will be quoted on AIM and will rank in full for all dividends declared or paid after the date of issue and otherwise *pari passu* with ESO's existing Ordinary Shares. The Consideration Shares will be issued at a price of 55.86 pence per Ordinary Share, which represents a discount of 20.0 per cent. to ESO's unaudited pro-forma consolidated net asset value following Completion of 69.83 pence per Ordinary Share (*Source: ESO's Admission Document*).

The Consideration Shares, and Ordinary Shares arising on the conversion of any Convertible Loan Notes, will be subject to a lock-in until 31 July 2011 and for the following 12 months will be subject to orderly marketing requirements so long as such Consideration Shares and Ordinary Shares are held by the Company. Further details on the lock-in are set out in paragraph 4.1(b) of Part 7 of this Circular.

4. EPIC's investment in ESO

EPIC has been a shareholder of ESO since ESO was formed in 2003 and currently holds 2,612,718 Ordinary Shares representing approximately 9.8 per cent. of ESO's current issued share capital. Following Completion of the Disposal, EPIC will hold a total of 6,193,097 Ordinary Shares (representing approximately 20.0 per cent. of ESO's Enlarged Issued Ordinary Share Capital) and Convertible Loan Notes convertible into a further 5,882,352 Ordinary Shares at the Initial Conversion Price. If the Company were to convert all of its Convertible Loan Notes into Ordinary Shares at the Initial Conversion Price immediately following Completion, the Company would be interested in 12,075,449 Ordinary Shares, representing approximately 32.8 per cent. of ESO's then enlarged issued share capital and the Company would be required to make an offer for ESO in accordance with Rule 9 of the City Code. The Company has agreed that it will not convert all or such number of Convertible Loan Notes into Ordinary Shares, if such conversion would result in the Company and/or any of its concert parties (as such term is defined in the City Code) being required to make a mandatory offer for ESO under Rule 9 of the City Code.

During the course of the next 12 months, the Board's focus will be to seek to realise the semi-liquid and dated loan stock assets to increase the proportion of the Income Shares' final entitlement backed by liquid assets while maintaining its interest in ESO through the Ordinary Shares and the Convertible Loan Notes. It is therefore envisaged that on the winding up of EPIC at the end of July 2011, as approved by Capital Shareholders at the 2008 AGM, your Board will seek to provide Capital Shareholders with the option to elect to receive a *pro rata* entitlement to the remaining Ordinary Shares and Convertible Loan Notes which will give them an opportunity to substantially participate in further value growth of the Private Equity Portfolio. It is intended that the Ordinary Shares and Convertible Loan Notes which Capital Shareholders elect not to receive will be sold by EPIC for the benefit of those Capital Shareholders.

5. Information relating to ESO

ESO is an AIM-quoted private equity investment company which, since its admission to AIM in 2003, has been focussed on 'special situations' investments where the investment opportunity is driven by a specific event which may or may not involve company distress. Where businesses are underperforming at the time of

acquisition, EPE, as ESO's investment adviser, aims to use its restructuring and refinancing expertise to restore profitability. The current approach of ESO is long-term private equity investment with an aim to improving portfolio companies beyond the turnaround phase in order to achieve maximum value at exit.

ESO's portfolio of investments consists of four investments and as at 30 June 2010 ESO had an unaudited net asset value of 73.74 pence per Ordinary Share (*Source: ESO's unaudited monthly net asset value per Ordinary share announcement announced on 13 July 2010*) which is equivalent to an unaudited net asset value of £19.6 million. ESO's two largest investments are in Past Times Holdings Limited and Whittard of Chelsea. Past Times Holdings Limited has been successfully returned to profitability following its acquisition in December 2005 and Whittard of Chelsea, which was acquired in December 2008, is now stable following its restructuring and is expected to return to profitability in the current financial year. Further information on ESO's investments is set out in Part 4 of this Circular.

As at 30 June 2010, ESO had cash and cash equivalents of £4 million (*Source: ESO's Admission Document*), and as a result the Directors believe that ESO has available cash reserves to support the growth of its existing investments and the Private Equity Portfolio to be acquired from EPIC which will aid in achieving the optimal value for each investment on exit.

Since ESO's inception and admission to AIM in September 2003, when it raised £30 million (before expenses), ESO has (*Source: ESO's Admission Document*):

- generated gross income of £14 million;
- deployed over £39 million of capital and already returned £27 million to ESO in the form of capital and income, with the majority having been reinvested;
- paid dividends to shareholders of, in aggregate, £5.0 million;
- achieved a consolidated track record of 1.0 times money multiple (both exited and current investments); and
- completed 17 transactions to date.

EPE, the investment adviser to ESO, has been actively involved in acquiring distressed assets for ESO since 2003 and has built up an extensive network of deal sources, advisory partners and financing partners and has investigated over 670 investment opportunities since ESO's inception.

In connection with the Disposal, ESO proposes transferring or procuring the transfer of the ESO Portfolio to the ESO Fund of which it is a limited partner. The ESO Fund will also admit ESD as a limited partner in return for a capital contribution to the ESO Fund of £10.0 million at the unaudited net asset value of £35.2 million of the ESO Fund following Completion. ESD is a special purpose vehicle formed by European Secondary Development Fund IV, L.P. which is a limited partnership established under the laws of the Bailiwick of Guernsey, established in 2007 with committed capital of EUR353.7 million. European Secondary Development Fund IV, L.P.'s investment focus is the purchase of secondary positions in existing private equity investments, primarily in Europe. The ARCIS Group acts as specialist investment adviser to European Secondary Development Fund IV, L.P. Founded in 1993, the ARCIS Group is headquartered in Europe, with offices in London, Paris and New York. ESD is providing £10.0 million of cash to the ESO Fund to facilitate the acquisition of the Private Equity Portfolio.

The unaudited net asset value of the ESO Fund following Completion will be £35.2 million (being the total consideration of £22.0 million for the Private Equity Portfolio and the unaudited net asset value of the ESO Portfolio of £13.2 million, as at 30 June 2010 (*Source: Part 4 of this Circular*)), and therefore ESD will have 28 per cent., and ESO will be entitled to the remaining 72 per cent., interest in the ESO Fund. Both ESD and ESO will be represented on the advisory committee of the ESO Fund.

ESO's board of directors considers that it would be appropriate to provide a period of certainty for the realisation of assets held in the ESO Fund. The initial term of the ESO Fund is five years, with a possibility of extension for up to a further two years with the agreement of the limited partners.

The winding-up date of ESO is 31 December 2016 with a continuation ordinary resolution to be proposed to ESO shareholders in September 2015 to allow ESO to continue in existence for a further 5 years. Assuming the continuation ordinary resolution is approved in 2015, a similar resolution will be proposed every five years after September 2015.

As part of ESO's proposals to acquire the Private Equity Portfolio, ESO will also seek the approval of its shareholders to revise its investment strategy to enable it to target growth and buyout situations as well as special situations and distressed investments, in small and medium sized companies in the UK, and will seek to make investments where it believes that pricing is attractive and the opportunity for value creation is strong.

ESO will look to make new investments of between £2.0 million and £10.0 million in a range of debt and equity instruments with a view to generating returns through both yield and capital gain. Whilst in general ESO will aim to take controlling equity positions, it may seek to develop companies as a minority investor. ESO will consider making new investments in a broad range of shareholding structures and across the majority of sectors utilising EPE's experience in the consumer, retail, manufacturing, financial services, healthcare, support services and media sectors.

Following the acquisition, ESO and ESD will support the development of the ESO Fund (which will hold the Private Equity Portfolio and the ESO Portfolio) which may make bolt-on acquisitions and provide growth capital to its existing investments as appropriate. However, any new investments made by ESO going forward (other than follow-on investments in the ESO Fund) are not expected to be made through the ESO Fund. Instead, any such new investments made by ESO going forward will be through ESO Investments in which ESO is the sole investor, in accordance with its revised investment strategy. Any material changes to the ESO Fund will require unanimous consent from ESO Fund's investors, which consist of ESO and ESD, including in respect of any changes to its investment strategy and purpose, duration and investment period and fees and carried interest and any admission of additional investors to the ESO Fund. On successful realisation of the ESO Fund and any future investments held in ESO Investments, and in the absence of any new investment opportunities, deemed attractive by the board of directors of ESO, ESO may seek to return capital to shareholders.

6. Arrangements with EPE

EPE is currently the investment adviser to the LLPs in respect of the Private Equity Portfolio and the investment adviser to ESO. Subsequent to the transaction, EPE's arrangement with EPIC will terminate.

As part of the proposals, EPE has agreed to waive its right to its Carried Interest entitlement in respect of the Private Equity Portfolio which would stand at £1.3 million were the Private Equity Portfolio realised at its unaudited total asset value, less cash and cash equivalents of £26.4 million as at 31 January 2010.

EPE, or a subsidiary of EPE, will act as general partner and/or manager of the ESO Fund and will be entitled to remuneration in that capacity.

7. Financial effects of the Disposal and use of Disposal Proceeds

An unaudited pro forma statement of net assets of the Continuing Group, as at 31 January 2010, as if the Disposal had taken place on that date is set out in Part 5 of this Circular.

On Completion, the Company's illiquid assets will be reduced by £26.4 million being the unaudited total asset values of EPIC 1 and EPIC 2 as at 31 January 2010 of £26.8 million, less £0.4 million of cash and cash equivalents held by EPIC 1 and EPIC 2 as at 31 January 2010. The cash and cash equivalent held by EPIC 1 and EPIC 2 at Completion will be repaid to the Group. The Group's liquid assets will increase by £10.0 million, comprising the cash element of the consideration, the semi-liquid assets will increase by £2.0 million, being the value of the Consideration Shares at the Issue Price, and a new asset class will be created comprising the Convertible Loan Notes which will have a value of £10.0 million being the nominal value of the Convertible Loan Notes. The Convertible Loan Notes will be classed as semi-liquid assets upon their admission to an appropriate exchange.

As a result, the Directors estimate that the Disposal will result in improved cover for the estimated unaudited final entitlements of the ZDPs and Income Shares. In particular, the Board believes that following Completion, the ZDPs will be fully covered by liquid assets and that the Income Shares will be fully covered by liquid, semi-liquid and dated loan stock (loans dated to mature within the life of the Company) assets. Therefore, subject to Completion, the Directors believe that there will be greater certainty that the unaudited final entitlements of ZDP Holders and Income Shareholders will be met in July 2011.

The £10.0 million received as cash as part of the total consideration, will be invested in investments which are readily realisable, pending the winding up of the Company at the end of July 2011. Such investments could include investments in quoted and unquoted equities, fixed income securities, structured income products and investment funds, which is consistent with the Company's existing investment policy. Investments in unquoted and illiquid assets will only be entered into if the Company has previously contracted to do so or in the event that they mature, and are guaranteed to be redeemed in full and in cash, prior to the end of July 2011. In addition, the Company may also look to use the cash part of the total consideration to acquire ZDPs, Income Shares and Capital Shares in the market pursuant to approval of the ZDP Holders at the extraordinary general meeting of the Company to be held today, 4 August 2010.

8. Future Strategy

As we move into the final year of the Company's life, your Board's focus is increasingly upon the liquidity of the Company's investments and our ability to satisfy the expectations of ZDP Holders, Income Shareholders and Capital Shareholders by the end of July 2011. The Directors believe that the Disposal will ensure that ZDPs have their final entitlement backed by liquid assets and that the Disposal will provide greater certainty that Income Shares will have their final entitlement backed by liquid, semi-liquid and dated loan stock (loans dated to mature within the life of the Company) assets.

During the course of the next 12 months, the Board's focus will be to seek to realise the semi-liquid and dated loan stock assets to increase the proportion of the Income Shares final entitlement backed by liquid assets while maintaining its interest in ESO through the Consideration Shares and the Convertible Loan Notes. Achieving this objective will then ensure that all subsequent realisations and any future initiatives to monetise assets can be focussed on achieving returns for Capital Shareholders, including realising the remaining illiquid assets being the equity interests in CCD Leisure Limited, Jupiter Hyde Park Hedge Fund and EEA Life Settlement Fund, in a timely manner. This is consistent with the Company's existing investment policy but reflects the time horizon ahead of the Company's winding up at the end of July 2011.

9. Current Trading and Prospects

Since the Company's interim management statement announced on 14 May 2010, the Company's performance has been stable with a unaudited net asset value of 50.89 pence per Capital Share as at 23 July 2010, which represents an increase of 6.4 per cent. since 30 April 2010, and is an outperformance of the FTSE All Share Index which fell by 4.2 per cent. over the same period.

Income Shareholders received a dividend of 3.1217 pence per Income Share on 21 May 2010 and on 22 July 2010, the Company announced that a further dividend of 3.1217 pence per Income Share would be paid on 27 August 2010, and the unaudited net asset value per Income Share was 99.74 pence as at 23 July 2010. In line with the Company's strategy, it has continued to seek to realise investments over the period in less liquid investments where possible and to commit funds to highly liquid investments or instruments dated to mature before the end of the Company's life on 31 July 2011.

The Private Equity Portfolio has also remained stable since the interim management statement, performing in line with expectations. No new investments have been made since 14 May 2010.

10. Risk Factors

Capital Shareholders should consider fully and carefully the risk factors associated with the Disposal, the Company and the Private Equity Portfolio. Your attention is drawn to the section headed Risk Factors contained in Part 2 of this Circular.

11. Irrevocable undertakings

The Company has received irrevocable undertakings to vote in favour of the Resolution from Capital Shareholders in respect of, in aggregate, 20,863,000 Capital Shares, representing approximately 51.76 per cent. of the Capital Shares in issue at the date of this Circular.

Further details of these irrevocable undertakings are set out in paragraph 3 of Part 7 of this Circular.

12. Extraordinary General Meeting

Due to its size, the Disposal is conditional upon, amongst other things, obtaining the approval of Capital Shareholders at the Extraordinary General Meeting.

Set out at the end of this Circular is the Notice convening the Extraordinary General Meeting to be held at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP on 27 August 2010 at 10.30 a.m., at which the Resolution will be proposed to approve the Disposal.

Pursuant to the provisions of the Articles, only Capital Shareholders will be entitled to vote on the Resolution. Each Capital Shareholder who is present in person (or, being a corporation, by representative) at the EGM on a show of hands has one vote and, on a poll, every Capital Shareholder who is present in person (or, being a corporation, by representative) or by proxy has one vote in respect of each Capital Share held.

13. Action to be taken in respect of the Extraordinary General Meeting

A Form of Proxy for use at the Extraordinary General Meeting accompanies this Circular. The Form of Proxy should be completed and signed in accordance with the instructions thereon and returned to the Registrar at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP as soon as possible, but in any event so as to be received by no later than 10.30 a.m. on 25 August 2010. The completion and return of a Form of Proxy will not preclude a Capital Shareholder from attending the Extraordinary General Meeting and voting in person should he or she so wish.

14. Recommendation

In the Board's opinion, the Disposal and the proposed Resolution set out in the notice of EGM are in the best interests of the Capital Shareholders as a whole and, accordingly, unanimously recommends Capital Shareholders to vote in favour of the Resolution to be proposed at the Extraordinary General Meeting.

Yours faithfully

Cameron McPhail

Chairman

PART 2

Risk Factors

This Part 2 addresses certain risks to which the Company and the Private Equity Portfolio are exposed which could adversely affect the business, results of operations, cash flow, financial conditions, turnover, profits, assets, liquidity and capital resources of the Company and/or the Private Equity Portfolio. Prior to voting on the Disposal, Capital Shareholders should consider these risks fully and carefully, together with all other information set out in this Circular.

The following risks are those material risks of which the Directors are aware. Additional risks not currently known to the Directors, or which the Directors currently view as immaterial, may also have an adverse effect on the Company and/or the Private Equity Portfolio. If any of the risks actually occur, the Company's business, financial conditions and/or results of future operations could be materially adversely affected. In such circumstances, the value of the Shares could decline and a Shareholder may lose all or part of his, her or its investment. You should read the whole of this Circular and not rely solely on the information set out in this section.

SECTION A: RISKS ASSOCIATED WITH THE DISPOSAL NOT PROCEEDING

Satisfaction of conditions precedent to Completion

Completion is subject to satisfaction of certain conditions precedent contained in the Disposal Agreement relating to, *inter alia*:

- (a) the approval by Capital Shareholders of the Resolution at the Extraordinary General Meeting;
- (b) the approval of ESO's shareholders of the necessary resolutions to be considered at ESO's extraordinary general meeting to be held on 27 August 2010; and
- (c) Admission becoming effective not later than 8.00 a.m. on 30 September 2010.

There can be no assurance that these conditions will be satisfied or that Completion will occur.

Inability to realise value in the Private Equity Portfolio if the Disposal does not complete

The Directors believe that the Disposal currently provides the best opportunity to realise value from the Private Equity Portfolio prior to the end of the Company's life at the end of July 2011. Accordingly, if the Disposal does not complete, the Company's ability to realise value from the Private Equity Portfolio prior to the end of its life, or to implement its stated strategy of ensuring that both ZDPs and Income Shares have their final entitlements backed by liquid and semi-liquid assets, may be prejudiced and the Directors believe that this would likely result in a significant reduction in the NAV per Capital Share. If the Disposal does not complete, the Company would likely have to seek to sell the investments within the Private Equity Portfolio on an individual basis which the Directors believe would be expensive and time consuming and which may not result in the realisation of all or any of the Company's private equity investments within the Private Equity Portfolio or achievement of a price at or near the total consideration of £22.0 million for the Private Equity Portfolio pursuant to the Disposal Agreement.

SECTION B: RISKS ASSOCIATED WITH THE DISPOSAL

The Company will be exposed to potential liabilities as a result of the Disposal

The Disposal Agreement contains certain warranties and undertakings in favour of ESO. The extent to which the Company will be required in the future to incur liabilities under any of these warranties or undertakings is not predictable and, if the Company should incur such liabilities, they could have an adverse effect on its cash flow and financial position. However, the Company will have no liabilities under the Disposal Agreement upon its termination on 31 July 2011. Further details of the Disposal Agreement are set out in Part 7 of this Circular.

The actual costs of effecting the Disposal may be greater than the estimated figure of approximately £0.5 million (excluding VAT).

The Company's portfolio of direct investments will be less diversified

Upon completion of the Disposal, the Company's portfolio of direct investments will be less diversified and mostly made up of listed and quoted securities. Volatility in securities markets may therefore have a proportionally greater adverse impact on the financial condition of the Company. However, the Company will still have a significant interest in the Private Equity Portfolio through its investment in ESO in the form of the Consideration Shares and the Convertible Loan Notes which it will receive as part of the consideration for the Disposal.

The Company will not benefit fully from increases in the value of the Private Equity Portfolio after the Disposal

As part of the consideration for the Disposal will be satisfied by the issue of Convertible Loan Notes and Consideration Shares, the Company and its Capital Shareholders have the prospect of sharing in any increase in the value of the Private Equity Portfolio above the value of the consideration. Whilst the Disposal will increase the possibility of value creation in the Private Equity Portfolio by removing the constraints on the Company associated with its winding up at the end of July 2011, the Company and its Capital Shareholders will not benefit fully from such value creation to the extent that they would have done if the Private Equity Portfolio had not been disposed by the Company. On the other hand, the Company's and Capital Shareholders' exposure to the effect of any reduction in value of the Private Equity Portfolio will be correspondingly lower.

As part of the consideration for the Disposal is made up of Consideration Shares and Convertible Loan Notes the Company and, potentially, the Capital Shareholders, will have a significant interest in ESO

£2.0 million of the consideration for the Disposal is made up of Consideration Shares and £10.0 million of the consideration for the Disposal is made up of Convertible Loan Notes to be issued by ESO to EPIC. This will give the Company and, if these securities are distributed to Capital Shareholders following the winding up of EPIC at the end of July 2011, potentially the Capital Shareholders a significant interest in ESO going forward. Capital Shareholders should consult an independent financial adviser authorised under FSMA with regards to any queries as to the risks and merits of an investment in ESO and also with regard to holding securities in ESO. The risks associated with an investment in ESO include, *inter alia*, the following:

- The Consideration Shares and Convertible Loan Notes may not be a suitable investment for all Capital Shareholders.
- The Consideration Shares will be traded on AIM, a market for emerging or smaller growing companies and which may not provide the liquidity normally associated with the Official List or other exchanges. As a result, an investment in a security which is traded on AIM may be difficult to realise and carries a high degree of risk.
- The Consideration Shares may trade on AIM at a price below the Issue Price or the underlying NAV of ESO and may not be realisable at the quoted price.
- The Convertible Loan Notes will not immediately be admitted to an investment exchange and hence will not be readily realisable immediately after Completion. ESO has, pursuant to the Deed Poll, undertaken to use its reasonable endeavours to seek admission of the Convertible Loan Notes to PLUS or another appropriate exchange on or before 31 July 2011, being the date of the winding up of EPIC, to give holders of the Convertible Loan Notes the ability to trade their respective holdings on market. However, there can be no guarantee that ESO will be able to admit the Convertible Loan Notes to an appropriate exchange in the future. In the event that the Convertible Loan Notes are not admitted to an appropriate exchange, a holder (being the Company or Capital Shareholders following the winding up of the Company and proposed distribution of the Convertible Loan Notes to Capital Shareholders) of the Convertible Loan Notes may not be able to readily realise its holding. Even if the Convertible Loan Notes are admitted to an appropriate exchange on or before 31 July 2011, the Company would

initially be the sole holder, so there will be no liquidity or meaningful market price until such time as some or all of the Convertible Loan Notes are sold by the Company or distributed to Capital Shareholders. Additionally, the Convertible Loan Notes following admission to an appropriate exchange may trade at a price below their par value and may not be capable of realisation at the quoted price and may be difficult to realise.

- The Convertible Loan Notes, while ranking above the Ordinary Shares, are unsecured and will rank equal to all other creditors of ESO but will rank below any senior debt raised going forward by ESO in the event of any winding up or realisation of ESO. As a result, if ESO enters into a senior loan, holders of the Convertible Loan Notes and other unsecured creditors will rank behind such senior loan for payment of interest and repayment of principal. ESO has therefore agreed that, as from the time it raises any senior loan and for so long as any such senior loan is outstanding, it will have a cash reserve equal to one year's interest payments (or, if less, the interest payable to maturity) on the Convertible Loan Notes and on any senior loan. However, this reserve is not secured and would be available to meet other obligations of ESO, including those to any senior lender. As a result, in the event that the income received by ESO from its investments falls or it is not able to realise its investments as anticipated, ESO's ability to pay the principal and/or interest as it becomes due in respect of the Convertible Loan Notes might be impaired, which could affect the value of the Convertible Loan Notes and could result in holders of Convertible Loan Notes not receiving any or only part of the value of their Convertible Loan Notes they hold.
- The Company has undertaken not to exercise its conversion rights attaching to the Convertible Loan Notes if such exercise would give rise to an obligation to make a mandatory offer under Rule 9 of the City Code. This could inhibit the Company's ability to exercise such conversion rights in the period prior to the sale or distribution of the Convertible Loan Notes.
- ESO's portfolio currently comprises, and the ESO Fund's portfolio will comprise, equity interests and debt owed by unquoted private companies which may be difficult to value and/or realise. The future success of ESO is dependent upon the performance of its portfolio of investments (including its interest in the ESO Fund) and, in the event that it seeks to make new investments, the ability of its investment adviser to identify suitable investment opportunities. There can be no guarantees that such future investments can or will be acquired or that its current or future investments will be successful.
- ESO invests in distressed and insolvent companies which have experienced significant operating issues and may have associated financial distress, including companies involved in insolvency proceedings. Although such purchases may result in significant returns, by their nature, they involve a very high level of risk and may not show any return for a considerable period of time. A successful turnaround of an investee company and/or the circumstances in which the rights attaching to a debt investment to convert such investment to equity may not be achieved. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant operating issues and associated financial distress is unusually high. Whilst ESO's investment adviser, EPE, will seek to minimise credit risk and undertake due diligence (as considered appropriate) prior to ESO making an investment, there is no assurance that EPE will correctly evaluate the nature and magnitude of the various factors that will affect the prospects for a successful reorganisation or similar action. In any reorganisation or liquidation proceeding relating to a company in which ESO invests, it may lose its entire investment, may be required to accept cash or securities with a value less than its original investment, or be liable to indemnify a lender for losses suffered. These matters could have a material adverse effect on the future performance of ESO.

The Company may not be able to realise the Consideration Shares and Convertible Loan Notes on behalf of Capital Shareholders who do not elect to receive their pro rata entitlement to the Consideration Shares and Convertible Loan Notes on the winding up of the Company at the end of July 2011

It is envisaged that on the winding up of EPIC at the end of July 2011, the Company will seek to provide Capital Shareholders with the option to elect to receive a *pro rata* entitlement to the remaining Ordinary Shares and Convertible Loan Notes which will give them an opportunity to substantially participate in further value growth of the Private Equity Portfolio. It is intended that Ordinary Shares and Convertible Loan Notes

which Capital Shareholders elect not to receive, will be sold by EPIC for the benefit of those Capital Shareholders. However, there can be no guarantee that the Company will be able to sell the Ordinary Shares and/or the Convertible Loan Notes at that time due to a lack of demand or liquidity in and in the event that they are able to sell them, the Company may only be able to do so at a discount to their prevailing market price, if applicable.

SECTION C: RISKS ASSOCIATED WITH THE COMPANY AND THE PRIVATE EQUITY PORTFOLIO

Economic conditions and the current economic downturn could impact the performance of the Company's investments and the performance of the Private Equity Portfolio

The performance of the securities of the companies in which the Company is invested, the ability for companies to repay dated loan stock due to the Company and the performance of the Private Equity Portfolio will depend, to a certain extent, on a number of factors outside the control of the Company, the Investment Manager and EPE. Changes in economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, unemployment rates, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect the performance and profits of and in respect of quoted companies the share price of, the Company's investments and the Private Equity Portfolio.

The Company's listed and quoted investments are subject to stock market fluctuations

The Company's listed and quoted investments are subject to normal stock market fluctuations due to changes in the economic environment and other risks inherent in investments in securities. As a result, the Company's NAV can fluctuate which could have an adverse impact on the Company's ability to meet the final entitlements of the ZDPs and Income Shares, hence impacting the market value of the ZDPs, Income Shares and Capital Shares.

Some of the Company's investments may be difficult to realise and the dated loan stock may not be repaid in full prior to the Company's winding up and may not be realisable at the underlying asset value

Even if the Disposal proceeds, the Company will still have investments in companies and funds whose securities are not publicly traded or freely marketable and may therefore be difficult to realise and may only be realisable at a discount to their asset value. In addition, the Company has a number of quoted investments in AIM companies and in companies where its holding is greater than the normal market dealing size and due to limited liquidity in the securities of these companies, are likely therefore to require a longer period for realisation and may only be realisable at a discount to the prevailing market price which would result in a reduction in the Company's NAV. Investments by the Company in bonds, other structured products and investment funds may be relatively illiquid, notwithstanding that such instruments may be listed. There may be a small number of potential investors in such products and this may contribute to price volatility.

In addition, if the trading performance of a company in which the Company is invested is negatively impacted, this would likely result in a reduction of the Company's NAV and, in turn, would likely have a negative impact on the value at which the Company could realise its investment. In respect of dated loan stock investments, though they are loans dated to mature within the life of the Company, in the event that the trading performance of the investee companies is negatively impacted or there are other calls on its cash reserves and assets, there can be no guarantee that such loans and any outstanding interest will be paid in full when due. Default by an investee company could result in a reduction in the Company's NAV. As a result, in the event that dated loan stock is not paid when due and is subsequently renegotiated, the due date could be extended for repayment of the loan beyond the life of the Company and as the dated loan stocks are not listed or quoted they are not readily realisable and hence the Company may only be able to realise them at a discount to their carrying value.

As a result any difficulty in realising the Company's investments, in particular the semi-liquid or dated loan stock, or in the trading performance of companies in which the Company is invested prior to the Company's winding up at the end of July 2011 might impact the Company's ability to meet the final entitlements of the Income Shares, which following Completion will be covered by liquid, semi-liquid and dated loan stock. Any difficulty in realising the Company's investments could have a negative impact on the NAV per Capital

Share, as in order to realise its investments the Company might have to realise them at a discount to their carrying value. In the event of this occurring, or in the event of a reduction in the Company's NAV due to negative trading in a company in which it is invested or a dated loan stock not being paid when it falls due, the Company would need to sell additional investments to make up the resulting shortfall in order to cover the final entitlements of the Income Shares. This would therefore reduce the Group's overall NAV and as the ZDPs and Income Shares have fixed final entitlements, the NAV per Capital Share would be negatively impacted.

Valuation of the Private Equity Portfolio

The Private Equity Portfolio comprises interests in unquoted private equity assets. In the absence of a traded market for these assets, determining appropriate portfolio valuation is difficult. 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 valued with reference to the aforementioned methodology but also having regard for ongoing volatile market conditions and credit restraints.

Exposure to the risk of various types of liability

The Private Equity Portfolio is made up of investments in companies which have experienced operating issues and may have associated financial distress. The due diligence undertaken in respect of these investments may be insufficient to reveal all of the past and future liabilities relating to the operations of such investee companies. Such liabilities could include liabilities arising from litigation, breach of environmental regulations, government fines, contractual liabilities and pensions deficits, amongst others. Furthermore, in some unusual circumstances the limited liability status of investee companies and/or their subsidiaries might not be upheld, and the Company could lose some or all of its investment in such companies, which could have a material adverse effect on the performance of and returns achieved by the Company. The Company will, however, typically seek to avoid exposure to such liabilities.

Attraction and retention of key personnel

The Company is dependent on the Investment Manager and, in respect of the Private Equity Portfolio, EPE. The Company may be adversely affected if its services, or those of the current and future executive management team, cease to be available to the Company. The Company's success will also depend on the current and future investment management team. The loss of the services of certain employees of the Investment Manager or EPE could have a materially adverse effect upon the Company's business and future.

PART 3

Section A

Information on the EPIC Private Equity Portfolio

EPIC has typically structured its private equity investments through yielding debt instruments and large equity positions. The names of the companies comprising the Private Equity Portfolio, which are held in either EPIC 1 or EPIC 2, together with background information on the investments are set out below.

Nexus (2005)

Nexus Industries Holdings Limited (“**Nexus**”) is a manufacturer and distributor of electrical accessories in the UK, operating under the brand names Masterplug, British General and Ross, and supplies both the retail and wholesale markets. The business is now deleveraging and performing well despite the current market conditions. The construction of a large freehold factory located in mainland China has been recently completed and this is expected to drive both margin improvement and sales growth over the next three to four years.

EPIC initially acquired 29.9 per cent. of the equity in Nexus in January 2004, followed by a further 20 per cent. acquired in June 2008. The investment currently consists of an equity stake of 49.9 per cent., comprising £1.0 million of preference shares and £9.0 million of loans. EPIC has assigned a total unaudited holding value of £5.0 million as at 31 January 2010 for these interests (provisioning against preference shares, rolled-up interest and junior loans), which lie subordinate to a total of £18.8 million of senior debt and secured loans provided by HSBC Bank plc and Bank of China.

Palatinate (2005)

Palatinate Schools Holdings Limited (“**Palatinate**”) operates a group of private preparatory and nursery schools based in London. The schools have good prestige value and pupil growth is anticipated to remain robust, which will drive sales growth. EPIC invested into Palatinate in February 2005 alongside other private equity investors.

EPIC initially acquired 29.9 per cent. of the equity in Palatinate in February 2005, investing a total of £4.3 million (comprising £3.0 million of mezzanine loans and £1.3 million of shareholder loans). EPIC has not re-invested in the business since, and so its current holding value consists of an equity stake of 29.9 per cent., £3.4 million of mezzanine loans and £2.5 million of shareholder loans. EPIC has assigned a total unaudited holding value of £5.7 million as at 31 January 2010 to its investment in Palatinate.

Pinnacle Regeneration Group (2001)

Pinnacle Regeneration Group Limited (“**PRG**”) is a diversified social housing services business. The core facilities management business serves the public sector social housing market and has turnover of approximately £50 million, having experienced significant growth since acquisition in 2001. PRG also owns an employment and skills business, Pinnacle People and a Private Finance Initiative (“**PFI**”) bidding vehicle, Regenter, a joint venture with Laing.

EPIC initially acquired 16.1 per cent. of the equity in PRG for £2.0 million in December 2001, also investing £1 million by way of shareholder loans which have subsequently been repaid. In October 2008, EPIC acquired further stock from Numis Corporation plc for a total consideration of £2.9 million, bringing its total shareholding to 26.3 per cent. EPIC has assigned an unaudited holding value of £4.9 million as at 31 January 2010 for its equity stake in the business, which lies subordinate to a total of £2.6 million of senior debt provided by HBO S plc.

Indicia (2006)

Indicia Limited (“**Indicia**”) is a direct marketing business focussed on database and multi-channel analytics. Indicia was formed through the acquisition and consolidation of three separate business and is currently in

discussions with several parties with regard to the purchase of a digital and market research business to complement its existing database build, analysis and direct marketing portfolio of services.

EPIC initially invested £0.7 million in Indicia, comprised of mezzanine loans of £0.65 million and equity of £0.03 million for 29.9 per cent. of Marketing Databasics (Indicia's original platform investment). EPIC then completed the bolt-on acquisition of Results in December 2006 and Entire in March 2008. The current holding consists of an equity stake of 48.4 per cent., £2.2 million of mezzanine loans and £2.9 million of shareholder loans, to which EPIC has assigned a total unaudited holding value of £5.0 million as at 31 January 2010. EPIC's interests lie subordinate to £0.1 million of senior debt provided by HBoS plc.

Pharmacy2U (2002)

Pharmacy2U Limited ("**Pharmacy2U**") is an online pharmacy business, delivering National Health Service and private prescriptions direct to the home using an innovative, in-house developed technology, Electronic Prescription Service.

EPIC originally invested £0.25 million of a £0.45 million total funding round in November 2002 to support the expansion of the business, structuring its investment as convertible secured debt. EPIC then converted its debt into 9.7 per cent. of preferred equity in March 2005, receiving accrued interest on the convertible secured debt. In November 2005, EPIC sold 1.5 per cent. of its holding for £0.16 million. The current holding consists of an equity stake of 8.2 per cent., to which EPIC has assigned an unaudited holding value of £1.1 million as at 31 January 2010.

Ryness (2002)

Ryness Holdings Limited ("**Ryness**") is a London-based electrical retail and wholesaler, focused on light bulbs, lighting and small electrical goods, operating from 17 locations across the UK. The investment is being run as a buy-and-build strategy. EPIC completed two bolt-on investments of electricals businesses in 2008 and is currently actively searching for further trade counter acquisitions, which it believes should be available at attractive prices owing to the market downturn.

EPIC initially invested into Ryness in 2002, but then provided additional financing to support the management buy-out of the business in 2006. The current holding consists of an equity stake of 29.9 per cent., and £1.1 million of loans. EPIC has assigned an unaudited holding value of £1.1 million as at 31 January 2010 for its interests in the business, which lie subordinate to a total of £1.0 million of senior debt provided by the Royal Bank of Scotland plc.

Bighead (2006)

Bighead Holdings limited ("**Bighead**") is a specialist engineering business, manufacturing specialist load-spreading fasteners and fixings for composites, plastics and traditional materials. EPIC, over the long-term, aims to replicate Bighead's local success in high end niche applications by establishing an international network of distributors for the company's products.

EPIC initially invested £0.8m in mezzanine loans, £0.5 million in shareholder loans and £0.1 million in equity for a 29.9 per cent. equity stake in the business in January 2006. The current holding consists of an equity stake of 39.6 per cent., mezzanine loans of £1.1 million and shareholder loans of £1.1 million. EPIC has assigned an unaudited holding value of £1.4 million as at 31 January 2010 for its interests in the business, which lie subordinate to a £0.6 million senior loan provided by HSBC Bank plc at disposal.

Evolving Media (2006)

Hamsard 3099 Limited ("**Hamsard 3099**") is the holding company of Evolving Media Limited ("**Evolving Media**") which is a young and growing integrated digital marketing agency, based in Bedford, UK. EPIC initially purchased Evolving Media alongside the larger printing cylinders business Keatings in a combined management buy-in. In January 2008, EPIC decided to focus its attentions solely on Evolving Media, exiting Keatings after a period of under-performance, and is currently focused on establishing a London office in order to drive business and product development and recruitment.

EPIC initially acquired the Evolving Media and Keating Group in a joint transaction in June 2007. In January 2008, the Evolving Media and Keating Group was restructured due to the unprofitability of the Keating Group, which was put into administration, leaving EPIC with a primary holding in Evolving Media as well as a legacy loan to a division of the Keating Group. The current holding consists of an equity stake of 43.5 per cent. in Hamsard 3099 and £2.2 million of loans. EPIC has assigned an unaudited holding value of £1.8 million as at 31 January 2010 for its interests in the business.

Driver Require (2007)

Driver Require Holdings Limited (“**Driver Require**”) is a Stevenage-based specialist driver recruitment business. EPIC originally invested into Driver Require as part of a management buy-in in September 2007. EPIC is currently actively pursuing bolt-on disposals and identifying new office sites in its attempt to grow the business in anticipation of an expected market recovery.

EPIC initially invested £0.26 million in mezzanine (majority) and shareholder loans in September 2007. EPIC’s current holding in Driver Require consists of an equity stake of 29.9 per cent. and £0.4 million of loans, to which it has assigned an unaudited holding value of £0.3 million as at 31 January 2010.

Section B

Financial Information on the Private Equity Portfolio

1. Nature of financial information

The following financial information relating to the Private Equity Portfolio has been extracted without material adjustment from the audited financial statements of EPIC 1 and EPIC 2 for the three financial years ended 31 July 2009. The balance sheet information relating to the Private Equity Portfolio as at 31 July 2009 has been extracted without material adjustment from the audited financial statements of EPIC 1 and EPIC 2 for the financial year ended 31 July 2009. The balance sheet information relating to the Private Equity Portfolio as at 31 January 2010 has been extracted without material adjustment from the unaudited management schedules for EPIC 1 and EPIC 2 used to prepare the EPIC Group unaudited interim financial statements for the six month period ended 31 January 2010. Shareholders should read the whole of this Circular and not rely solely on the information contained in this Part 3.

The financial information has been prepared under International Financial Reporting Standards (“IFRS”) for the three years ended 31 July 2009 and the six month period ended 31 January 2010.

The financial information contained in paragraphs 2, 3, 4 and 5 of this Section B, Part 3 does not constitute statutory accounts for EPIC 1, EPIC 2 or the EPIC Group within the meaning of section 434 of the Companies Act 2006. The statutory accounts for EPIC 1 and EPIC 2 in respect of each of the last three financial periods have been delivered to the Registrar of Companies. The auditors’ reports in respect of those statutory accounts for the three years were unqualified and did not contain statements under section 498 of the Companies Act 2006. KPMG Audit LLC were the auditors of EPIC 1 and EPIC 2 in respect of the three years ended 31 July 2009.

2. Income Statements for EPIC 1

	<i>Year ended 31 July</i>		
	<i>2007</i>	<i>2008</i>	<i>2009</i>
	£	£	£
Income			
Bond interest income	1,594,362	1,945,541	1,656,404
Bank interest income	1,898	2,058	391
Total income	<u>1,596,260</u>	<u>1,947,599</u>	<u>1,656,795</u>
Expenses			
Hurdle fees	(998,618)	998,618	–
Investment advisory fees	(118,311)	(100,000)	(362,678)
Professional fees	–	(23,322)	23,322
Other expenses	–	(4,796)	3,682
Total expenses	<u>(1,116,929)</u>	<u>870,500</u>	<u>(335,674)</u>
Net investment income	479,331	2,818,099	1,321,121
(Losses)/gains on investments			
Realised (losses)/gains on sale of investment at fair value through profit or loss	1,439,003	1,261,060	(5,189)
Movement in unrealised (losses)/gains on revaluation of investments at fair value through profit or loss	973,463	(2,096,756)	(332,992)
(Loss)/gain for the year on investments at fair value through profit or loss	<u>2,412,466</u>	<u>(835,696)</u>	<u>(338,181)</u>
Profit for the year⁽¹⁾	<u>2,891,797</u>	<u>1,982,403</u>	<u>982,940</u>

Note:

1. EPIC 1 is not subject to tax as it is passed through for tax, with the tax being suffered by the partners and as a result there is no tax payable by EPIC 1. In addition, there is not interest payable on the intercompany loan from EPIC. As a result, the ‘Profit for the year’ is the same as profit before interest and tax.

3. Income Statements for EPIC 2

	<i>Year ended 31 July</i>		
	<i>2007⁽¹⁾</i> £	<i>2008</i> £	<i>2009</i> £
Income			
Bond interest income	17,959	102,931	237,039
Total income	<u>17,959</u>	<u>102,931</u>	<u>237,039</u>
Expenses			
Hurdle fees	(119,000)	119,000	–
Investment advisory fees	–	–	(34,115)
Other expenses	–	(114)	–
Total expenses	<u>(119,000)</u>	<u>118,886</u>	<u>(34,115)</u>
Net investment income	(101,041)	221,817	202,924
(Losses)/gains on investments			
Realised (losses)/gains on sale of investment at fair value through profit or loss	–	(381,296)	(21,296)
Movement in unrealised (losses)/gains on revaluation of investments at fair value through profit or loss	–	(242,292)	–
(Loss) for the year on investments at fair value through profit or loss	<u>–</u>	<u>(623,588)</u>	<u>(21,296)</u>
Profit for the year⁽²⁾	<u>(101,041)</u>	<u>(401,771)</u>	<u>181,628</u>

Notes:

1. The income statement for the period ended 31 July 2007 covers the period from the 19 January 2007, being the date of EPIC 2's formation to 31 July 2007
2. EPIC 2 is not subject to tax as it is passed through for tax, with the tax being suffered by the partners and as a result there is no tax payable by EPIC 2. In addition, there is not interest payable on the intercompany loan from EPIC. As a result, the 'Profit for the year' is the same as profit before interest and tax

4. Balance Sheet for EPIC 1

	<i>As at</i> <i>31 July</i> <i>2009</i> £ <i>Audited</i>	<i>As at</i> <i>31 January</i> <i>2010</i> £ <i>Unaudited</i>
Non-Current Assets		
Financial assets measured at fair value through profit or loss	21,763,895	21,417,246
Current assets		
Cash and cash equivalents	534,979	369,350
Trade and other receivables	2,796,563	2,849,922
Total assets	<u>25,095,437</u>	<u>24,636,518</u>
Current liabilities		
Trade and other payables	31,557	31,160
Loan from The Equity Partnership Investment Company PLC	18,980,483	18,900,468
Total liabilities	<u>19,012,040</u>	<u>18,931,628</u>
Net assets attributable to members	<u>6,083,397</u>	<u>5,704,890</u>

5. Balance Sheet for EPIC 2

	<i>As at 31 July 2009 £ Audited</i>	<i>As at 31 January 2010 £ Unaudited</i>
Non-Current Assets		
Financial assets measured at fair value through profit or loss	2,002,376	2,107,894
Current assets		
Cash and cash equivalents	100,051	23,469
Trade and other receivables	329,611	101
Total assets	<u>2,432,038</u>	<u>2,131,464</u>
Current liabilities		
Trade and other payables	3,201	3,216
Loan from The Equity Partnership Investment Company PLC	2,749,920	2,779,703
Total liabilities	<u>2,753,121</u>	<u>2,782,919</u>
Net liabilities attributable to members	<u>(321,083)</u>	<u>(651,455)</u>

PART 4

Information on ESO's investments

Set out below is information on ESO's current investments which has been extracted from ESO's Admission Document issued to ESO's shareholders today. ESO's current investments are held within ESO Investments LLP, in which ESO is the sole investor, and EPIC Structured Finance, in which ESO is the sole shareholder. Following Completion, ESO will transfer all its investments, except for Process Components, to the ESO Fund.

Morada (2005)

Morada is a wholesale supplier of textile fabrics and accessories for upholstery, furnishing and curtains. 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 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 improved trade credit terms and should continue to perform in line with or above expectations.

The Company initially invested £1.1 million to back the management buyout of the Morada Home business from the administrators of Morada International in 2005. The current holding consists of an equity stake of 65.1 per cent. and £1.6 million of loans. The current total unaudited holding value for ESO's interests in the business is £1.2 million as at 30 June 2010.

Past Times (2005)

Past Times Holdings Limited ("Past Times") is a niche retailer of historically inspired jewellery, gifts, books and home-ware. 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, EPE, the investment adviser is now confident that Past Times will be profitable for a third consecutive year. Past Times continues to expand the number of stores under the guidance of its Chief Executive Officer Mike Taylor and is expected to deliver continued improved performance despite the current weak retail environment.

ESO initially invested £7.8 million to acquire the business from the administrators of Retail Variations plc in a pre-packaged administration in December 2005. The current holding consists of an equity stake of 82.4 per cent. and two loans of £9.9 million and £1.3 million, respectively. ESO has assigned a current total unaudited holding value of £10.3 million as at 30 June 2010 to its interests in the business, which lie subordinate to a maximum £5.0m working capital facility provided by Lloyds TSB Bank plc.

Process Components (2005)

Process Components Limited ("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 and originally purchased by ESO in March 2005. Previously constrained by its parent, the new business now supplies higher margin products from a significantly lower cost base.

ESO initially invested £4.0 million to acquire Kemutec out of administration in March 2005. After the secondary restructuring of Kemutec in June 2009 and the return of £2.9 million to ESO via a freehold property sale and a loan repayment, the current holding consists of a 85.0 per cent. equity stake and £1.5 million of loans in the retained trading operations, Process Components. ESO has assigned a current total unaudited holding value of £1.5 million as at 30 June 2010 to its interests in the Process Components business.

Whittard of Chelsea (2008)

Whittard of Chelsea is a specialist retailer of tea and coffee. Whittard of Chelsea was acquired in December 2008 following ownership by Baugur, the Icelandic investment company. The initial restructuring of the business was completed in the first half of 2009, with the number of stores and overhead base both significantly reduced. Following this restructuring, the business achieved sales of £29 million for the financial year ended 31 December 2009 and EPE, the investment adviser, expects it to return to profitability in the current financial year. The business has also successfully undergone the initial phase of a re-branding exercise. There is also the potential to develop the wholesale and international franchising sides of the business.

ESO initially invested £0.6 million to acquire the business in a pre-packaged administration in December 2008. The current holding consists of an equity stake of 75.6 per cent. and £2.8 million of loans, to which ESO has assigned a current total unaudited holding value of £2.8 million as at 30 June 2010.

PART 5

Unaudited Pro Forma Statement of Net Assets of the Continuing Group

Set out below is the unaudited consolidated pro forma statement of net assets of the Continuing Group illustrating the effect of the Disposal. The unaudited pro forma statement has been prepared to illustrate how the Disposal might have affected the net assets of the Continuing Group had it been effected as at 31 January 2010 and is based on the net assets of the Group as at 31 January 2010, and has been prepared on the basis described in the notes set out below and after making the adjustments described in those notes.

The unaudited pro forma information has been prepared for illustrative purposes only. Due to its nature, the unaudited pro forma information addresses a hypothetical situation and does not, therefore, represent the actual financial position or results of the Continuing Group. The unaudited pro forma statement has been prepared on the basis set out in the notes below and in accordance with the requirements of Listing Rule 13.3.3R.

	<i>Adjustments</i>				<i>Pro forma net assets of the Continuing Group £'000s Unaudited</i>
	<i>EPIC Group as at 31 January 2010 £'000s Unaudited</i>	<i>EPIC Investments LLP as at 31 January 2010 £'000s Unaudited</i>	<i>EPIC Investments 2 LLP as at 31 January 2010 £'000s Unaudited</i>	<i>Disposal adjustments £'000s Unaudited</i>	
<i>Notes</i>	2	3	3	4	
Financial assets at fair value through profit or loss	62,443	(21,417)	(2,108)	12,000	50,918
Current assets					
Cash and cash equivalents	1,826	(369)	(23)	9,892	11,326
Trade debtors and other receivables	4,150	(2,850)	–	–	1,300
Total assets	68,419	(24,636)	(2,131)	21,892	63,544
Current liabilities					
Trade creditors and other payables	1,203	(18,931)	(2,783)	21,288	777
Provisions	710	–	–	–	710
Non-current liabilities					
Zero Dividend Preference Shares	25,085	–	–	–	25,085
Income Shares	20,658	–	–	–	20,658
Total liabilities	47,656	(18,931)	(2,783)	21,288	47,230
Net assets	20,763	(5,705)	652	604	16,314

Notes

1. The pro forma financial information has been prepared in a manner consistent with the accounting policies adopted by the Company in its last audited financial statements, being for the year ended 31 July 2009.
2. The net assets of the EPIC Group have been extracted without adjustment from the unaudited report and accounts of the EPIC Group for the six months ended 31 January 2010.
3. The net assets of EPIC 1 and EPIC 2 have been extracted without material adjustment from the financial information on those entities set out in Section B of Part 3 of this Circular.
4. The Disposal adjustments are as follows:
 - (a) an increase in the financial assets at fair value through profit and loss of £12.0 million representing the value of the Convertible Loan Notes and the Consideration Shares at Completion, being received as part of the total consideration as detailed in paragraph 3 of Part 1 of this Circular;

- (b) an increase in cash and cash equivalents of £10.0 million being the £10.0 million cash proceeds of the Disposal and cash and cash equivalents held in EPIC 1 and EPIC 2 of £0.4 million as at 31 January 2010 to be retained by the Group in accordance with the Disposal Agreement, less estimated costs of the Disposal of £0.5 million; and
- (c) an adjustment to trade creditors and other payables of £21.3 million being the settlement off intercompany loans between EPIC Group and EPIC 1 of £18.9 million and between EPIC Group and EPIC 2 of £2.8 million, and in accordance with the Disposal Agreement, net the cash and cash equivalents held in EPIC 1 and EPIC 2 of £0.4 million to be retained by the Group.

No account has been taken of the trading results of the Continuing Group or the Private Equity Portfolio for the period since 31 January 2010.



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The Directors
The Equity Partnership Investment Company PLC
IOMA House
Hope Street
Douglas
Isle of Man

4 August 2010

Dear Sirs

The Equity Partnership Investment Company PLC

We report on the pro forma statement of net assets (the “Pro forma financial information”) set out in Part 5 of the Class 1 Circular dated 4 August 2010 (“Circular”), which has been prepared on the basis described in Part 5 of the Circular, for illustrative purposes only, to provide information about how the disposal of EPIC Investments LLP and EPIC Investments 2 LLP might have affected the financial information presented on the basis of the accounting policies adopted by The Equity Partnership Investment Company PLC in preparing the financial statements for the year ended 31 July 2009. This report is required by paragraph 13.3.3R of the Listing Rules of the Financial Services Authority and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of The Equity Partnership Investment Company PLC to prepare the Pro forma financial information in accordance with paragraph 13.3.3R of the Listing Rules of the Financial Services Authority.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders as a result of the inclusion of this report in the Class 1 circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Class 1 circular.

KPMG LLC, an Isle of Man limited liability company, number 618L, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative “KPMG International”, a Swiss entity.

Members of KPMG LLC
David McGarry
Michael Fayle
Gregory Jones
Neil Duggan
Russell Kelly



**INVESTORS
IN PEOPLE**

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of The Equity Partnership Investment Company PLC.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of The Equity Partnership Investment Company PLC.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of The Equity Partnership Investment Company PLC.

Yours faithfully

KPMG LLC

PART 6

Details of the Convertible Loan Notes

ESO is satisfying £10.0 million of the total consideration payable to EPIC for the Disposal by way of the issue of the Convertible Loan Notes to EPIC.

The Convertible Loan Notes will be constituted pursuant to a Deed Poll dated 4 August 2010 (the “**Instrument**”), a copy of which is available for inspection as referred to in paragraph 7 of Part 7. The principal terms of the Convertible Loan Notes are summarised below.

1. Status

The Convertible Loan Notes will constitute direct and unsecured obligations of ESO.

The payment obligations of ESO under the Convertible Loan Notes will, save for such exceptions as may be provided by mandatory provisions of applicable law, rank at least equally with all the other present and future direct and unsecured obligations of ESO.

2. Structure

The Convertible Loan Notes would be subscribed pursuant to the Instrument constituting £10,000,000 unsecured convertible loan notes due 31 December 2015.

3. Issue size

The issue will be limited to 10,000,000 Convertible Loan Notes of nominal value of £1 each.

4. Issue price

The issue price of the Convertible Loan Notes will be 100 per cent. of the total principal amount of the Convertible Loan Notes.

5. Interest

Interest will be payable on any outstanding Convertible Loan Notes at a rate of 7.50 per cent. per annum. Any interest due will be payable semi-annually in arrears in equal instalments on 31 January and 31 July in each year, commencing on 31 January 2011 (but excluding any tax required by law to be deducted or withheld), subject to sufficient funds being available to ESO (and not required or reserved for other purposes). Additionally, ESO will pay interest at a rate of 12 per cent. per annum and compounding on each interest payment date on any interest accrued but unpaid on the interest payment dates and such accrued but unpaid interest will be paid at the next interest payment date on which sufficient funds are available or on the conversion or final redemption of the Convertible Loan Notes (as applicable).

6. Final redemption

Convertible Loan Notes not previously redeemed or converted and in each case cancelled, will be redeemed in full at par on 31 December 2015 together with the unpaid accrued interest. However, the final redemption date of the Convertible Loan Notes will be 31 December 2016 if a continuation resolution is passed by the shareholders of ESO on, or before 30 September 2015, although Noteholders may elect to redeem their Convertible Loan Notes on 31 December 2015.

7. Conversion

Each holder of the Convertible Loan Notes (being a “**Noteholder**”) will have the right to convert, at any time on or after 31 December 2011 and up to the close of business on the fourteenth business day prior to the final redemption date of the Convertible Loan Notes or, in the event of an Early Redemption Notice (as defined below) up to the close of business on the seventh business day prior to the redemption of the Convertible

Loan Notes, some or all of the Convertible Loan Notes outstanding into fully paid Ordinary Shares at the conversion price then applicable.

A Noteholder will not be able to exercise its right to convert if such conversion would result in the Noteholder or any of its concert parties being required to make a mandatory offer under Rule 9 of the City Code.

Although the conversion price for the Convertible Loan Notes will not be adjusted upon any subscription of Ordinary Shares under an invitation (other than by way of rights) by ESO to holders of Ordinary Shares (an “**Open Offer**”), ESO has undertaken to invite the Noteholders to subscribe for Ordinary Shares under any Open Offer at the same time, on the same terms and subject to the same conditions as if the conversion rights in respect of the Convertible Loan Notes had been exercisable and exercised in full on and with effect from the record date for an Open Offer.

8. Conversion Price

The initial conversion price will be 170 pence nominal value of Convertible Loan Notes per Ordinary Share (the “**Initial Conversion Price**”). The Initial Conversion Price would be subject to adjustment in certain circumstances, including upon any allotment to holders of Ordinary Shares pursuant to a capitalisation of profits or reserves, capital distribution or rights issue.

9. Redemption at the option of ESO

ESO will be able to redeem at any time after 31 July 2013:

- (i) some or all of the principal amount outstanding on the Convertible Loan Notes at par together with unpaid accrued interest on the relevant date fixed for redemption provided that the average middle market quotations for Ordinary Shares for 20 dealing days within the 30 dealing period ending on the fourteenth day prior to the date on which it gives the Early Redemption Notice to Noteholders are at least 120 per cent. of the average of the conversion prices of the Convertible Loan Notes in effect (or deemed to be in effect) on each such dealing day; or
- (ii) some or all of the principal amount outstanding on the Convertible Loan Notes together with unpaid accrued interest at any time if, prior to the date of the Early Redemption Notice, ESO has cancelled, and/or Noteholders have exercised their right to convert the Convertible Loan Notes into Ordinary Shares in respect of, in aggregate, 80 per cent. or more in principal amount of the Convertible Loan Notes,

provided that if ESO elects to exercise its early redemption rights in respect of some but not all of the outstanding Convertible Loan Notes, such redemption shall be effected on a *pro rata* basis in respect of all Noteholders.

ESO will be required to give Noteholders not less than 30 days, nor more than 60 days, written notice prior to the early redemption of the Convertible Loan Notes (the “**Early Redemption Notice**”).

Following the Early Redemption Notice, Noteholders will have the right to convert the Convertible Loan Notes into Ordinary Shares. The right to convert into Ordinary Shares will be exercisable up to the close of business on the seventh business day prior to the date of redemption of the Convertible Loan Notes.

10. Cash reserve

ESO will ensure that, as from the time that it incurs any indebtedness senior to the Convertible Loan Notes it has, and so long as any such indebtedness is outstanding it maintains, cash reserves equal to not less than one year’s interest payable on the Convertible Loan Notes and on any indebtedness senior to the Notes or, if less, to the final redemption date of the Convertible Loan Notes or the date of scheduled maturity of such senior indebtedness (as relevant).

11. Change of control

If whilst any of the Convertible Loan Notes are outstanding and capable of being converted any offer is made to all the ordinary shareholders of ESO to acquire the whole or any part of the ordinary share capital of the Company (an “Offer”) and the Offer becomes or is declared unconditional in all respects, ESO will be required to give notice of such an Offer in writing to the Noteholders within 14 days of becoming so aware and unless an offer, proposal, scheme or other arrangement which is, in the opinion of an appropriate financial adviser, fair and reasonable has already been or not later than 42 days after the date of such notice is made or put to the Noteholders, then ESO will be obliged to give further notice in writing of that fact to the Noteholders and each Noteholder will be able to, at any time within a period of 60 days after the date of such further notice, give notice in writing to ESO:

- (i) exercising his right to convert in respect of some or all of his Convertible Loan Notes at the conversion price then applicable; and/or
- (ii) requiring ESO to repay all of the principal amount outstanding on the Convertible Loan Notes (other than in respect of which he exercises his right to convert under (a) above) at par together with unpaid accrued interest.

Conversion rights shall lapse in respect of any Convertible Loan Notes not tendered for conversion or repayment by the Noteholder in the period defined above.

12. Redemption events

The Convertible Loan Notes will become immediately repayable together with unpaid accrued interest without the necessity of any demand being made by any Noteholder if any of the customary events of default set out in the Instrument occurs and is continuing.

13. Transferability and quotation

Subject to the restrictions on transfer described in paragraph 4.1(b) of Part 7, the Convertible Loan Notes will be freely transferable in certificated and uncertificated form, in amounts or multiples of £1 in nominal amount.

On Completion the Convertible Loan Notes will not be admitted to an investment exchange. As such, ESO has undertaken to use its reasonable endeavours to seek admission of the Convertible Loan Notes to PLUS or another appropriate exchange on or before 31 July 2011, being the date of the winding up of EPIC, to give holders of the Convertible Loan Notes the ability to trade their respective holdings on market.

14. Rights attaching to shares on conversion

The Ordinary Shares issued on conversion will be fully paid, free from encumbrances and admitted to trading on AIM and will rank in full for all dividends payable by reference to a record date occurring on or after the conversion date and otherwise *pari passu* in all respects with the Ordinary Share capital of ESO.

15. Governing Law

The Convertible Loan Notes and all documentation relating to them will be governed by and construed in accordance with English law.

PART 7

Additional Information

1. The Company

- (a) The Company was incorporated with limited liability in the Isle of Man as a public company limited by shares under the Act with registered number 103447C on 6 July 2001.
- (b) Under the Act, the Company has the capacity, rights, powers and privileges of an individual. It is not required to have an objects clause in its Memorandum of Association.

2. Directors' and other Interests

- (a) The aggregate of the remuneration to be paid to the Directors by the Company for the financial period ending 31 July 2011 is not expected to exceed £75,000 (excluding any applicable VAT) and the maximum annual amount permitted to be paid by way of Directors' fees under the Articles is £100,000. The Chairman receives £25,000 per annum (plus any applicable VAT), Mr McCrickard and Mr Richardson each receives £20,000 per annum (plus any applicable VAT) and Mr Scales receives £10,000 per annum (plus any applicable VAT).
- (b) There are no existing or proposed service contracts between any of the Directors and the Company. Pursuant to letters of appointment, each of the Directors acts as a non-executive director of the Company. The appointments are terminable by either party on 3 months' prior written notice.
- (c) No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.
- (d) No Director has any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company and which have been effected by the Company since incorporation or have been effected by the Company since incorporation and remain in any way outstanding or unperformed.
- (e) As at the date of this Circular no Director:
 - (i) has any unspent convictions in relation to any indictable offences;
 - (ii) has been a director of any company or a partner of any firm which, at the time of or within 12 months after his ceasing to be a director or a partner (as the case may be), had any receiver appointed or went into compulsory liquidation, or creditors voluntary liquidation or went into administration, or entered into company or partnership voluntary arrangements, or made any composition or arrangement with its creditors generally or any class of the creditors of such company;
 - (iii) has become bankrupt or had any bankruptcy order served upon him or entered into any individual voluntary arrangement or had a receiver appointed over any of his assets; or
 - (iv) has had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- (f) No Director had any interest in the share capital of the Company as at 3 August 2010 (being the last practicable date prior to the date of this Circular).

- (g) Save as disclosed in the table below, as at 3 August 2010 (being the latest practicable date prior to the publication of this Circular), the Company is not aware of any person who, directly or indirectly, is interested in 3 per cent. or more of the issued share capital of the Company.

	<i> Holding as at 3 August 2010</i>	<i> % of the Capital Shares, Income Shares or ZDPs (as relevant) in issue as at 3 August 2010</i>
Capital Shares		
SG Option Europe S.A.	10,455,000	25.94
Brit Insurance Limited	7,050,000	17.49
BNY (OCS) Nominees Limited	4,808,000	11.93
Nortrust Nominees Limited	3,975,000	9.86
Miton Asset Management	1,858,000	4.61
Armstrong Investments	1,820,000	4.52
Corporate Services (TD Waterhouse) Nominees Limited	1,500,000	3.72
Randall & Quilter	1,500,000	3.72
Income Shares		
Nortrust Nominees Limited	4,230,050	20.40
Chaucer Syndicates Limited	2,500,000	12.06
The Corporation of Lloyds	2,500,000	12.06
Pershing Nominees Limited	1,650,000	7.96
Securities Services Nominees Limited	1,015,250	4.90
Ferlim Nominees Limited	988,500	4.77
The Corporation of Lloyds	900,000	4.34
ZDPs		
Giltspur Nominees Limited	3,074,312	15.37
Nortrust Nominees Limited	2,547,116	12.74
Ferlim Nominees Limited	1,691,255	8.46
Pershing Nominees Limited	1,470,340	7.35
Nortrust Nominees Limited	1,340,000	6.70
Rathbone Nominees Limited	1,076,350	5.38
Smith & Williamson Nominees Limited	1,018,300	5.09
HSBC Global Custody Nominee (UK) Limited	818,210	4.09
N W Brown Nominees Limited	798,000	3.99
Chase Nominees Limited	620,000	3.10

- (h) There is no one (or no corporation) who, directly or indirectly, jointly or severally, exercises control over the Company.
- (i) The Company has purchased directors' and officers' liability insurance for the benefit of the Directors.
- (j) Save as disclosed in this Part 7, no person (other than a professional adviser referred to in this Circular or trade supplier dealing with the Company) has:
- (i) received, directly or indirectly, from the Company within the 12 months preceding the Company's application for Admission; or
 - (ii) entered into any contractual arrangements (not otherwise disclosed in this Circular) to receive, directly or indirectly, from the Company on or after Admission any of the following:
 - (a) fees totalling £10,000 or more;
 - (b) securities in the Company with a value of £10,000; or
 - (c) any other benefit with the value of £10,000 or more at the date of Admission.

3. Irrevocable undertakings

The Company has received irrevocable undertakings to vote in favour of the Resolution in respect of, in aggregate, 20,863,000 Capital Shares, representing approximately 51.76 per cent. of the Capital Shares in issue as at 3 August 2010 (being the latest practicable date prior to the publication of this Circular). Further details of such irrevocable undertakings are as follows:

<i>Capital Shareholder</i>	<i>Holding of Capital Shares as at 3 August 2010</i>	<i>% of Capital Shares in issue as at 3 August 2010</i>
SG Option Europe S.A.	10,455,000	25.94
Brit Insurance Ltd	7,050,000	17.49
Miton Asset Management	1,858,000	4.61
Randall & Quilter	1,500,000	3.72

4. Material Contracts

4.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group since its incorporation and are, or may be, material, and there are no other contracts entered into by the Group which include an obligation or entitlement which is material to the Group at the date of this Circular.

(a) *Disposal Agreement*

The following is a summary of the principal terms of the Disposal Agreement dated 4 August 2010 and made between (1) EPIC; (2) EPIC Carry; (3) EPIC Carry 2; (4) EPE (EPIC, EPIC Carry, EPIC Carry 2 and EPE are collectively referred to in this summary as the “**Vendors**”); (5) ESO Fund; (6) the Fund GP (ESO Fund and the Fund GP are collectively referred to in this summary as the “**Purchasers**”); and (7) EPE Special Opportunities plc. EPIC Carry and EPIC Carry 2 are vehicles through which members of the EPE advisory team are entitled to participate in Carried Interest from EPIC 1 and EPIC 2.

Under the Disposal Agreement, at completion of the Disposal the Vendors will sell their interests in EPIC 1 and EPIC 2 and the Purchasers will purchase the same for an aggregate consideration of £22 million. Cash and cash equivalents held in EPIC 1 and EPIC 2 will be retained by EPIC in accordance with the terms of the Disposal Agreement.

The aggregate consideration of £22 million will comprise the following:

- (i) £10 million of cash payable to EPIC;
- (ii) Convertible Loan Notes issued to EPIC with a nominal value of £10 million; and
- (iii) Consideration Shares issued to EPIC with a value of £2 million at a price of 55.86 pence per Consideration Share.

The interests of EPIC Carry LLP, EPIC Carry 2 LLP and EPE in EPIC 1 and EPIC 2 will be purchased for nominal consideration.

Completion under the terms of the Disposal Agreement is conditional on, among other things:

- (i) the due passing without amendment of shareholder resolutions of ESO to, among other things, approve the acquisition by ESO Fund of the Private Equity Portfolio on the terms of the Disposal Agreement;
- (ii) the due passing without amendment by the Capital Shareholders of the Company in general meeting of the Resolution; and

- (iii) re-admission of the existing Ordinary Shares of ESO and the Consideration Shares to AIM becoming effective by not later than 8.00 a.m. on 30 September 2010 (or such later date as the Purchasers (acting jointly) shall determine).

If the above conditions are not satisfied by 30 September 2010 (or such later date as the Vendors (acting jointly) and the Purchasers (acting jointly) shall determine), the Disposal Agreement will terminate and the Disposal will not proceed.

The Disposal Agreement contains undertakings given by the Vendors not to undertake or to permit certain actions in relation to their interests in EPIC 1 and EPIC 2 and in relation to the Private Equity Portfolio between the date of the Disposal Agreement and Completion.

The Disposal Agreement contains warranties given by the Vendors which are limited to title and capacity to enter into the Disposal Agreement. EPIC will not have any liability under the Disposal Agreement upon Company's termination on 31 July 2011.

The Disposal Agreement may be terminated by the Purchasers:

- if there is a material breach of the warranties given by the Vendors;
- if there is a material breach of the undertakings given by the Vendors in relation to the period between the date of the Disposal Agreement and completion of the Disposal

which in each case is incapable of remedy or, if capable of remedy, is not remedied.

The Disposal Agreement is governed by the laws of England and Wales.

(b) ***Lock-in***

Pursuant to an agreement entered into on 4 August 2010 between Numis Securities Limited, EPE, ESO and the Company, the Company has agreed, conditionally on, *inter alia*, Admission not to dispose of, except in limited circumstances, any interest in the Consideration Shares or any other Ordinary Shares or interest in Ordinary Shares from time to time acquired by or issued to the Company prior to 31 July 2011. The agreement also contains orderly market provisions which apply for a further period of 12 months after expiry of the lock-in period. The lock-in and orderly market provisions will not apply in the following circumstances:

- the distribution *in specie* pursuant to the termination of the Company anticipated to occur on or around 31 July 2011;
- in acceptance of or giving by the Company of an irrevocable undertaking to accept a general offer which has been recommended or approved by the board of directors of ESO or has become or has been declared unconditional in all respects for the entire issued share capital of ESO, (other than any such shares which are already owned by the person making such offer or any person(s) acting in concert with it) and made in accordance with City Code;
- for a disposal pursuant to an intervening court order;
- for a disposal pursuant to any compromise or arrangement under Part 26 of the Companies Act 2006 (or equivalent Isle of Man legislation) which compromise or arrangement has been sanctioned by the court;
- for any scheme of reconstruction under section 110 of the Insolvency Act 1986 in relation to ESO (or equivalent Isle of Man legislation); and
- a disposal otherwise permitted by the AIM Rules, as determined by Numis Securities Limited.

(c) ***Investment Management Agreement dated 14 August 2001 between the Company and the Investment Manager***

The Investment Management Agreement was for an initial two year period and is terminable by either party by 12 months' prior written notice given at any time subject to earlier termination by either party in the event of, *inter alia*, a party having a receiver, administrator or liquidator appointed or committing a material breach of the Investment Management Agreement. The Investment Management Agreement will terminate automatically without compensation becoming payable to the Investment Manager upon the passing of a resolution for the reorganisation or winding up of the Company. In addition, the Investment Management Agreement will be terminable forthwith at the Company's option following any period of 180 days during which neither Jo Welman nor a replacement key director of the Investment Manager approved by the Board (previously or during such 180 day period) is available to perform his duties as an executive director of the Investment Manager.

The Investment Manager is entitled to a quarterly investment management advisory fee payable in arrears on 30 April, 31 July, 31 October and 31 January in each year equal to one quarter of one per cent. of Total Assets, valued at the close of business on the last business day of each quarter (together with any applicable VAT). The Investment Manager will also be entitled to a performance based fee in respect of any financial year where the growth in the NAV of the Company (after adding back the dividends paid by the Company to the Income Shareholders during the relevant period and making adjustment for any Warrants exercised during the relevant period) exceeds a benchmark annual return of LIBOR (as at the first business day of the year in question) plus three (3) per cent. per annum. The performance fee, payable following publication of the audited accounts for the year in question, shall be an amount equal to 10 per cent. of any out-performance of the benchmark provided always that a performance fee will be payable only if and to the extent that the NAV of the Company at the end of the year in question (adjusted as aforesaid) exceeds the highest NAV of the Company recorded at the end of any previous year or the NAV of the Company immediately following completion of the placing carried out in connection with the IPO (whichever is higher and subject in either case to adjustment as aforesaid). For the purposes of calculating any entitlement to a performance fee any investment of the Company in the Investment Manager and any income derived from that investment will be ignored until such time as a market quotation or listing is obtained for the Investment Manager shares.

Under the terms of the Investment Management Agreement, where the Company invests in any other investment vehicle(s) managed or advised by the Investment Manager or any associate, the aggregate fees receivable by the Investment Manager and any such associate from the Company and such other investment vehicle(s) shall, unless the Board shall otherwise determine in any particular case, be adjusted so that no incremental benefit accrues to the Investment Manager as a result of such investment being made and the benefit of such adjustment shall be apportioned between the Company and such other investment vehicle(s) in a manner to be approved by the Board.

The Investment Manager is entitled to be reimbursed all commissions, transfer fees, registration fees, stamp duty and similar liabilities, the fees of any advisers appointed pursuant to the Investment Management Agreement and any other costs incurred in the ordinary course of its duties as an investment manager (plus VAT (if applicable)) properly incurred in the performance of its duties.

This agreement was amended in April 2006 so that the transfer of assets to EPIC 1 and the value of EPIC's investment in EPIC 1 would be ignored for the purposes of calculation of the performance fee.

(d) ***EPIC 1 members' agreement dated 16 December 2009***

EPIC 1 has three members, EPIC, EPIC Carry and EPE.

EPE was appointed as investment adviser to EPIC 1 and is entitled to receive a fee which shall be an amount equal to 1.5 per cent. per annum of the net assets (and, for these purposes, the amount of any loans made to the partnership by its members shall not be taken into account in calculating the net assets) valued at the close of business on the last business day of each quarter, subject to an annual minimum of £200,000. Either EPIC or EPE may terminate EPE's appointment by giving 12 month's prior written notice or one month's notice in certain specified circumstances.

In addition, Carried Interest will be payable to EPIC Carry equivalent to 20 per cent. of the income and gains from the equity portion of the hurdle rate of return of 7 per cent. per annum (compound) being achieved by EPIC. Following the hurdle rate of return being achieved, distributions will first be made to EPIC Carry until it has been paid an amount equal to 25 per cent. of all distributions in excess of the amount loaned by EPIC to EPIC 1 which were made to EPIC prior to the hurdle being achieved. Thereafter, distributions will be split 80:20 between EPIC and EPIC Carry respectively. Returns on EPIC 1's mezzanine investments will be solely for the account of EPIC (i.e. the 80:20 split will not apply), but will be brought into account when establishing whether the hurdle has been met.

(e) ***EPIC 2 members' agreement dated 16 December 2009***

EPIC 2 has three members, EPIC, EPIC Carry 2 LLP and EPE.

EPE was appointed as investment adviser to EPIC 2 and is entitled to receive a fee which shall be an amount equal to 1.5 per cent. per annum of the net assets (and, for these purposes, the amount of any loans made to the partnership by its members shall not be taken into account in calculating the net assets). Either EPIC or EPE may terminate EPE's appointment by giving 12 months prior written notice or one month's notice in certain specified circumstances.

In addition, a Carried Interest will be payable to EPIC Carry LLP equivalent to 20 per cent. of the income and gains from the equity portion of the hurdle rate of return of 8 per cent. per annum (compound) being achieved by EPIC. Following the hurdle rate of return being achieved, distributions will first be made to EPIC Carry LLP until it has been paid an amount equal to 25 per cent. of all distributions in excess of the amount loaned by EPIC to EPIC 2 which were made to EPIC prior to the hurdle being achieved. Thereafter, distributions will be split 80:20 between EPIC and EPIC Carry LLP respectively. Returns on EPIC 2's mezzanine investments will be solely for the account of EPIC (i.e. the 80:20 split will not apply to these investments), but will be brought into account when establishing whether the hurdle has been met.

- 4.2 Save for the contracts summarised in paragraph 4.1 above, as at the date of this Circular, neither EPIC 1 nor EPIC 2 has entered into any contract (not being contracts entered into in the ordinary course of business) (a) in the two years immediately preceding the date of this Circular that is, or might be, material to EPIC 1 or EPIC 2, or (b) which includes an obligation or entitlement which is material to EPIC 1 or EPIC 2.

5. Related party transactions

Save for the transactions disclosed in the financial statements of the Company for each of the three years ended 31 July 2007, 2008 and 2009 and in the Company's unaudited interim statement for the six months ended 31 January 2010, the Company has not entered into any material transactions with related parties.

6. Miscellaneous

- (a) The total cost and expenses payable by the Company in connection with the Disposal (including professional fees, commissions, the cost of printing and the fees payable to the Registrars) are estimated to amount to up to approximately £0.5 million (excluding VAT).

- (b) No member of the Continuing Group is or has been involved in any governmental, legal or arbitration proceedings which are having, may have or have had in the previous 12 months, a significant effect on its financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against any members of the Continuing Group.
- (c) EPIC 1 or EPIC 2 are not and have not been involved in any governmental, legal or arbitration proceedings which are having, may have or have had in the previous 12 months, a significant effect on their financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against EPIC 1 or EPIC 2.
- (d) There has been no significant change in the financial or trading position of the Group since 31 January 2010, being the end of the last financial period for which unaudited interim financial information has been published for the Group.
- (e) There has been no significant change in the financial or trading position of EPIC 1 and EPIC 2 since 31 July 2009, being the end of the last financial period for which audited financial statements have been published for EPIC 1 and EPIC 2.
- (f) Strand Hanson has given and has not withdrawn its written consent to the issue of this Circular and the references to itself in the form and context in which such references appear.
- (g) KPMG LLC has given and has not withdrawn its written consent to the inclusion of its report dated 4 August 2010 as required by Listing Rule 13.4.1R(6).

7. Documents Available for Inspection

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Latham & Watkins at 99 Bishopsgate, London EC2M 3XF, during business hours on any weekday, for a period of one month following Admission (except Saturdays and public holidays):

- (i) the Memorandum of Association of the Company and the Articles;
- (ii) the unaudited pro forma statement of net assets of the Continuing Group as at 31 January 2010 together with the report of KPMG LLC contained in Part 5 of this document;
- (iii) the material contracts referred to in paragraph 4 above and the Deed Poll;
- (iv) the written consents referred to in paragraph 6 above; and
- (v) the financial statements of the Company for the three years ended 31 July 2007, 2008 and 2009;
- (vi) the Admission Document dated 4 August 2010 published by ESO in connection with its application for readmission to AIM; and
- (vii) this Circular and the Form of Proxy.

The date of this document is 4 August 2010.

Notice of Extraordinary General Meeting

The Equity Partnership Investment Company PLC

(a company incorporated in the Isle of Man with registered number 103447C)

NOTICE IS HEREBY GIVEN THAT an EXTRAORDINARY GENERAL MEETING of The Equity Partnership Investment Company PLC (the “**Company**”) will be held at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP at 10.30 a.m. on 27 August 2010 to consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

THAT the disposal by the Company of the Private Equity Portfolio to the ESO Fund (a limited partnership majority owned by EPE Special Opportunities plc) on the terms of the Disposal Agreement (as defined and described in the Circular from the Company to its shareholders dated 4 August 2010) be and is hereby approved, subject to such immaterial amendments as may be approved by the Directors.

By order of the Board
John Middleton
Company Secretary

Date: 4 August 2010

Registered Office:

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

Notes:

1. A Capital Shareholder entitled to attend and vote at the Extraordinary General Meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a shareholder of the Company.
2. Completion and return of a form of proxy will not prevent a Capital Shareholder from subsequently attending the Extraordinary General Meeting and voting in person if he/she so wishes.
3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company’s Registrars, not less than 48 hours before the time for holding the meeting or adjourned meeting.