

Registered No. OC356809

ESO Investments (PC) LLP
Report of the Members and Financial Statements
For the year ended 31 January 2019



ESO Investments (PC) LLP

Contents

Page	
2	Management and Administration
3	Members' Report
4	Statement of Members' Responsibilities
5	Independent Auditor's Report
7	Statement of Comprehensive Income
8	Statement of Financial Position
9	Statement of Changes in Members' Capital
10	Statement of Cash Flows
11 - 21	Notes to the Financial Statements

ESO Investments (PC) LLP

Management and Administration

Designated Members of the Partnership

EPE Special Opportunities Limited
EPIC Private Equity LLP

Registered Office

3rd Floor Audrey House,
16-20 Ely Place,
London
United Kingdom
EC1N 6SN

Investment Advisor

EPIC Private Equity LLP
Audrey House,
16-20 Ely Place,
London
United Kingdom
EC1N 6SN

Auditors

KPMG Audit LLC
Heritage Court
41 Athol Street
Douglas
Isle of Man
IM99 1HN

ESO Investments (PC) LLP

Members' Report

The Members present their report and financial statements of ESO Investments (PC) LLP ("the Partnership" or "the LLP") for the year ended 31 January 2019.

The Partnership's business

The general purpose of the Partnership is to make and hold private equity investments and the business of the Partnership shall be:

- (a) to invest in and hold investments;
- (b) to realise investments; and or
- (c) such other business as the Members may agree by resolution.

Designated Members

The following served as Designated Members of the Partnership throughout the year and up to the date of this report:

- EPE Special Opportunities Limited; and
- EPIC Private Equity LLP

Allocations and Distributions

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

- (a) 80% to EPE Special Opportunities Limited
- (b) 20% to EPIC Private Equity LLP

Distributions shall be allocated in accordance with the Members' Agreement in the following order of priority:

- (a) a payment of the Priority Profit Share;
- (b) in repaying Member loans;
- (c) in paying the Members a return, (the Hurdle) being 8% compounded annually on the balance of their loans; and
- (d) following the repayment of the Hurdle, various other distribution priorities are contained within the Members' Agreement.

Disclosure of information to auditors

The Members confirm that:

- So far as each Member is aware, there is no relevant information of which the LLP's auditors are unaware; and
- The Members have taken all the steps that they ought to have taken as Members in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

Our auditors, KPMG Audit LLC, being eligible, have expressed their willingness to continue in office.

On behalf of the Members

Giles Brand
for and on behalf of EPIC Private Equity LLP
Date: 04 April 2019

ESO Investments (PC) LLP

Statement of Members' responsibilities in respect of the Members' Report and the financial statements

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of its profit or loss for that period. In preparing these financial statements, the members are required to:

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

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

ESO Investments (PC) LLP

Independent auditor's report to the members of ESO Investments (PC) LLP

Opinion

We have audited the financial statements of ESO Investments (PC) LLP ("the LLP") for the year ended 31 January 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Members' Capital, the Statement of Cash Flows and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 January 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the LLP in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The members have prepared the financial statements on the going concern basis as they do not intend to liquidate the LLP or to cease its operations, and as they have concluded that the LLP's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the members' conclusions, we considered the inherent risks to the LLP's business model, including the impact of Brexit, and analyzed how those risks might affect the LLP's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the LLP will continue in operation.

Other information

The members are responsible for the other information, which comprises the members' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

ESO Investments (PC) LLP

Independent auditor's report to the members of ESO Investments (PC) LLP (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the members were not entitled to prepare financial statements in accordance with the small limited liability partnerships' regime.

We have nothing to report in these respects.

Members' responsibilities

As explained more fully in their statement set out on page 4, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Nicholas Quayle (Senior Statutory Auditor)

For and on behalf of KPMG Audit LLC, Statutory Auditor

Chartered Accountants

Heritage Court

41 Athol Street

Douglas

Isle of Man

IM99 1HN

April 2019

ESO Investments (PC) LLP

Statement of Comprehensive Income

For the year ended 31 January 2019

	Note	2019 £	2018 £
Expenses		(8,363)	(4,747)
Total expenses		(8,363)	(4,747)
Net operating loss		(8,363)	(4,747)
Gains on investments			
Realised gain on sale of investment	4	4,001,157	-
Profit for the year on investments at fair value through profit or loss		4,001,157	-
Profit/(loss) for the year		3,992,794	(4,747)

The Members consider that all results derive from continuing activities.

The accompanying notes on pages 11 to 21 are an integral part of the financial statements.

ESO Investments (PC) LLP

Statement of Financial Position

As at 31 January 2019

	Note	2019 £	2018 £
Non-current assets			
Financial assets at fair value through profit and loss	4	-	9,453,084
Current assets			
Trade and other receivables	5	100	100
Cash and cash equivalents		4,697	270,674
Total assets		4,797	9,723,858
Current liabilities			
Trade and other payables		(4,227)	(1,011)
Total liabilities		(4,227)	(1,011)
Net assets attributable to members		570	9,722,847
Members' capital			
Members' capital account		100	100
Members' current account	8	470	9,722,747
Members' funds		570	9,722,847

The financial statements were approved and signed by the Members on 04 April 2019.


Giles Brand
for and on behalf of EPIC Private Equity LLP

The accompanying notes on pages 11 to 21 are an integral part of the financial statements.

ESO Investments (PC) LLP

Statement of Changes in Members' Capital

For the year ended 31 January 2019

	Capital £	Current £	Total £
Balance at 1 February 2018	100	9,722,747	9,722,847
Total comprehensive profit for the year			
Profit for the year	-	3,992,794	3,992,794
Distribution to members	-	(13,715,071)	(13,715,071)
Balance at 31 January 2019	100	470	570

	Capital £	Current £	Total £
Balance at 1 February 2017	100	9,727,494	9,727,594
Total comprehensive loss for the year			
Loss for the year	-	(4,747)	(4,747)
Balance at 31 January 2018	100	9,722,747	9,722,847

The accompanying notes on pages 11 to 21 are an integral part of the financial statements.

ESO Investments (PC) LLP

Statement of Cash Flows

For the year ended 31 January 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit/(loss) for the year	3,992,794	(4,747)
Adjustments for:		
Realised gains on sale of investment at fair value through profit or loss	(4,151,157)	-
Operating cash flows before changes in working capital	(158,363)	(4,747)
Increase in trade and other payables	3,216	1,011
Net cash used in operating activities	(155,147)	(3,736)
Cash flows from investing activities		
Loan from parent company	-	274,410
Net proceeds from sale of investments	13,604,241	-
Net cash generated from investing activities	13,604,241	274,410
Cash flows from financing activities		
Distribution to members	(13,715,071)	-
Net cash used in financing activities	(13,715,071)	-
(Decrease)/increase in cash and cash equivalents	(265,977)	270,674
Cash and cash equivalents at start of year	270,674	-
Cash and cash equivalents at end of year	4,697	270,674

The accompanying notes on pages 11 to 21 are an integral part of the financial statements.

ESO Investments (PC) LLP

Notes to the Financial Statements

For the year ended 31 January 2019

1 Operations

ESO Investments (PC) LLP ("the Partnership" or "the LLP") is a limited liability partnership formed in England on 29 July 2010 under the Limited Liability Partnerships Act 2000.

The Partnership's principal purpose is to make and hold private equity investments.

2 Basis of preparation

a Statement of compliance

The financial statements have been prepared in conformity with International Financial Reporting Standards (IFRSs) as adopted by the EU and Interpretations adopted by the International Accounting Standards Board (IASB) and applicable legal and regulatory requirements of United Kingdom law and The Limited Liability Partnerships Act, 2000, and reflect the following policies which have been adopted and applied consistently, with the exception of the adoption of the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2018:

- i. Annual improvements to IFRS – 2014-2016 cycle – various standards
- ii. Investment entities – IFRS 12: Disclosure of interests in other entities
- iii. IFRS 15: Revenue from Contracts with Customers
- iv. Amendments to IAS 40 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- v. IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- vi. Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The adoption of the above new standards has had no significant impact on the Partnership's measurement of its assets and liabilities, and no significant impact on the disclosures included in the financial statements.

b Basis of measurement

The financial statements have been prepared on the historical cost basis except for investments in equity interests that are measured at fair value through profit or loss.

c Functional and presentation currency

The functional and presentation currency of the Partnership is Sterling. All financial information presented in Sterling has been rounded to the nearest pound.

d Use of estimates and judgements

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are considered reasonable when making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Unlisted investments are valued at the Members' estimate of their fair value in accordance with the requirements of IFRS 9 Financial Instruments and guidelines issued by IPEV. Fair values of such instruments are determined by using valuation techniques and Members make assumptions based on market conditions.

ESO Investments (PC) LLP

Notes to the Financial Statements (continued)

For the year ended 31 January 2019

2 Basis of preparation (continued)

d Use of estimates and judgements (continued)

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed. However, changes in assumptions could affect the reported fair value of financial instruments. As at 31 January 2019, no investment were held.

e. Disclosure on changes in significant accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments effective from 1 January 2018. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments has resulted in changes in accounting policies and in accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets and financial liabilities as at 1 January 2019.

Financial Assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost	4,697	4,697
Trade and other receivables	Loans and receivables	Amortised cost	100	100
			4,797	4,797
Financial Liabilities	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Trade and other payables	Amortised cost	Amortised cost	4,227	4,227
			4,227	4,227

3 Significant accounting policies

a Expenses

Expenses are accounted for on an accruals basis.

All the expenses of the Partnership, except for the priority profit share and specific direct costs, are borne by EPE Special Opportunities Limited, a member of the Partnership.

b Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risks of changes in value.

ESO Investments (PC) LLP

Notes to the Financial Statements (continued)

For the year ended 31 January 2019

3 Significant accounting policies (continued)

c Financial assets and liabilities

(i) Classification

Investments held in ordinary shares have been designated at fair value through profit or loss.

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

(ii) Recognition

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

(iii) Measurement

Investments held in ordinary shares are stated at fair value. Loans and receivables are stated at amortised cost less any impairment losses.

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

If there is no quoted price in an active market, then the Partnership uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The Partnership recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Investments held in unlisted equity instruments are valued at the Member's estimate of fair value using the International Private Equity and Venture Capital Valuation (IPEV) guidelines and other valuation methods, with reference to the valuation principles of IFRS 13. As all investments are unquoted the valuation principles adopted are classified as Level 3 in the IFRS 7 fair value hierarchy. IPEV guidelines recommend the use of comparable quoted company metrics and comparable transaction metrics to determine an appropriate enterprise value, to which a marketability discount is applied given the illiquid nature of private equity investments. The Members also seek to confirm value using discounted cash flow and other methods of valuation, and by applying a range approach.

The Members then seek to determine whether holding the investment at cost is appropriate given the implied value, or whether an adjustment should be made to achieve fair value whether this is in the form of impairment or a write-up.

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for

ESO Investments (PC) LLP

Notes to the Financial Statements (continued)

For the year ended 31 January 2019

3 Significant accounting policies (continued)

c Financial assets and liabilities (continued)

(iii) Measurement (continued)

impairment. Financial assets that are not carried at fair value through profit and loss are subject to an impairment test. For loans to portfolio companies the impairment test is undertaken as part of the assessment of the fair value of the enterprise value of the related business, as described above. If expected life cannot be determined reliably, then the contractual life is used.

d Impairment

I. 12-month expected credit losses

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

II. Lifetime expected credit losses

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

e Trade and other receivables

Trade and other receivables are stated at amortised cost as per IFRS 9.

f Trade and other payables

Trade and other payables are stated at amortised cost as per IFRS 9.

g Derecognition

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

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

h Members' capital

Amounts subscribed or otherwise contributed by members are classified as capital by the constitutional arrangements of the LLP. The carrying value of members' capital is consistent with fair value in the current and prior year.

The allocation of profit and distribution between members is defined in the members' report set out on page 3 of this report.

ESO Investments (PC) LLP

Notes to the Financial Statements (continued)

For the year ended 31 January 2019

3 Significant accounting policies (continued)

i Future changes in accounting policies

The International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and interpretations with an effective date after the date of these financial statements:

IFRS Standards and Interpretations (IAS/IFRS)	EU effective date (accounting periods commencing on or after)
IFRS 9 Financial Instruments (issued on 24 July 2014)	1 January 2018
IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014) including amendments to IFRS 15: Effective date of IFRS 15 (issued on 11 September 2015)	1 January 2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 16 Leases (issued on 13 January 2016)	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017)	1 January 2019
Amendments	EU effective date (accounting periods commencing on or after)
Annual improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	Not yet endorsed
Amendments to IFRS 9: Financial Instruments: Prepayment Features with Negative Compensation (issued on 12 October 2017)	Not yet endorsed
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	Not yet endorsed
Clarifications to IFRS 15: Revenue from Contracts with Customers (issued on 12 April 2016)	1 January 2018
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017)	Not yet endorsed
Amendments to IAS 40: Transfers of Investment Property	Not yet endorsed

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

ESO Investments (PC) LLP

Notes to the Financial Statements (continued)

For the year ended 31 January 2019

3 Significant accounting policies (continued)

j Taxation

The Partnership is regarded as transparent for tax purposes and each Member will be assessed for tax on their share of the Partnership's income or gains.

4 Financial assets and liabilities

Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in an active market are based on quoted market prices. For all other financial instruments, the Partnership determines fair values using other valuation techniques, based on the IPEV rules.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Partnership measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

Various valuation techniques may be applied in determining the fair value of investments held as level 3 in the fair value hierarchy. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used. As discussed below, the Members have previously selected to use the EBITDA multiple valuation model as a benchmark in arriving at the fair value of investments held as level 3 in the fair value hierarchy.

ESO Investments (PC) LLP

Notes to the Financial Statements (continued)

For the year ended 31 January 2019

4 Financial assets and liabilities (continued)

Valuation framework

The Partnership has developed a valuation framework with respect to the measurement of fair values. The valuation of investments is performed by the Members. As detailed in note 3(c), the Members determine fair values using the IPEV guidelines. The following approach is used:

- 'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Partnership has access at that date. The fair value of a liability reflects its non-performance risk;
- The EBITDA multiple valuation model is used as a benchmark and is based on budgeted EBITDA for the next financial year;
- Loans made are stated at amortised cost but impairment tested based on the enterprise value derived from the valuation.

Fair value hierarchy – Financial instruments measured at fair value

The table below analyses the underlying investments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. Debt securities are also included, as although stated at amortised cost, the Members assess the fair value of the total investment, which includes debt and equity. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring. There are no other financial assets or liabilities carried at fair value.

	Unquoted equity securities £	Total £
Closing book cost at 31 January 2019	-	-
Fair value at 31 January 2019	-	-

	Unquoted equity securities £	Total £
Closing book cost at 31 January 2018	1,000,000	1,000,000
Unrealised gain on revaluation	8,453,084	8,453,084
Fair value at 31 January 2018	9,453,084	9,453,084

ESO Investments (PC) LLP

Notes to the Financial Statements (continued)

For the year ended 31 January 2019

4 Financial assets and liabilities (continued)

Fair value hierarchy – Financial instruments measured at fair value (continued)

The following table shows a reconciliation of the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

	2019 £	2018 £
Unquoted equity investments		
Opening balance	9,453,084	9,453,084
Realised gain through profit or loss	4,001,157	-
Sale of equity investment	(13,454,241)	-
Closing balance	-	9,453,084

5 Trade and other receivables

	2019 £	2018 £
Unpaid capital contribution	100	100
	100	100

6 Loan to EPE Special Opportunities Limited

	2019 £	2018 £
Opening balance	-	(276,510)
Repayments	-	276,510
Closing balance	-	-

The loan with EPE Special Opportunities Limited is unsecured interest free and repayable on demand.

The loan is decreased by any sales proceeds of investments realised which are paid to EPE Special Opportunities Limited, and increased by any purchases of investments which are funded by EPE Special Opportunities Limited.

7 Financial instruments

Financial risk management objectives and policies

The main risks arising from the Partnership's financial instruments are market risk (including price risk, and interest rate risk), credit risk and liquidity risk. The Members regularly review and agree policies for managing each of these risks and these are summarised below.

ESO Investments (PC) LLP

Notes to the Financial Statements (continued)

For the year ended 31 January 2019

7 Financial instruments (continued)

Estimation of fair values

Unlisted investments are valued at the Members' estimate of their fair value in accordance with the requirements of IFRS 9 Financial Instruments and guidelines issued by the International Private Equity and Venture Capital Association. No investments were held as at 31 January 2019

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value, with the exception of financial instruments at fair value through profit and loss, which are measured at fair value of equity investments (note 4).

Foreign currency risk

The Partnership's operations are conducted in Sterling and all the Partnership's assets are held in Sterling. Hence there is no foreign exchange risk to the Sterling.

Interest rate risk

The Partnership's exposure to market risk for changes in interest rates relates primarily to the investment portfolio. The Investment Advisor takes this factor into account when making any investment decisions as well as considering the financial standing of any potential investee company. The Partnership does not use derivative financial instruments to hedge its investments.

The interest rate profile of the Partnership at 31 January 2019 is as follows:

Financial assets	Total £	Fixed rate £	Assets on which no interest is received £
Unquoted equity securities	-	-	-
Trade and other receivables	100	-	100
Cash and cash equivalents	4697	-	4,697
	4,797	-	4,797

The interest rate profile of the Partnership at 31 January 2018 is as follows:

Financial assets	Total £	Fixed rate £	Assets on which no interest is received £
Unquoted equity securities	9,453,084	-	9,453,084
Trade and other receivables	100	-	100
Cash and cash equivalents	270,674	-	270,674
	9,723,858	-	9,723,858

ESO Investments (PC) LLP

Notes to the Financial Statements (continued)

For the year ended 31 January 2019

7 Financial instruments (continued)

Credit risk

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

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

	2019	2018
	£	£
Cash and cash equivalents	4,697	270,674
Trade and other receivables	100	100
	<u>4,797</u>	<u>270,774</u>

Cash balances are placed with Barclays Bank plc which have the credit rating of A1 Negative (Moody's).

Liquidity risk

Liquidity risk is the risk that the Partnership will encounter in realising assets or otherwise raising funds to meet financial commitments. The Partnership had sold its unquoted investment at a realised gain of £4.0m (see note 4). No investments were held as at 31 January 2019.

As at 31 January 2019 the partnership had some outstanding liabilities of £4,227 (2018: £1,011) which are due within one year.

Capital management

The capital of the Partnership is defined as the total of the capital contribution classified as equity and other reserves. Total capital at 31 January 2019 was £570 (2018: £9,722,847). The Partnership is not subject to external regulatory capital requirements.

The Partnership's objectives when managing capital are to:

- Safeguard the Partnership's ability to continue as a going concern so that it can continue to provide returns for Members and benefits for its other stakeholders; and
- Maintain a strong capital base to support the future strategy and development of the Partnership.

ESO Investments (PC) LLP

Notes to the Financial Statements (continued)

For the year ended 31 January 2019

8 Members' current accounts

The movements in the Members' current accounts in the year ended 31 January 2019 were as follows:

	Epic Private Equity LLP	ESO Limited	Total
	£	£	£
Balance at beginning of year	1,952,198	7,770,549	9,722,747
Profit share allocation	856,006	3,136,788	3,992,794
Capital distribution to members	(2,808,110)	(10,906,961)	(13,715,071)
Total	94	376	470

9 Related parties

Under the terms of the Limited Liability Partnership Members' Agreement for the investment in Partnership dated 29 July 2010, EPIC Private Equity LLP was appointed as investment advisor to the Partnership.

The parent and ultimate parent of ESO Investments PC LLP is EPE Special Opportunities Limited.

The Partnership has no outstanding transactions with any related party as at 31 January 2019.

10 Commitments

At 31 January 2019 ESO Investments (PC) LLP had no formal commitments to provide additional funds to any of its investee companies.

11 Subsequent events

There are no material events subsequent to the reporting date that would require adjustments to or disclosure in these financial statements.