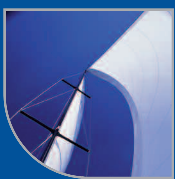
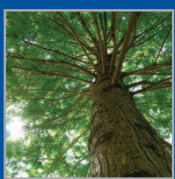
The Equity Partnership Investment Company PLC



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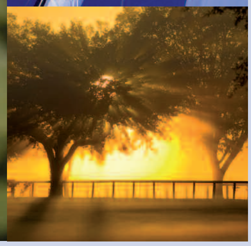
Report & Financial Statements | **July 07**



The concept of partnership permeates our approach to servicing clients. We forge successful partnerships with both our clients and intermediaries in order to be in a position to provide imaginative and bespoke solutions.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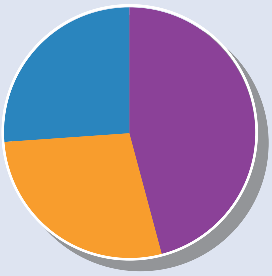
Corporate Information

The Equity Partnership Investment Company PLC ("EPIC" or "the Company") is an Isle of Man closed-end investment company. EPIC invests in quoted and unquoted equities, fixed income securities, structured income products and investment funds. The Company's objective is to provide Income shareholders with a high starting yield (defined as 10.0% with annual rises in line with the Retail Price Index) and generate long term value for Capital shareholders in excess of 3% per annum over the risk free rate of return (defined as Libor).

Share Classes

Initial Capital Structure

- Capital Shares 46%
- Income Shares 28%
- ZDP Shares 26%



Capital Shares

Capital Shares will, at the end of the Company's life, have the right to all capital growth and accumulated income after all debt, other liabilities and Income Share obligations are satisfied. The holders of Capital Shares also benefit from the Company's initial 29.9% shareholding in EPIC Investment Partners.

Income Shares

The Income Shares carry the entitlement to cumulative preferential dividends, the annual rate of which will be increased each year in proportion to any increase in the Retail Price Index ("RPI"), capped at a maximum 5% increase for any year. The first RPI increase was applied to the payments in respect of the year ending 31 July 2003 and the fourth was applied to payments in respect of the year ending 31 July 2006. Details of the year's payments can be found opposite and on page 27 of these financial statements.

Zero Dividend Preference Shares ("Zeros")

In April 2006 the Group issued 20 million Zero Dividend Preference Shares from which the bank loan was repaid in full. Shareholders in Zeros are entitled to 139.3p at 31 July 2011. At the time of issue this equated to a 6.5% gross redemption yield. The provisions of the Loan Note between the Company and EPIC Securities PLC, entered into in April 2006 and described in the Company's circular dated 4 April 2006 require that the prior sanction of the holders Zero Dividend Preference Shares to be obtained before making any repayment of capital to the holders of the Company's Capital Shares.

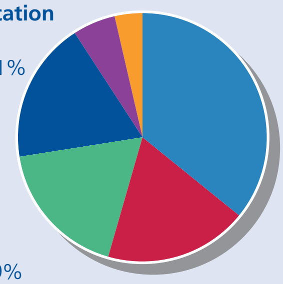
Dividends on Income Shares

1st Interim	November 2006	2.8641p paid
2nd Interim	February 2007	2.8641p paid
3rd Interim	May 2007	2.8641p paid
Final	August 2007	2.8641p paid
Total for the year		11.4564p paid

Investment Policy

Current Target Asset Allocation

- Quoted UK Equities 35.61%
- Unquoted Investments/ Private Equities 18.83%
- Cash & Sterling CD's 18.44%
- Specialist Funds 18.17%
- Strategic Investments 5.39%
- Bonds and Structured Income Products 3.56%



Quoted Equities

The performance of the major UK equity market indices has become increasingly influenced by a small number of very large companies. Many smaller companies find it difficult to generate interest from the investment community and, as a result, can remain under-researched and trade at low valuations. EPIC looks to exploit opportunities where share ratings do not reflect a company's value or growth prospects.

Unquoted Equities

EPIC looks to back cash generative businesses with the potential for growth in the UK. The Managers will often look to partner significant investments from proven entrepreneurs acting as management.

Bonds and Structured Income Products

Bonds and structured income products include a range of asset classes such as investment grade bonds, high yield bonds, convertible bonds and structured high yield products.

Specialist Funds

EPIC invests in specialist sector funds, closed-end funds traded on deep discounts, funds that are investing in new asset classes, and hedge funds. The Company is prohibited from investing in the ordinary income and income share capital of split capital funds.

Strategic Investments

EPIC owns a 10.8% shareholding in Strand Partners Limited, shares in Syndicate Asset Management PLC, the owner of EPIC Investment Partners, and the EPIC 6% Loan Stock and Deferred Loan Stock also acquired as part of the consideration. Collectively, in EPIC's portfolio, these investments are referred to as Strategic Investments.

Biographies of the Directors

Cameron McPhail

Cameron McPhail, Chairman, is a banker specialising in investment management and private equity. Before becoming involved in a number of Channel Island based ventures, Cameron was the Chief Executive of the Royal Bank of Scotland's Wealth Management Division. Prior to this he ran Royal Bank International. Cameron has an MA and PhD in economics and an MBA.

Don McCrickard

Don McCrickard was previously a director of American Express International Inc from 1978 to 1983, group chief executive of the TSB Group plc from 1990 to 1992, TSB Bank Plc from 1989 to 1992 and chairman of Hill Samuel Bank from 1991 to 1992. He was also a member of the executive committee of the British Bankers Association and a member of the Bank of England's Deposit Protection Board. He is a fellow of the Chartered Institute of Bankers. He is currently chairman and non-executive director of a number of public and private companies.

Philip Scales

Philip Scales is Managing Director of IOMA Fund and Investment Management Limited and a former Managing Director of Northern Trust International Fund Administration Services (Isle of Man) Limited. Prior to this, Philip was employed by an English merchant bank and has over 30 years' experience of working in offshore corporate and mutual fund administration. Philip joined the IOMA Group in January 2006 to establish a new subsidiary company offering fund administration and investment management services. Philip is a Fellow of the Institute of Chartered Secretaries and Administrators and holds a number of non-executive directorships for fully listed, AIM companies and Mutual Fund Groups.

Martin Richardson

Martin Richardson has been a partner of the Jersey practice of Rawlinson & Hunter, Chartered Accountants, since 1987, specialising in trust and mutual fund administration services to the financial services sector. He serves as a director of a number of listed and privately held investment companies. He has a BA in Science Engineering from the Royal Military College of Science, Shrivenham, and served in the Royal Engineers between 1968 and 1977. On leaving the Army he qualified as a chartered accountant with Coopers & Lybrand, Jersey, for whom he worked from 1977 to 1981 when he joined Rawlinson & Hunter.

Chairman's Statement

Cameron McPhail

The past year has been another successful one for EPIC with the Capital Shares' NAV rising by 14.8% against a benchmark of 8.0%. Income Shareholders have received a total of £2.4 million, made up of four quarterly payments of 2.86p per share.

I am also happy to report that the portfolio is generating levels of income well in excess of the income share dividend entitlement. The performance of the Capital Share price more than reflected the increase in asset value over the past twelve months, rising in excess of 20%. However, although the fully diluted discount has narrowed somewhat, at the time of writing it remains over 13% and there is therefore more to be done on this front.

The split in the rights of an Ordinary Share between income and capital growth was designed to provide shareholders with returns that reflected their particular circumstances. Since the Company's launch in 2001, Income Shareholders have enjoyed both an increase in share price and a healthy, well covered dividend. However, despite the recent narrowing of the discount, the Capital Share price has not kept pace with the underlying rise in the net asset value attributable to the shares. The Board and its advisors are of the opinion that this is partly due to the lack of timely information. Moreover, the valuation formula for EPIC's shareholding in EPIC Investment Partners may also have created some uncertainty. Both of these issues have been addressed in the past year.

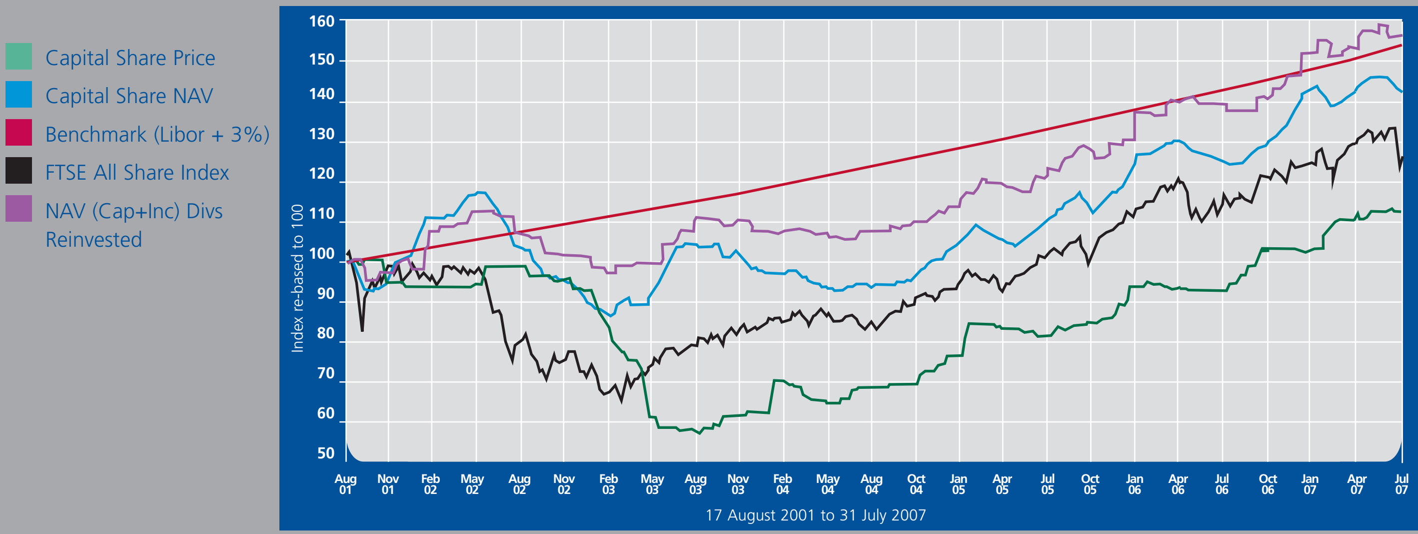
The Fund's UK equity portfolio has had another good year, returning 21% against the FTSE All Share return of 13%. The fund had a particularly strong first half but the final two months of the year were more problematic when weakness in the small and mid cap UK share indices was reflected in a return lower than the All Share Index. The past year has been a particularly good one for the Specialist Funds investments Portfolio where the Company's portfolio has risen by over 31% against a benchmark return of 9%.

Last year was also notable for the realisation of the Company's shares in its Manager, EPIC Investment Partners, and I am pleased to report that, subject to performance conditions, the shareholding has been realised at a price in line with the previous carrying value. This transaction has placed a more tangible and transparent valuation on this shareholding which now takes the form of loan stock, deferred consideration and publicly traded shares in EPIC Investment Partners' new parent company, Syndicate Asset Management PLC.

Increasing volatility within equity markets bears witness to a perception of growing investment risk. Equity markets worldwide have enjoyed a significant rise over the past five years. However, concerns relating to increasing inflation, higher interest rates and high levels of corporate and personal indebtedness have led us to retain higher levels of liquidity in the fund than would be normal but the Manager continues to seek avenues for investment which meet or exceed the Company's return criteria. As a result the Company's allocation to specialist funds has doubled over the past year to its current level of 18%. However, notwithstanding the recent jitters in financial markets, by historical standards

Chart one

Capital Share Price and NAV Performance vs Benchmark
(from 17 August 2001 to 31 July 2007 - re-based to 100)



Source: Bloomberg

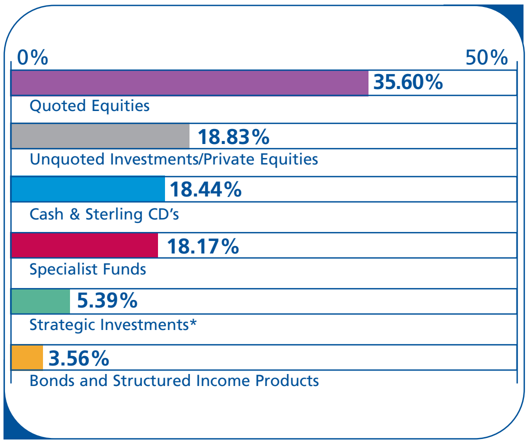
the UK equity market valuations are not expensive and the manager is likely to use any period of weakness to invest at lower price levels.

I am happy to report that we have seen three realisations from the private equity portfolio over the past year. The sale of Communitas, after having completed its expansion in the residential learning disability market, resulted in a 1.5x or 31.7% IRR on all monies invested. As with many of EPIC PLC's investments, a substantial part of this was in mezzanine, and a 68.6% IRR and 2.4x return was delivered on the equity investment. The sale of Ryness in a secondary recapitalisation resulted in a total money multiple of 1.5x and 14.5% IRR, or 2.2x and 25.3% IRR on the equity. Finally, our small holding in Wineworld was sold at 2x money and a 20.2% IRR. The private equity portfolio continues to develop apace. Nexus Holdings has had a strong first half trading, and a successful bank recapitalisation. Our private schools business, Palatinate Schools, is on target to hit the EBITDA of £3.1 million this coming year as the recent bolt-on acquisition is bedded down.

Following a year of significant progress I would like to thank the Board and the Managers for their support and advice. Particular thanks are due to Donald Adamson who retired from the Board earlier in the year. Donald's insightful and timely contributions over the last six years were invaluable.

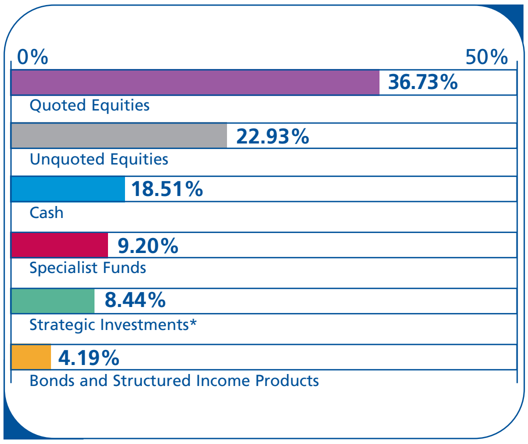
Cameron McPhail
27 November 2007

Asset Allocation as at 31 July 2007



* Syndicate Asset Management PLC, Strand Partners Limited
Note: figures do not include the exposure to EPIC Securities PLC

Asset Allocation as at 31 July 2006



* EPIC Investment Partners, Strand Partners Limited

Investment Manager's Report

Economic Commentary

During the last twelve months, global economic growth has continued to exceed growth expectations. This has prompted central banks to act in unison to raise interest rates in the face of mounting inflationary pressures. However at the start of this year the economic fundamentals became largely overshadowed by evidence of a protracted retrenchment in the US housing market.

The resultant flight to safe haven investments enabled fixed income securities to recover some of the losses that had been suffered with the earlier rise in bond yields, but this came at the expense of global equity markets.

As had been the case at the time of the last report, growth momentum in the Asian economies continued to be robust during the year, and the corresponding demand for raw materials underpinned high commodity prices. As a result, inflation expectations rose sufficiently to justify rising interest rates. In Japan, however, mixed business sentiment, coupled with negligible core inflation, made it more difficult for the Bank of Japan to renormalise monetary policy and so Japanese interest rates remained very low with only a modest 0.25% increase to 0.50% in February.

In the UK, growth remained similarly above trend, underpinned by housing market strength that benefited household consumption, as well as a resurgence in manufacturing activity that was boosted by the European recovery. Although labour market indicators remained mixed with wage growth lagging employment gains, year on year growth advanced to 3% and consecutive quarters of above trend growth led to increased capacity constraints. At the same time, inflation indicators showed few signs of improvement as oil and commodity prices remained high and evidence of profit margin rebuilding also emerged.

Not surprisingly the rise in upstream price pressures put pressure on the Bank of England to raise the UK Base Rate from 4.50% to 5.75% in quarter point rises between July 2006 and July 2007. The European Central Bank followed suit. Faced with an increase in activity in Europe's largest economies and an accompanying rise in money supply, the outlook for Eurozone inflation deteriorated sufficiently to warrant an increase in the Euro interest rate from 3% to 4% over the period. As a consequence, European and UK bond yields mirrored the rise in interest rates. For example, over the period, 2-year and 10-year Gilts yields increased by 85 and 108 basis points to highs of 5.91% and 5.56% respectively. Corporate bonds also endured a similar fate and a more serious reduction of risk appetite late in the year caused spreads to widen and corporate bond yields to rise significantly more.

The markets' current aversion to risk is a direct consequence of weaker economic news from the US. At the end of 2006, US growth was still close to trend which helped labour market conditions to tighten and surveys of business activity to improve. However, over the course of the year the markets' attention became increasingly diverted towards evidence of higher mortgage delinquencies and foreclosures that emerged as sub-prime or high risk borrowers struggled to cope with the 425 basis points rise in the interest rate since 2004. This resulted in a sharp slowdown in housing market activity which in turn fuelled concerns for lower

Asset Class	Returns during 06/07 (%)*
Benchmark : 12month LIBOR +3%	7.35
Dow Jones (US)	20.70
FTSE 100 Index (UK)	10.85
1-3yr US Treasuries	5.26
1-3yr UK Gilts	3.80
1-3yr A UK Corporates	3.64
1-10yr UK Gilts	1.88
1-10yr BBB UK Corporates	1.61

Source: Bloomberg
* Returns in the year commencing August 2006

consumption and growth. The US has also suffered from the rise in global commodity prices which has caused a rise in imported inflation exacerbated by US dollar weakness.

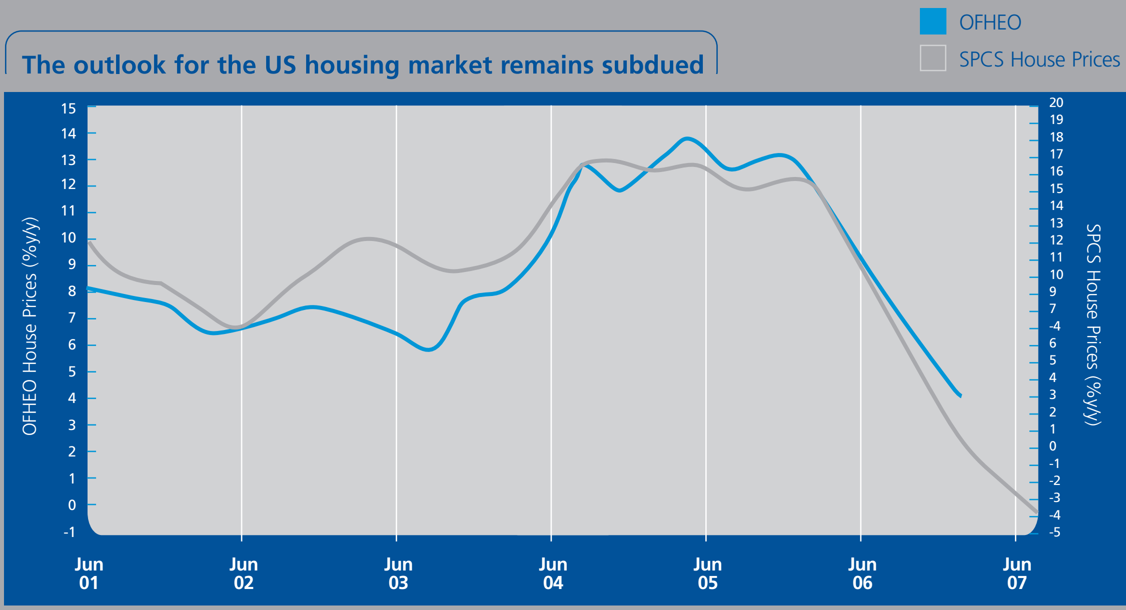
The table above demonstrates that the decision to avoid bond investments during the year was justified. Whilst US Treasury bonds performed significantly better than their sterling counterparts, even these returns were not sufficient to achieve the Fund's benchmark return as bond performance was generally hampered by upward yield movements over the period.

Looking ahead, we continue to be wary of bond markets. On the one hand we accept that the performance of the US housing sector has prompted investors in the short term to favour bonds over equities and that in the event that this should continue for a sustained period there is a potential for business confidence and activity to be undermined and depress global growth expectations. In this environment, world central banks are more likely to consider easing monetary policy by cutting interest rates, and of course this could help bonds to rally further. This is what we believe markets are currently discounting.

However, economic fundamentals do not yet appear to provide justification for this view. We acknowledge that the outlook for the US housing market remains bleak. Chart two overleaf highlights the possibility that year-on-year rates of house price growth will turn negative in coming months, but this would still be a mild correction. A number of indicators of housing market activity have begun to decline at a much slower pace, which suggests that a housing market collapse is unlikely. Although there may be resulting weakness in household consumption, at this time the contagion appears to be limited and other business sector indicators remain more upbeat. One reason for this is the vast reduction in business inventories that should stimulate activity and business investment in coming months, especially given the recent increases in business sales and new orders from the ISM large business surveys. Help will also come from the export sector which we believe is starting to reap the benefits of the US dollar depreciation.

Chart **two**

The outlook for the US housing market remains subdued

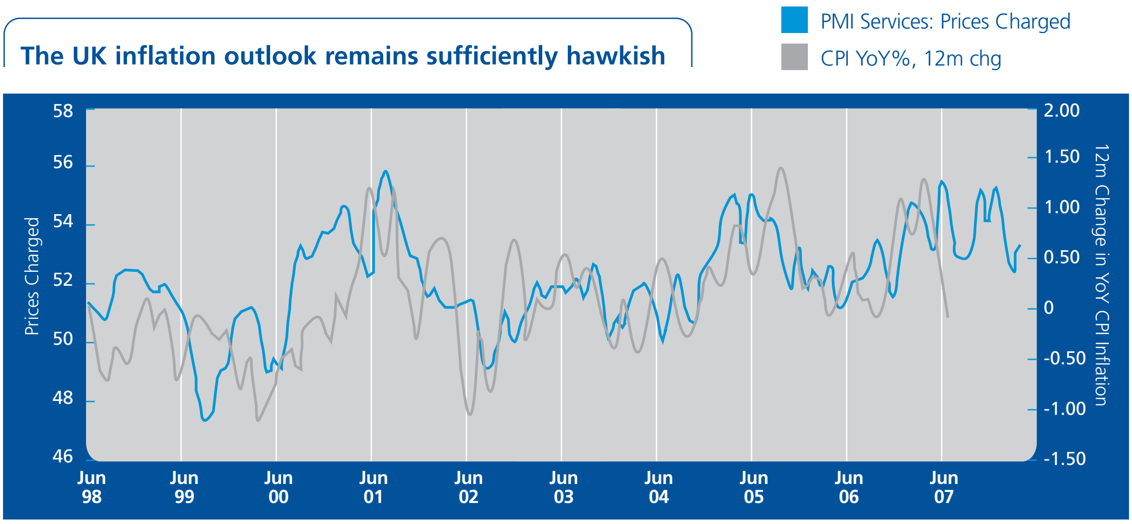


Source: EPIC Asset Management, Bloomberg

UK Gilts also appear unattractive at this time, owing to a number of upside risks to inflation. The UK has not escaped the effects of rising commodity prices, but added to this are the effects of consecutive periods of above trend growth that have exerted upward pressure on capacity and profit margins. The Bank of England have recently alluded to this concern, and turning to Chart three below we highlight the pricing power within the services sector. Eventually the impact of past interest rate increases can be expected to temper growth and housing market activity, which may limit the need for any significant further monetary tightening. However, in the near term, the MPC is expected to remain focused in preventing a build up of inflation expectations. We cannot therefore rule out another increase in the UK Base Rate to 6.00% over the next quarter. Hence, the recent flight to quality which has driven yields markedly lower has left Gilts returns more exposed to signs of stronger inflation data that would take bond yields higher and depress returns to fixed income securities.

Chart **three**

The UK inflation outlook remains sufficiently hawkish



Source: Bloomberg, EPAM

We conclude from this that an underweight asset allocation to bonds still appears to be appropriate in the near term as these risks suggest that this investment class is unlikely to achieve the Fund's benchmark return. A slowdown in the global economy should be beneficial to bond market returns, but this does not appear to have been the cause of the recent rally in bonds and therefore we would look for a rise in yields before introducing an allocation to fixed income securities. That said, the market's increased aversion to risk has resulted in a significant widening of credit spreads, which may provide some opportunity to invest some of the Company's liquidity in corporate bonds that have been unjustifiably affected. Whilst we do not expect that credit spreads will revert rapidly to their previous levels, we will search for higher yielding bonds that will contribute positively to the Fund's performance.

Quoted Equity

"The outlook for equities is as uncertain as it has been since 2003."

This time last year it looked as if interest rates rises would drain some liquidity out of the world markets and reduce the potential returns from equities. To some extent this was correct but the FTSE All Share Index still rose by 9.5% during the year, driven by good corporate results and a frenzy of takeover activity that meant only the very largest UK companies were immune from inspection by debt leveraged bidders. The rise in the index would have been larger had it not been for a nervous end to the year as investors considered the depressed US housing market, dubious credit quality and a weak US dollar.

Three companies owned by EPIC were bid for during the year generating good profits in Amstrad, Revenue Assurance and Teesland. Substantial profits were also realised from the sale of oil services company Hunting and miner UK Coal. Night club owner Luminar and food producer Uniq were sold for small profits and aviation service group BBA for a small loss. Major new holdings were taken in gold miner Aurum, flag carrier British Airways, engineer Castings, process engineer Invensys, employment agency Matchtech and life assurer Prudential. A significant commitment was made in backing Lupus Capital as it acquired two building supply companies. Lupus is now EPIC's largest quoted equity holding, overtaking the very reliable Diploma which produced another good earnings performance in 2007.

The outlook for equities is as uncertain as it has been since 2003 meaning that another double digit return by the UK market in the year ahead would be an excellent result. In this potentially more difficult time for equities it remains the view that many smaller companies are under-researched and trade at low valuations. Indeed, as investors become more risk averse, valuations of smaller companies may be depressed further by a flight to what is perceived as quality. EPIC intends to exploit opportunities where share ratings do not reflect a company's value or growth prospects. Of particular interest in this regard will be companies that have low borrowings and good cash generation offering some protection from the current turbulence in financial markets.

Unquoted Equity

Investment	Equity	Mezzanine	Yield
	£m	£m	
CMC	0.01	0.25	11.0%
Keatings	0.04	1.42	10.0%
Bighead	0.60	0.83	10.0%
Booker Group	0.19	-	n/a
Indicia	0.59	0.51	9.0%
KFS	1.21	-	n/a
Nexus	-	3.31	8.8%
Palatinate	1.72	3.19	10.0%
Pharmacy2U	1.14	-	n/a
Pinnacle	2.40	-	n/a
Ryness	0.44	0.39	9.0%
Total	**8.34**	**9.16**	

The **Private Equity** portfolio managed by EPIC Private Equity has performed strongly over the past year and continues to provide a high and stable yield as well as capital appreciation on exiting investments. Three new investments were made and prospects for the existing portfolio companies are encouraging.

New Deals

The Manager continues to see a large number of investment opportunities. The aim of EPIC Private Equity remains to generate a strong yield through investment in mezzanine debt supported by steady historic cash flows and assets, and to achieve significant capital appreciation by investing in equity stakes. Investment focus is on businesses in commercially attractive sectors or niches with prospects for growth. Three new deals have been completed, along with one bolt-on acquisition.

In October EPIC Private Equity completed the leveraged management buy-in of **Marketing Databasics Limited**, an Edinburgh based database management and analytics business. In January a second acquisition was added to the newly formed **Indicia** group; **Results UK** is a London based business which adds new clients and database build expertise to the group.

In May the acquisition of **Metall-FX** (CMC) was completed, and EPIC invested development capital to help commercialise the company's specialist metallic coating products.

June saw the acquisition of printing cylinders business **Keatings**, and marketing services business **Evolving Media** in a combined management buy in. The strong cash flows of Keatings allowed for a leveraged structure, and EPIC invested £1.3 million in high yielding Mezzanine debt as well as equity. Operational improvements at Keatings, combined with group synergies and the high sales growth of Evolving Media, give many opportunities for sustainable growth in profitability.

Current Portfolio

Pharmacy2U, the online pharmacy, is trading profitably and growing rapidly, in line with expectations. The investment has been written up following a third party transaction in the equity. Sales budget is £10 million, sales have grown by 46% per annum since 2002.

Ryness, the electrical retailer, is performing well in spite of what has been a tough season for some retailers. Sales budget is £8.9 million and operating margin runs at circa 10%.

Blueheath (Booker Group), the stockless grocery wholesaler Blueheath has been merged with the much larger and previously unlisted Booker business. EPIC took advantage of the strong price and liquidity to achieve a partial exit and retains a small holding in the larger group.

Nexus, the electrical wholesaler, continues to grow sales and the build of the new factory in China is progressing. Sales have been stable since 2004 and budgeted sales for 2007 is circa £60 million and EBITDA margin runs at circa 10%.

Kilgour (KFS), the Savile Row tailor, continues to perform strongly, with sales ahead of 2006. The investment has been written up to reflect sustained profit growth during EPIC's holding period. Sales budget is £4.2 million and EBIT margin runs at circa 10%.

Palatinate Schools, the London-based schools group reports solid pupil numbers and financial performance in line with budget. Sales have grown at 11% per annum since 2004, and 2007 budget is £7.2 million. EBITDA margins run at 30% on average.

Pinnacle-psg, the social housing management company, continues to benefit from government investment in the sector and is performing in line with expectations with a promising pipeline of new opportunities. Sales budget for 2008 is £65 million, sales CAGR ("Compound Annual Growth Rate") from 2003 to 2007 has been 32% and operating margin runs at around 6%.

Bighead, the specialist engineering company, is growing more slowly than anticipated due to weakness in some customer sectors, and delays in contracts. Prospects for the business in the longer term remain strong, with its unique and still evolving product offering.

Indicia, the database management and analytics group, is performing in line with expectations and the acquisition of Results UK has been a success and, now integrated, adds significant additional profit. As a result of this the investment has been written up to reflect this change in profitability.

Exits

EPIC LLP's investment in the **Independent Living Group**, the learning disabilities care homes business, was sold in December for a 2.6x multiple on the equity investment after 2.5 years' ownership and a number of successful acquisitions. This reflects an IRR of 13.2% on the Mezzanine and 68.6% on the shareholder funds. Also sold was EPIC's stake in Cathedral Capital, the Lloyd's underwriting syndicate, which returned a 2.1x multiple on funds invested, reflecting a 40.4% IRR.

Specialist Funds

This has been a particularly active period within the Specialist Fund portfolio as we have sought new avenues for investment which are likely to meet or exceed the Company's Libor + 3% per annum return criteria while diversifying the Company's exposure to traditional equity and fixed income markets.

Over the past six months we have bought new holdings in Limelight Private Capital and AGH Trading - two funds that exploit tax reliefs, the former relating to production of films in the UK, the latter German withholding tax credits.

Additions have also been made to the EEA Life Settlements Fund which over the past year has produced a return in excess of 10% and over its eighteen months since launch has yet to produce a negative monthly return. We expect this profile of performance to continue. Further investments have also been made in Off Market Property (a Baltic Property Fund) and European Equity Tranche Income Limited whose shares now yield in excess of 10%. The latter's share price has fallen back in reaction to negative sentiment relating to problems in sub-prime mortgage markets to which the Fund has no exposure. Profits have over the period been taken in Clean Energy Brazil and Climate Exchange, the latter having been a major contributor to the Specialist Fund's portfolio performance over the past twelve months.

Strategic Investments

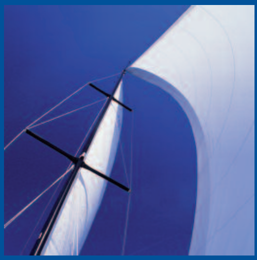
In December 2006 EPIC Investment Partners concluded a sale to Syndicate Asset Management, a Fund Management Group listed on AIM. Consideration for EPIC Investment Partners' shareholding was made up of:

Cash	£1,095,450
EPIC 6% Loan Stock	£2,502,450
Deferred consideration	£938,000
Syndicate Asset Management Shares 805,080 shares	£499,150
	£5,035,050

The additional consideration relates to the achievement of forecast profits over the three years ending 31 December 2009 while payment of the Loan Stock is directly related to the investment management contract's retention by its current Managers.

Strand Partners had an excellent year to 30 March 2007. The current year has got off to a relatively quiet start but there is a significant amount of work in progress. The nature of Strand's business has changed somewhat over the past eighteen months with more nomad and IPO exposure. Although this is a higher risk model than the previously advisory focus this is to an extent counter-balanced by a very much wider range of new business introductions.

Portfolio Analysis



Largest Investments	Cost	Fair Value	2007 % of total investments	2006 % of total investments
Lupus Capital Plc	4,961,386	5,187,200	5.84	2.18
Alliance & Leicester 6.55% 29 November 2007	5,000,000	5,000,000	5.63	-
Diploma Plc	2,171,913	4,506,038	5.08	5.10
Palatinate School Holdings	4,250,748	4,250,007	4.79	5.62
Nexus Industries Limited	4,952,500	3,648,000	4.11	4.13
Alpha Real Estate GMBH 8% 11 February 2010	3,446,137	3,368,151	3.79	4.52
EPIC 6% Loan Stock	3,307,530	3,214,946	3.62	-
Invensys Plc	2,429,418	3,212,649	3.62	-
Jupiter Hyde Park Hedge Fund Limited	2,000,000	2,803,190	3.16	3.41
Revenue Assurance Services Plc	1,561,116	2,734,819	3.08	-
DTZ Holdings Plc	1,308,544	2,535,608	2.86	4.00
Pinnacle-psg Limited	2,066,717	2,400,000	2.70	3.17
Off Market Properties Club Ltd	2,218,549	2,222,979	2.50	-
Prudential Plc	1,920,265	2,033,831	2.29	-
AHG Trading Genussscheine	2,046,377	2,020,890	2.28	-
Total of 15 largest investments	**43,641,200**	**49,138,308**	**55.35**	**32.13**
Other investments	**28,836,701**	**32,920,012**	**37.08**	**55.70**
BGI Sterling Liquidity First Fund - Institutional	**6,717,044**	**6,718,423**	**7.57**	**12.17**
Total investments	**79,194,945**	**88,776,743**	**100.00**	**100.00**

Biographies of the Senior Investment Managers

Jo Welman graduated in economics from Exeter University in 1979. He joined Baring Brothers where he managed several large segregated UK and US public company pension funds and The Barings UK Smaller Companies Unit Trust. In 1989 he was recruited by Rea Brothers to become the managing director of the investment management subsidiary. He resigned as a director of Rea Brothers Group plc in August 1999 following the bank's take-over by Close Brothers to become Chairman of Brit Insurance Holdings PLC. He resigned as chairman of Brit in September 2002 and is the co-founder and managing director of EPIC Investment Partners Limited, the investment manager to the Company.

UK Equities

John Lee graduated in Economic History from the New University of Ulster in 1972. During the 1970's he was a financial analyst with Phillips Petroleum working on various North Sea projects. In 1979 he joined London stockbroker Fielding Newson Smith as a specialist oil analyst and institutional salesman. In 1984 he joined Hoare Govett as an institutional general equity salesman. After similar roles with BZW, Credit Lyonnais and Greig Middleton he left stockbroking in 1998 to focus on smaller company investments.

Unquoted Equities

Giles Brand is a founder of EPIC Private Equity and EPIC Investment Partners. He is currently a non-executive director of a number of portfolio companies: Pinnacle-psg the largest social housing manager in the UK; Ryness a London based electricals retailer; Nexus Industries; and Palatinate Schools. Before joining EPIC Giles spent five years working in Mergers and Acquisitions at Baring Brothers in both Paris and London. Giles read History at Bristol University.

Robert Leeming worked for COBA, now the Strategy group of PwC, advising private equity and corporate clients prior to joining EPIC four years ago. Whilst at PwC, he focussed on providing commercial due diligence for large buy-outs houses, and also worked on the restructurings of Boxclever and Mikron. Since being at EPIC, Robert has completed 11 acquisitions and disposals, including the acquisitions of Nexus and Bighead. Robert read Natural Sciences at Trinity College, Cambridge, and has an MBA with distinction from INSEAD.

Fixed Interest and Structured Income Products

Ravi Shankar holds a BE in Mechanical Engineering from the National Institute of Engineering, India, and an MBA in Finance from Drexel University in Philadelphia. From 1990 Ravi spent four years at the Ministry of Finance in the Sultanate of Oman and a further four years from 1994 at Kemper (Zurich) Investment Management as Director, Fixed Income Strategy. From 1998 Ravi was an Investment Director and a member of the Investment Policy Committee at Norwich Union. In 2000 he founded Benfield Greig Asset Management where he was Managing Director and Chief Investment Officer. In 2001 Ravi co-founded EPIC Asset Management with Jo Welman. He is the Chief Investment Officer and Managing Director of EPIC Asset Management.

Credit and Structured Income Products, Specialist Fund Analysis

Donal Mullane has over twenty years' experience in banking. He joined EPIC Asset Management from the Market Credit Research Team of Tokyo Mitsubishi Bank's investment bank. Formerly the Head of Credit for Visa International for both the EU and CEMEA Regions, he is a graduate of the University of Wales, Aberystwyth; the College of Law, Chester; and Manchester Metropolitan University. He holds degree or degree equivalents in International Politics and International History; Banking; and Law; a Post-Graduate Diploma in Legal Practice; and an MA in Legal Research. His Master's thesis was on derivatives law. He is an Associate of the Chartered Institute of Bankers and is a former tutor in Banking Law

Report of the Directors

Principal activity

The Equity Partnership Investment Company PLC ("EPIC") is an Isle of Man closed-end investment company. The Company and the Group (EPIC PLC and its subsidiaries) invest in quoted and unquoted equities, bonds and structured income products, specialist funds, sterling CD's and strategic investments.

Incorporation

The Company was incorporated on the 6 July 2001. The Company's registered office is:
St James's Chambers, Athol Street, Douglas, Isle of Man, IM99 1PP, British Isles.

Results of the financial year

Results for the year and their appropriation are set out in the Consolidated Income Statement on page 18 and in note 15 to the financial statements.

Dividends

Details of the dividends declared and paid during the financial year are analysed on page 27 in note 6.

Significant holdings

The number of shares held and the percentage of the issued shares which that number represents at the date of the signing of these financial statements are analysed on page 39.

The Directors are not aware of any other individual holding of greater than 3%.

Directors

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

Mr Donald McCrickard	
Dr Cameron McPhail (Chairman)	
Mr Martin Richardson	
Mr Philip Scales	
Mr Paul Keltie	Resigned 8 August 2007
Mr Donald Adamson	Resigned 12 June 2007

Secretary

The secretary of the Company holding office during the financial year was:

Mr John Middleton

Directors' liability insurance

The Company maintains insurance cover for Directors' liability in relation to the Company.

Staff

At 31 July 2007 the Group employed no staff.

Going concern

The directors believe it is appropriate to adopt the going concern basis in preparing the financial statements..

Auditors

Ernst & Young LLC, being eligible, has expressed their willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

By order of the Board

Philip Scales
Director
27 November 2007

Statement of Directors' Responsibilities

Isle of Man company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that year. In preparing those financial statements, the Directors:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Corporate Governance Statement

Corporate governance

In December 1992, the Committee on the Financial Aspects of Corporate Governance ("the Cadbury Committee") published a Code of Best Practice. This was updated by the issue of The Combined Code: Principles of Good Governance and Code of Best Practice ("The Combined Code"). A revised version of the Combined Code has been adopted by the Financial Reporting Council ("The New Code"). The Combined Code contains recommendations as to best practice, focusing on the control and reporting functions of the board of directors.

The Board of The Equity Partnership Investment Company PLC, whilst not being under a formal obligation to report to the shareholders regarding the extent to which the Group complies with the Combined Code, monitors the Group's established procedures. The Board believes that the Group complies with the provisions of the Code to the extent which is appropriate to the Group's nature and scale of operations.

Independent Auditor's Report
to the Members of The Equity Partnership Investment Company PLC

We have audited the Company's financial statements for the year ended 31 July 2007, which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Shareholders' Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, pursuant to Section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with Isle of Man law and appropriate accounting standards are set out in the Statement of Directors' responsibilities.

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

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Corporate Information, Biographies of the Directors, Chairman's Statement, Capital Share Price and NAV Performance vs Benchmark, Investment Manager's Report, Portfolio Analysis – Largest investments, Biographies of the Senior Investment Managers, Report of the Directors, Statement of Directors' Responsibilities and Shareholder Information - significant holdings. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of affairs of the Group and the company as at 31 July 2007 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004.

Ernst & Young LLC
Chartered Accountants
Isle of Man
28 November 2007

Consolidated Income Statement
For the year ended 31 July 2007

Notes		2007 £000's	2006 £000's
	Income		
	Dividends	1,512	1,362
	Bond Interest	1,887	2,056
	Bank Interest	746	256
	Other Income	91	306
	Total income	**4,236**	**3,980**
	Expenses		
3	Management and investment advisory fees	1,273	933
	Professional fees	610	143
	Other expenses	382	104
3	Performance fees	386	158
	Abort fees	228	11
	Transaction costs	186	112
3	Administration fees	150	124
4	Directors' fees	93	79
	Custodian fees	69	36
	Audit fees	43	43
5	Finance costs	-	1,420
	Total expenses	**3,420**	**3,163**
	Net investment income	**816**	**817**
	Gains on investments		
	Realised gains on sale of investments	13,291	8,714
	Net unrealised (loss)/gain on forward foreign currency contracts	(15)	324
	Foreign exchange differences	(675)	-
8	Movement in unrealised (losses)/gains on revaluation of investments at fair value through profit or loss	(1,392)	(2,334)
	Profit for the year on investments at fair value through profit or loss	**11,209**	**6,704**
6	**Dividends on Income Shares**	**(2,376)**	**(2,300)**
5 & 12	**Debt finance costs**	**(1,392)**	**(403)**
	Net profit for the year	8,257	4,818
7	**Basic Earnings per Capital Share (pence)**	**22.37p**	**13.94p**
7	**Diluted Earnings per Capital Share (pence)**	**22.37p**	**11.62p**

All items in the above statement are derived from continuing operations.

The accompanying notes on pages 23 to 38 are an integral part of the financial statements.

Consolidated Balance Sheet
As at 31 July 2007

Notes		2007 £000's	2006 £000's
8b	Financial assets measured at fair value through profit or loss	88,777	75,566
	Current assets		
	Cash and cash equivalents	5,707	5,871
10	Trade debtors & other receivables	4,159	1,867
	Total assets	**98,643**	**83,304**
	Current liabilities		
11	Trade creditors & other payables	1,436	1,569
	Non-current liabilities		
12c	Zero Dividend Preference Shares	21,208	19,801
12b	Income Shares	20,606	20,542
	Total liabilities	**43,250**	**41,912**
	Net assets	**55,393**	**41,392**
	Shareholders' Equity		
13	Share capital	4,030	3,456
14	Share premium	35,410	30,240
15	Reserves	15,953	7,696
	Shareholders' Equity	**55,393**	**41,392**
		Pence	Pence
16	**Net asset value per Capital Share (pence) - basic**	**137.45p**	**119.76p**
16	**Net asset value per Capital Share (pence) - diluted**	**137.45p**	**116.47p**

The financial statements were approved by the Board of Directors on 27 November 2007 and signed on its behalf by:

Dr C McPhail
Director

M Richardson
Director

The accompanying notes on pages 23 to 38 are an integral part of the financial statements.

Company Balance Sheet
As at 31 July 2007

Notes		2007 £000's	2006 £000's
8a	Financial assets measured at fair value through profit or loss	71,166	56,896
9	Investment in subsidiaries	-	-
	Current assets		
	Cash and cash equivalents	5,324	5,871
10	Trade debtors & other receivables	19,104	20,820
	Total assets	**95,594**	**83,587**
	Current liabilities		
11	Trade creditors & other payables	1,406	2,079
	Non-current liabilities		
12	Loan Note of EPIC Securities PLC	21,208	19,801
12	Income Shares	20,606	20,542
	Total liabilities	**43,220**	**42,422**
	Net assets	**52,374**	**41,165**
	Shareholders' Equity		
13	Share capital	4,030	3,456
14	Share premium	35,410	30,240
15	Reserves	12,934	7,469
	Shareholders' Equity	**52,374**	**41,165**

The financial statements were approved by the Board of Directors on 27 November 2007 and signed on its behalf by:

Dr C McPhail
Director

M Richardson
Director

The accompanying notes on pages 23 to 38 are an integral part of the financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 July 2007

Notes		2007 £000's	2006 £000's
	Shareholders' Equity b/fwd	**41,392**	**36,219**
	Net profit for the year	8,257	4,818
		49,649	**41,037**
13	**Exercise of share warrants**	**5,744**	**-**
	Movement in cashflow hedge reserve		
	Movement in net unrealised profit on revaluation of cash flow hedges	-	355
	Shareholders' Equity as at 31 July 2007	**55,393**	**41,392**

The accompanying notes on pages 23 to 38 are an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 July 2007

Notes		2007 £000's	2006 £000's
	Operating activities		
	Dividends received	1,349	1,900
	Bond interest received	1,106	755
	Bank interest and commission received	732	222
	Expenses paid	(3,351)	(1,623)
18	**Net cash (outflow)/inflow from operating activities**	**(164)**	**1,254**
	Investing activities		
	Purchase of investments	(90,384)	(59,188)
	Proceeds on sale of investments	86,338	63,318
	Foreign exchange differences	659	-
	Net cash (outflow)/inflow from investing activities	**(3,387)**	**4,130**
	Financing activities		
6	Dividends paid on Income Shares	(2,357)	(2,284)
	Issue of ZDP Shares	-	20,000
	Payments under interest rate swap agreement	-	(231)
	Issue of capital shares	5,744	-
	Payment of ZDP formation costs	-	(537)
	Repayment of loan and interest	-	(17,744)
	Net cash inflow/(outflow) from financing activities	**3,387**	**(796)**
	(Decrease)/increase in cash and cash equivalents	**(164)**	**4,588**
	Cash and cash equivalents at start of year	5,871	1,283
	Cash and cash equivalents at 31 July 2007	**5,707**	**5,871**

The accompanying notes on pages 23 to 38 are an integral part of the financial statements.

Notes to the Financial Statements
As at 31 July 2007

1 Operations

The Equity Partnership Investment Company PLC was incorporated in the Isle of Man on 6 July 2001. The Company is a closed ended investment company and was formed primarily for investment in quoted equities, bonds and structured income products, unquoted equities and specialist funds. The aim of the Group is to provide long-term capital growth together with a high level of income. The Group has no employees.

2 Statement of accounting policies

a Basis of preparation

The financial statements have been prepared in conformity with International Financial Reporting Standards and applicable requirements of Isle of Man law.

The financial statements have been prepared on a historical cost basis except for the measurement at fair value of derivatives and financial assets measured at fair value through the profit or loss. The carrying amount of recognised assets and liabilities that are hedged is adjusted to record changes in the fair value attributable to the risks that are being hedged.

b Segmental reporting

The Directors are of the opinion that the Group is engaged in a single geographic segment in the United Kingdom and single economic segment being investment business. The segment is managed through analysis of various sub segments, as shown in the table on page 7.

c Income

Dividends arising on equity investments are credited to income when the right to receive the dividend is irrevocable. Bond interest and short-term deposit interest income is accounted for on an effective interest basis.

d Expenses

All expenses are accounted for on an accruals basis. Issue costs incurred in respect of the Income Shares have been deferred and are amortised on a straight-line basis over eight years. The issue costs in respect of the Zero Dividend Preference Shares are charged as interest expense in the Income Statement over the term of the life of these shares using the effective interest method.

e Taxation

The Group was exempt from taxation in the Isle of Man for the period to 5 April 2006 under the provisions of the Income Tax (Exempt Companies) Act 1984.

With effect from 6 April 2006 the group was resident in the Isle of Man for income tax purposes and was subject to the standard 0% rate of income tax. This was introduced, with effect from 6 April 2006, for all companies, on the whole of their profits except in relation to income from banking business and land and property in the Isle of Man (property development, rental/letting, and mining/quarrying) which will be subject to tax at 10%. On this basis the Group is subject to the standard 0% rate of income tax.

The Distributable Profits Charge (‘DPC’) was introduced from 6 April 2006 to deter Isle of Man resident individuals from avoiding tax through the use of 0% rate companies. Companies that are quoted on a recognised stock exchange, or which are wholly owned by a company that is quoted on a recognised stock exchange are outside the scope of the DPC. Given the parent company of the Group is a listed company all companies within the group are outside the scope of the DPC.

Dividend income is shown inclusive of withholding tax. Withholding tax amounted to £133,128 for the year (2006 - £52,000) and is shown in the Consolidated Income Statement as part of other expenses.

f Cash and cash equivalents

Cash in hand and at bank and short-term deposits which are held to maturity are carried at cost.

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 risk of changes in value.

For the purposes of the Statement of Cashflows, cash and cash equivalents consist of cash in hand and deposits in banks.

g Investments

All investments are classified as “at fair value through profit or loss”. Investments are initially recognised at cost, being the fair value of the consideration given.

After initial recognition, investments are measured at fair value, with unrealised gains and losses on investments recognised in the Consolidated Income Statement. Realised gains and losses on investments sold are calculated as the difference between sales proceeds and cost. The Group applies the First-In First-Out basis for the purposes of determining the historical cost in calculating all realised gains and losses arising throughout the year.

For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

Unlisted investments are valued at the Directors' estimate of their fair value in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' and guidelines issued by the International Private Equity and Venture Capital Association.

Where it proves impossible to obtain a market price, the Directors decide to value investments at fair value. The Directors will use their discretion and awareness of market conditions to evaluate the fair value of such investments.

h **Trade date accounting**

All 'regular way' purchases and sales of financial assets are recognised on the 'trade date', i.e. the day that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the asset within the time frame generally established by regulation or convention in the market place.

i **Foreign currency translation**

The functional and presentational currency is sterling.

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling on the date of the transaction. Foreign currency monetary assets and liabilities are translated into sterling at the rate ruling on the balance sheet date. Gains and losses arising on revaluation of foreign currency assets and liabilities are recorded in the Income Statement. All gains and losses arising to date on the revaluation of monetary assets have been included within the unrealised gains arising on investments.

j **Non-current liabilities**

Loans and borrowings
All loans and borrowings are initially recognised at cost, being the fair value of the consideration received less issue costs where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement.

Income Shares
Income Shares which exhibit characteristics of liabilities are recognised as liabilities in the balance sheet. The corresponding dividends on these shares and the difference between the net proceeds on the issue of these shares and the final liability are charged to the Consolidated Income Statement, amortised on a straight-line basis over eight years.

Zero Dividend Preference Shares
Zero Dividend Preference Shares, which exhibit the characteristics of liabilities, are recognised as liabilities in the Balance Sheet in accordance with International Accounting Standard 32 ("IAS 32"), Financial Instruments: Disclosure and Presentation. After initial recognition, these liabilities are measured at amortised cost, which represents the initial proceeds of the issuance plus the accrued entitlement to the date of the financial statements. The accrued entitlement is calculated as the difference between the proceeds on the issue of these shares and the final liability and is charged as interest expense in the Consolidated Income Statement over the term of the life of these shares using the effective interest method.

k **Derivative financial instruments**

The Group uses derivative financial instruments to hedge its risks associated primarily with interest rate and foreign currency fluctuations. It is the Group's policy not to trade in derivative financial instruments. Details of the Group's financial risk management objectives and policies are set out in Note 19.

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; (b) cash flow hedges, which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges, which meet the conditions for hedge accounting under IAS 39: Financial Instruments Recognition and Measurement, any gain or loss from re-measuring the hedging instrument at fair value is recognised immediately in the Consolidated Income Statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the Consolidated Income Statement.

In relation to cash flow hedges, which meet the conditions for hedge accounting under IAS 39: Financial Instruments Recognition and Measurement, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity through the Statement of Changes in Shareholders' Equity and any ineffective portion is recognised in the Consolidated Income Statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for special hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. Where the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Consolidated Income Statement for the year.

l **Consolidation**

Subsidiaries are those entities, including limited liability partnerships, controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefit from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

m **Subsidiaries**

Investments in subsidiaries are stated at cost less any permanent diminution in value in the Company Balance Sheet.

n **Company Profit & Loss Account**

In accordance with section 3(5) (b) (ii) of the Companies Act 1982, the company is exempt from the requirement to present its own profit and loss account. Of the profit on ordinary activities, a profit of £5,465,243 (2006- £4,591,000) has been made by EPIC PLC.

o Future changes in accounting policies

IFRS and IFRIC Interpretations not applied

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

International Accounting Standards (IAS/IFRS)		Effective Date
IFRS 7	Financial Instruments: Disclosures	1 January 2007
IFRS 8	Operating Segments	1 January 2009
IAS 1	Amendment – Presentation	1 January 2007
IAS 23	Amendment –Borrowing costs	1 January 2009

International Financial Reporting Interpretations Committee (IFRIC)		Effective Date
IFRIC 10	Interim Financial Reporting and Impairment	1 November 2006
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	1 March 2007
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 14	IAS19- the limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

IFRS 7 requires disclosures that enable users to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. This new standard will not have any effect on the financial position of the Group or Company, it will however lead to extra disclosures throughout the financial statements.

The effect of IFRS 8 is unknown at the present time.

IAS 1 Presentation of Financial Statements will not have any effect on the financial position of the Group or Company, it will however lead to extra disclosures regarding the objectives, policies and processes for managing capital.

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

p Significant estimates and judgements

The preparation of financial statements in conformity with IFRS 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 believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Unlisted investments are valued at the Directors' estimate of their fair value in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' and guidelines issued by the International Private Equity and Venture Capital Association. Fair values of such instruments are determined by using valuation techniques and Directors make assumptions based on market conditions. 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.

During the year, interest in EPIC Investment Partners Limited was disposed, and a provision of 50% was made for contingent consideration receivable. The deferred consideration is £1.30 for every £1 pre tax per annum for 2007, 2008 and 2009 over £1.142m. Maximum payout requires pre tax profits of an average £1.857m per annum. To be cautious, the board of directors has agreed to assume that EIP generates £1.5m p.a and therefore EPIC PLC earns 50% of the maximum payout. The directors decided to make a provision of 50% of deferred consideration and has therefore been accrued. The remaining 50% represents a contingent asset.

3 Management, investment advisory, administration and performance fees

	2007 £000's	2006 £000's
Management and investment advisory fee	1,273	933
Administration fee	150	124
Performance fee	386	158
	1,809	**1,215**

On 14 August 2001 the Group entered into an agreement with EPIC Investment Partners for the provision of investment management services. Investment management fees are paid quarterly in arrears at the rate of 1.00% per annum of the Total Assets valued at the close of business on the last business day of each quarter. The Investment Management Agreement is fixed for an initial period of 2 years and thereafter is terminable by either of the parties giving not less than 12 months notice.

Notes to the Financial Statements
As at 31 July 2007
continued

Under the Investment Management Agreement arrangements are in place to ensure that where investments are made by the Group in a vehicle managed or advised by EPIC Investment Partners adjustments will be made to avoid double charging. The Directors will continue to review investments made by the Group in vehicles managed or advised by EPIC Investment Partners for the forthcoming year.

Under the terms of the Limited Liability Partnership Member's Agreement for the investment in EPIC Investments Limited Liability Partnership (EPIC Investments LLP) dated 27 April 2006 EPIC Private Equity LLP was appointed as investment advisor to the Partnership.

Management and investment advisory fee

The investment advisor of EPIC Investments LLP is entitled to receive a fee which shall be an amount equal to 0.5% 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), subject to an annual minimum of £100,000.

Under the terms of the Limited Liability Partnership Member's Agreement for the investment in EPIC Investments 2 Limited Liability Partnership (EPIC Investments 2 LLP) dated 30 January 2007 EPIC Private Equity LLP was appointed as investment advisor to the Partnership.

The investment advisor of EPIC Investments 2 LLP is entitled to receive a fee which shall be an amount equal to 0.125% 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). During the period ended 31 July 2007, £nil has been expensed.

Included in the Group accounts are management and advisory fees of £1,273,000 for the year ended 31 July 2007 (2006-£933,000), of which £29,375 (2006-£31,625) remains outstanding at the year end.

Performance fees

EPIC PLC

The agreement above also provides for the provision of a performance-related fee in respect of any financial year where the growth in the NAV of the Group exceeds a benchmark annual return of 12 month Libor plus 3%. The performance fee is payable at 10% of any out performance of the benchmark, and is only provided when the NAV of the Group at the year-end in question exceeds the highest NAV at the end of the previous year or the NAV immediately following completion of the placing. In the current year a performance fee of £386,411 has been expensed. This performance fee was still outstanding as at year end.

EPIC INVESTMENTS LLP

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

(a) Prior to the Hurdle Payment Date, being the date when the loan from The Equity Partnership Investment Company PLC has been repaid, all Relevant Sums shall be allocated to the Equity Members in the following Proportions:

(i) as to Non-Mezzanine Relevant Sums:
EPIC PLC 99.999%
EPIC Carry LLP 0.001%

(ii) as to Mezzanine Relevant Sums:
EPIC PLC 100%

(b) On the hurdle payment date 19.999% of the Non-Mezzanine Relevant Sums previously allocated to The Equity Partnership Investment Company Plc will be transferred to EPIC Carry LLP.

(c) after the Hurdle Payment Date, Relevant Sums shall be allocated to the Equity Members in the following proportions:

(i) as to Non-Mezzanine Relevant Sums:
EPIC PLC 80%
EPIC Carry LLP 20%

(ii) as to Mezzanine Relevant Sums:
EPIC PLC 100%

EPIC INVESTMENTS 2 LLP

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

(a) prior to the Hurdle Payment Date, being the date when the loan from The Equity Partnership Investment Company PLC has been repaid, all Relevant Sums shall be allocated to the Equity Members in the following Proportions:

(i) as to Non-Mezzanine Relevant Sums:
EPIC PLC 99.999%
EPIC Carry 2 LLP 0.001%

(ii) as to Mezzanine Relevant Sums:
EPIC PLC 100%

(b) On the hurdle payment date 19.999% of the Non-Mezzanine Relevant Sums previously allocated to The Equity Partnership Investment Company Plc will be transferred to EPIC 2 Carry LLP.

(c) after the Hurdle Payment Date, Relevant Sums shall be allocated to the Equity Members in the following proportions:

(i) as to Non-Mezzanine Relevant Sums:
EPIC PLC 80%
EPIC Carry 2 LLP 20%

(ii) as to Mezzanine Relevant Sums:
EPIC PLC 100%

Distributions shall be allocated in accordance with the Member's 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 7% compounded annually on the balance of their loans
(d) follow the repayment of the hurdle, various other distribution priorities are contains within the Members' Agreement.

Administration fee

On 14 August 2001 the Group entered into an agreement with Northern Trust International Fund Administration Services (Isle of Man) Limited (NTIOM), for the provision of administration, registration and secretarial services. The fee is payable at a rate of 0.20% per annum on the first £50,000,000 of the average of the monthly Net Asset Value ("NAV") (as defined in the Administration Agreement) of the Group and 0.15% on any excess of such average NAV of the Group over £50,000,000 subject to a maximum fee of £150,000 per annum or pro-rata for any period less than one year. The fee is subject to an annual review. On 31 May 2007, Northern Trust International Fund Administration Services (Isle of Man) Limited resigned as Administrators. IOMA Fund and Investment Management Limited was appointed from 30 November 2007.

4 Directors' fees

Directors' fees amount to £93,315 and are comprised as follows:

	2007 £000's	2006 £000's
Dr Cameron McPhail (Chairman)	25	21
Mr Donald Adamson	17	18
Mr Donald McCrickard	20	18
Mr Martin Richardson	20	18
Mr Philip Scales	11	5
	93	**79**

5 Finance costs

	2007 £000's	2006 £000's
Loan interest payable	-	1,093
Net Swap interest and early termination costs	-	327
	-	**1,420**

6 Dividends on Income Shares

	Rate (pence)	2007 £000's	2006 £000's
1st interim dividend paid on 23 November 2006	2.86410 (2006 - 2.77265)	594	575
2nd interim dividend paid on 24 February 2007	2.86410 (2006 - 2.77265)	594	575
3rd interim dividend paid on 24 May 2007	2.86410 (2006 - 2.77265)	594	575
Declared 4th interim dividend paid on 23 August 2007	2.86410 (2006 - 2.77265)	594	575
	11.4564 (2006 - 11.09060)	**2,376**	**2,300**

The 4th interim dividend of £593,929 was payable on 23 August to shareholders on the register as at 3 August 2007. The ex-dividend date was 1 August 2007.

7 Basic and diluted earnings per capital share

Capital Shares

Basic earnings per share is calculated by dividing the net profit for the year attributable to Capital Shares by the weighted average number of Capital Shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit for the year attributable to Capital shareholders by the weighted average number of Capital Shares outstanding during the year adjusted for the effect of the dilutive Warrants.

	2007 £000's	2006 £000's
Net profit for the year	**8,257**	**4,818**
Weighted average number of Capital Shares for basic earnings per share	36,905,923	34,561,666
Weighted average number of Capital Shares for diluted earnings per share	36,905,923	41,473,999

8a Company: Financial assets measured at fair value through profit & loss account

At bid price	Cash Based Funds £000's	Strategic Investments £000's	Unquoted Investments £000's	Quoted Equities £000's	Specialist Funds £000's	Structured Products £000's	Others £000's	Totals £000's
Closing book cost at 31 July 2007	6,717	5,586	2,444	30,829	15,481	11,841	5,375	78,273
Unrealised gain/(loss) on revaluation	1	(495)	(2,444)	2,616	1,688	(8,473)	-	(7,107)
Fair Value at 31 July 2007	**6,718**	**5,091**	**-**	**33,445**	**17,169**	**3,368**	**5,375**	**71,166**
As at 31 July 2006	**9,204**	**6,876**	**-**	**29,908**	**7,490**	**3,418**	**-**	**56,896**

8b Consolidated: Financial assets measured at fair value through the profit & loss account

At bid price	Cash Based Funds £000's	Strategic Investments £000's	Unquoted Investments £000's	Quoted Equities £000's	Specialist Funds £000's	Structured Products £000's	Others £000's	Totals £000's
Closing book cost at 31 July 2007	6,717	5,586	19,054	31,180	15,481	11,841	5,375	95,234
Unrealised gain/(loss) on revaluation	1	(495)	(1,443)	2,265	1,688	(8,473)	-	(6,457)
Fair Value at 31 July 2007	**6,718**	**5,091**	**17,611**	**33,445**	**17,169**	**3,368**	**5,375**	**88,777**
As at 31 July 2006	**9,204**	**6,876**	**18,670**	**29,908**	**7,490**	**3,418**	**-**	**75,566**

9 Investment in subsidiaries

Name	Holding	Type Held	Country of Incorporation/formation	Activity
EPIC Finance Company Limited	100.000%	Ordinary Shares	Isle of Man	Financing
EPIC Securities Plc	100.000%	Ordinary Shares	Isle of Man	Financing
EPIC Investments LLP	99.999%	Partnership interest	United Kingdom	Investment Holding
EPIC Investments 2 LLP	99.999%	Partnership interest	United Kingdom	Investment Holding

There was one new subsidiary incorporated during the year under review.

EPIC Investments 2 LLP, a limited liability partnership was formed on 19 January 2007. The partnerships are controlled entities of EPIC PLC. The Partnership's principal purpose is to make private equity investments.

10 Trade debtors & other receivables

	Group 2007 £000's	Company 2007 £000's	Group 2006 £000's	Company 2006 £000's
Amounts due from brokers	940	468	49	49
Interest and dividends receivable	2,416	749	1,458	198
Unrealised gain on outstanding forward fx contracts	331	331	346	346
Loan due from EPIC Investments LLP	-	14,266	-	20,212
Loan due from EPIC Investments 2 LLP	-	1,700	-	-
Hurdle fees EPIC Investments LLP	-	999	-	-
Hurdle fees EPIC Investments 2 LLP	-	119	-	-
Other debtors	472	472	14	15
	4,159	**19,104**	**1,867**	**20,820**

The loans are interest free loans and will be payable by EPIC Investments LLP and EPIC Investments 2 LLP to EPIC PLC out of the proceeds of disposals.

Amounts due from brokers will be payable within normal market settlement terms.

11 Trade creditors & other payables

	Group 2007 £000's	Company 2007 £000's	Group 2006 £000's	Company 2006 £000's
Amounts due from brokers	-	-	493	493
Accrued expenses	842	812	501	471
Dividends payable on Income Shares	594	594	575	575
Due to EPIC Investments LLP	-	-	-	540
	1,436	**1,406**	**1,569**	**2,079**

The loan from EPIC Investments LLP was an interest free loan with no fixed repayment terms.

Amounts due to brokers will be payable by EPIC PLC within normal market settlement terms.

Accrued expenses will be payable by EPIC PLC within 30 days of approval of invoice.

12 Non-current liabilities

	Maturity date	Rate %	Group 2007 £000's	Company 2007 £000's	Group 2006 £000's	Company 2006 £000's
Zero dividend preference shares	31 July 2011	6.5	21,208	-	19,801	-
Loan note of EPIC Securities Plc			-	21,208	-	19,801
Income Shares	31 July 2011	29.15	20,606	20,606	20,542	20,542
			41,814	**41,814**	**40,343**	**40,343**

The loan note due to EPIC Securities Plc was issued by EPIC PLC.

a Bank loan

On 10 August 2001 a Medium Term Sterling Bank Facility was negotiated with Barclays Bank plc to a maximum of £30,000,000 based on 25% of the capital proceeds raised by the Group. £13,750,000 was drawn down under these terms. The facility, which was repayable after five and a half years from the date of signing, bore interest on sterling amounts at an annual rate of the sum of (i) a margin of up to 105 basis points and (ii) Libor and (iii) the cost of the Bank's complying with Government and regulatory requirements regarding the Bank Loan. This loan was subject to hedging by means of an interest rate swap.

In April 2006 the Company issued 20 million Zero Dividend Preference Shares from which the bank loan and the swap was repaid in full.

b Income Shares

	Number of Shares	2007 £000's	Number of Shares	2006 £000's
Authorised				
Income Shares of 10p each	**45,000,000**	**4,500**	**45,000,000**	**4,500**
Issued and fully paid				
Income Shares of 10p each	**20,736,333**	**2,074**	**20,736,333**	**2,074**

	2007 £000's	2006 £000's
At start of year	**20,542**	**20,478**
Amortisation of Income Shares issue costs	64	65
At close of year	**20,606**	**20,542**

On 17 August 2001, the Group issued 20,736,333 Income Shares at 100p each. Each share has a par value of 10p and is redeemable on 31 July 2011 for 100p provided that the assets of the Group provide sufficient cover. The fair value of the income shares at 31 July 2007 was £24,313,350 based on the quoted offer price of 117.25p per income share.

Voting and other rights

Holders of Income Shares are not entitled to vote at general meetings unless either at the date of the notice convening the meeting any dividend payable on such shares is in arrears and/or the business of the meeting includes the consideration of a resolution for winding up the Group, the reduction of the Group's capital or any resolution directly abrogating or varying any of the special rights or privileges attached to Income Shares. Under these circumstances the Income Shareholders are entitled to one vote for each share held.

Dividends

The Income Shares carried the right to a cumulative preferential dividend at an initial rate of 10p per share for the year ending 31 July 2003 but shall have no further right to participate in the profits of the Group. The Dividends payable in respect of each financial year thereafter will be increased in proportion to the increase (if any) in the RPI over the preceding year, capped at a 5% increase in any year.

Winding up

On a winding up, the holders of the Income Shares shall be entitled pro rata to their holdings, out of the assets available for distribution to shareholders, to payment of any arrears of the preferential dividend entitlement and to repayment of the original issue price of £1 per share.

c Zero Dividend Preference Shares

EPIC Securities Plc issued 20,000,000 ZDP shares of 10p each at a price of 100p. These shares had an initial capital entitlement of 100p per share, increasing at a daily compound rate equivalent to an annual compound rate of 6.5% so as to reach a final capital entitlement of 139.3p per share on 31 July 2011. Issue costs totalled £536,960 which have been set off against the issued ZDP share capital and will be amortised over the term of the ZDP issue. The fair value of the ZDP shares at 31 July 2007 was £21,150,000 based on the quoted offer price of 105.75p per ZDP share.

After taking account of issue costs the annual compound rate to reach the final capital entitlement of 139.3p per share on 31 July 2011 is 7.07%.

In accordance with the articles of association of EPIC Securities Plc, the holders of the 20,000,000 Zero Dividend Preference Shares ("ZDP"), are entitled on a winding up to an amount equal to 100p per ZDP share as increased daily at the compound rate as would give a final capital entitlement of 139.3p on the ZDP repayment date. At 31 July 2007 the accrued value was £21,647,396. The entitlement accrued under the contribution of assets agreement (Deed of Undertaking) is equivalent to the annual compound rate of 6.5%.

Rights attaching to ZDP Shares

ZDP shareholders are not entitled to receive, and cannot participate in, any dividends or other distributions out of the profits of the Company available for dividend and resolved to be distributed in respect of any accounting period or any other income or right to participate therein.

The ZDP Shares do not carry any entitlement to receive income.

On a return of assets on liquidation, after payment of all debts and satisfaction of all creditors there shall be paid to ZDP shareholders from the surplus assets an amount equal to 100p per ZDP Share as increased daily at such compound rate as will give entitlement to 139.3p on the ZDP redemption date, the first increase occurring on the date the ZDP Shares are first admitted to the Official List of the United Kingdom Listing Authority and the last on the actual date of payment. The redemption entitlements due to holders of the ZDP Shares satisfied by an allocation to the redemption reserve. The daily compound rate applied to the ZDP Shares represents an annual compound rate of 7.07%.

Although the Zero Dividend Preference Shares are entitled to a pre-determined capital repayment on the repayment date, this is not guaranteed and, based on the Principal Bases and Assumptions, following the placing a fall at a rate greater than 15% per annum (compound) in the value of the Total Assets of EPIC PLC would result in a lower payment than the pre-determined entitlement of 139.3p per Zero Dividend Preference Share, which could potentially be zero.

ZDP shareholders will not have the right to receive notice of any general meeting of the Company nor to attend or vote at any such meeting except in respect of any resolution altering, modifying or abrogating any of the special rights and privileges attached to the ZDP Shares or to wind up the Company.

The carrying amount of ZDPs has been determined by deducting the issue cost from the 20 million ZDP shares and adding the interest due and finance cost due from EPIC PLC.

13 Share capital - Capital shares

	2007 Number of Shares	2007 £000's	2006 Number of Shares	2006 £000's
Authorised				
Capital Shares	75,000,000	7,500	75,000,000	7,500
Warrants	15,000,000	1,500	15,000,000	1,500
	90,000,000	**9,000**	**90,000,000**	**9,000**
Issued and fully paid				
Capital Shares	40,304,312	4,030	34,561,666	3,456
Warrants	-	-	6,912,333	-
	40,304,312	**4,030**	**41,473,999**	**3,456**

Voting and other rights

Holders of Capital Shares are entitled to one vote for each share held.

Dividends

Dividends are payable only to Income shareholders.

Winding up

On a winding up, the holders of the Capital Shares shall be entitled, pro rata to their holdings, to all the assets of the Group available for distribution to shareholders after satisfaction of the entitlement of the holders of the Income Shares and Zero Dividend Preference Shares.

Warrants

Each Capital shareholder who subscribed under the Placing was issued Warrants (on the basis of 1 Warrant for every 5 Capital Shares subscribed) entitling the Warrant holder to subscribe for Capital Shares on any Subscription Date at a subscription price of 100p per Capital Share.

On 5 March 2007 5,742,646 new capital shares of 10p have been issued at a subscription price of 100p each, following the final exercise of warrants. The new capital shares rank pari passu with the existing issued capital shares. Following this exercise, there are 40,304,312 capital shares in issue. The remaining 1,169,687 warrants lapsed.

Capital history

In accordance with International Financial Reporting Standards, the Income Shares and ZDP Shares are treated as liabilities as described under accounting policies in note 2(j) above.

14 Share premium - Capital shares

	2007 £000's	2006 £000's
Share premium at start of year	30,240	30,240
Share premium on issue	5,170	-
Share premium at 31 July 2007	**35,410**	**30,240**

15 Group and Company Reserves - Capital shares

Group Reserves

	Profit and loss reserve 2007 £000's	Profit and loss reserve 2006 £000's
Reserves at start of year	**7,696**	**2,523**
Net profit for the year	8,257	4,818
Movement in net unrealised profit on revaluation of cash flow hedges (Note 20)	-	355
Reserves at 31 July 2007	**15,953**	**7,696**

Company Reserves

	Profit and loss reserve 2007 £000's	Profit and loss reserve 2006 £000's
Reserves at start of year	**7,469**	**2,523**
Net profit for the year	5,465	4,591
Movement in net unrealised profit on revaluation of cash flow hedges (Note 20)	-	355
Reserves at 31 July 2007	**12,934**	**7,469**

Per the Group's Prospectus, dividends can be paid up to the cumulative total of gross income. As at 31 July 2007 £5,675,000 (2006-£3,815,000) of undistributed gross income was included in reserves.

An analysis of the profit and loss reserve detailing the split of the retained profit and loss reserve between Revenue and Capital is detailed in note 21.

16 Net asset value per share - Capital share (Basic and Diluted)

The basic net asset value per Capital Share is based on the net assets attributable to Capital shareholders of £55,393,000 (2006-£41,392,000) on 40,304,312 (2006-34,561,666, further diluted by 6,912,333 warrants) capital shares in issue at the end of the year.

17 Published Net Asset Value

As at 31 July 2007	£000's	Pence per share
Published net asset value of capital shares	55,145	136.82
Valuation of investments at bid prices – **a**	(34)	(0.08)
Amortisation of issue costs on income shares – **b**	259	0.64
Other	23	0.07
Consolidated net asset value per financial statement	**55,393**	**137.45**

a In accordance with International Financial Reporting Standards (IAS 39), investments have been valued at Stock Exchange quoted market bid prices at the close of business on the balance sheet date. However, in accordance with general business practice, the net asset value reported each month reflects these investments valued at Stock Exchange quoted market mid prices.

b Issue costs of £518,408 will be amortised over 8 years for accounting purposes. To date £259,204 has been amortised. The full amount of issue costs has been amortised for valuation purposes in line with International Financial Reporting Standards.

18 Note to the Consolidated Statement of Cashflows

Reconciliation of net investment income to net cash inflow from operating activities:

	2007 £000's	2006 £000's
Net investment income	**816**	**817**
Adjustment for non-cash items:		
Decrease in interest and dividends receivable/unrealised gain on outstanding forward fx contracts	(947)	(809)
(Decrease)/increase in interest and dividends payable and accrued expenses	(33)	1,246
Net cash (outflow)/inflow from operating activities	**(164)**	**1,254**

19 Financial instruments

The Group's financial instruments comprise:

- Equity shares, fixed interest securities, cash funds and unquoted securities that are held in accordance with the Group's investment objectives, which are set out on page 2 of this report and financial statements;
- Cash and cash equivalents that arise directly from the Group's operations;
- Forward exchange contracts;
- Zero Dividend Preference Shares, Income Shares and;
- Loan Note issued by EPIC Securities PLC

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are market price risk, credit risk, liquidity risk, foreign currency risk and interest rate risk. The Board regularly reviews and agrees policies for managing each of these risks and these are summarised below.

Estimation of fair values

For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

Unlisted investments are valued at the Directors' estimate of their fair value in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' and guidelines issued by the International Private Equity and Venture Capital Association.

Forward exchange contracts are marked to market using listed market prices by discounting the contractual forward price and deducting the current spot rate.

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.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Group might suffer through holding market positions in the face of price movements. All financial assets and liabilities are carried at fair value except for ZDP shares and Income shares (note 12).

To mitigate the risk the Board's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long term investments. An appropriate spread of investments is held in the portfolio in order to reduce both the statistical risk and the risk arising from factors specific to a country or sector. The investment manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to consider investment strategy.

A list of the 15 largest investments held by the Group is shown in the Portfolio Analysis (unaudited) on page 12.

Credit risk

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

The investment manager assesses the risk associated with fixed interest investments by performing financial analysis on the issuing companies as part of its normal scrutiny of prospective investments. The Group invests in a combination of high yield and investment grade bonds.

The obligations of EPIC PLC to repay the Loan Note and discharge its obligations pursuant to the undertakings, will be subordinated to the claims of EPIC PLC's other creditors on a winding up. If at the repayment Date (or any earlier redemption of the Zero Dividend Preference Shares) EPIC PLC has insufficient assets, then its obligations to repay the loan notes and make payment under the undertakings may be satisfied only in part or not at all. Accordingly the Company may have insufficient assets to satisfy the then current or final capital entitlement of the Zero Dividend Preference Shares.

Liquidity risk

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments. The Group's investments include marketable securities in which there is active trade and the investments are readily realisable. The maturity of the Group's existing borrowings is set out in note 12. In addition there are strategic and unquoted investments in which there are no ready markets and as such, these investments may not be readily realisable.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign exchange movements in US Dollar and Euro. The Group's foreign exchange exposure arises from its investment in securities and cash balances denominated in currencies other than sterling.

The Group has entered into forward exchange contracts to hedge certain anticipated Euro foreign currency revenues and investment in foreign entities.

As at 31 July 2007 the Group held open forward exchange contracts in sterling against the currencies as follows:

Settlement Date of Contract	Contractual Amount	Cost	Market Value	Unrealised Gains
		£000's	£000's	£000's
28 February 2008	Euro 5,000,000	3,368	3,667	299
28 February 2008	Euro 2,000,000	1,347	1,379	32
		4,715	**5,046**	**331**

As at 31 July 2006 the Group held open forward exchange contracts in sterling against the currencies as follows:

Settlement Date of Contract	Contractual Amount	Cost	Market Value	Unrealised Gains
		£000's	£000's	£000's
31 January 2007	Euro 5,000,000	3,417	3,667	250
31 January 2007	USD 3,905,650	2,092	2,188	96
		5,509	**5,855**	**346**

A breakdown of the financial assets at fair value through profit or loss and cash denominated in currency other than sterling is as follows:

	2007 Denominated in foreign currency	2006 Denominated in foreign currency
	US $000's	US $000's
Financial assets at fair value through profit or loss	7,612	3,169
Cash balances	227	26
Forward Exchange Contract	(2,000)	(3,906)
Total : US Dollar	**5,839**	**(711)**
	€000's	€000's
Cash	1	-
Financial assets at fair value through profit or loss	4,587	3,418
Forward Exchange Contract	(5,000)	(5,000)
Total : Euros	**(412)**	**(1,582)**

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's investment portfolio and long-term debt obligations. The portfolio includes only debt securities with active secondary or resale markets to ensure portfolio liquidity.

Bond and preference share yields, and as a consequence their prices, are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the government's fiscal position, short-term interest rates and international market comparisons. The Investment Manager takes all these factors into account when making any investment decisions as well as considering the financial standing of the potential investee Company.

Returns from bonds and preference shares are fixed at the time of purchase, as the fixed coupon payments are known, as are the final redemption proceeds. Consequently, if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a bond the market price at any given time will depend on the market environment at that time.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. To manage this mix in a cost efficient manner, the Group uses derivatives to hedge against exposure to changes in interest rates. During the prior year there was an interest rate swap in place to fix the interest payable on the bank loan which was subsequently settled in full, (note 20).

The interest rate profile of the Group at 31 July 2007 is as follows:

Financial assets	Total as per Balance Sheet	Variable rate	Fixed rate	Assets on which no interest is received
	£000's	£000's	£000's	£000's
Type:				
Cash	6,718	6,718	-	-
Unquoted investments	17,611	5,019	7,392	5,200
Quoted equities	33,445	-	-	33,445
Specialist funds	17,169	-	-	17,169
Strategic investments	5,091	-	-	5,091
Structured products	3,368	-	3,368	-
Others	5,375	5,000	-	375
Financial assets measured at fair value through profit or loss	**88,777**	**16,737**	**10,760**	**61,280**
Cash and cash equivalents	5,707	5,707	-	-
Debtors	4,159	-	-	4,159
	98,643	**22,444**	**10,760**	**65,439**

Financial liabilities	Total as per Balance Sheet	Variable rate	Fixed rate	Liabilities on which no interest is paid
	£000's	£000's	£000's	£000's
Type:				
Income Shares	20,606	20,606	-	-
Creditors	1,436	-	-	1,436
ZDP Preference Shares	21,208	21,208	-	-
	43,250	**41,814**	**-**	**1,436**

The interest rate profile of the Group at 31 July 2006 was as follows:

Financial assets	Total as per Balance Sheet	Variable rate	Fixed rate	Assets on which no interest is received
	£000's	£000's	£000's	£000's
Type:				
Cash	9,204	9,204	-	-
Unquoted investments	18,670	17,765	674	231
Quoted equities	29,908	-	-	29,908
Specialist funds	7,490	-	-	7,490
Strategic investments	6,876	-	-	6,876
Structured products	3,418	3,418	-	-
Financial assets measured at fair value through the profit & loss	**75,566**	**30,387**	**674**	**44,505**
Cash and cash equivalents	5,871	5,871	-	-
Debtors	1,867	-	-	1,867
	83,304	**36,258**	**674**	**46,372**

Financial liabilities	Total as per Balance Sheet	Variable rate	Fixed rate	Liabilities on which no interest is received
	£000's	£000's	£000's	£000's
Type:				
Income Shares	20,542	20,542	-	-
Creditors	1,569	-	-	1,569
ZDP Preference Shares	19,801	19,801	-	
	41,912	**40,343**	**-**	**1,569**

20 Derivative financial instruments

Cash flow hedges

The Group had an interest rate swap in place with a notional amount of £13,750,000, whereby it paid a fixed rate of 5.65% and received Libor on the notional amount. The swap was used to protect the bank loan from exposure to changes in interest rates and expired on 20 February 2007, the same day as the bank loan. In April, EPIC Securities Plc, a wholly owned subsidiary of EPIC PLC issued 20,000,000 Zero Dividend Preference Shares, the proceeds of which were used to repay the bank loan and swap.

21 Split of profit and loss reserve between Revenue and Capital

	2007 Revenue £000's	2007 Capital £000's	2006 Revenue £000's	2006 Capital £000's
Total revenue	4,236	-	3,980	-
Total expenses	(64)	(4,748)	(64)	(3,502)
Net investment income				
Gains on investments	4,172	(4,748)	3,916	(3,502)
Realised gain on sale of investments	-	13,291	-	8,714
Movement in unrealised gain/(loss) on revaluation of investments	-	(1,392)	-	(2,334)
Net unrealised (loss)/gain on forward fx contracts	-	(15)	-	324
Foreign exchange differences	-	(675)	-	-
Dividends in respect of Income Shares	(2,376)	-	(2,300)	-
	(2,376)	**11,209**	**(2,300)**	**6,704**
Profit for the year	**1,796**	**6,461**	**1,616**	**3,202**
Reserves brought forward	**3,751**	**3,945**	**2,135**	**743**
Reserves carried forward	**5,547**	**10,406**	**3,751**	**3,945**

22 Directors' interests

No Directors had interests in the shares of the Group as at 31 July 2007.

Directors who are resident in the Isle of Man are prohibited from having any interest in the shares of the Group under the provisions of the Income Tax (Exempt Companies) Act 1984 (see note 2(e)) which applied until 5 April 2007, at which point it was repealed.

23 Related parties

(i) Administration fees amounting to £150,000 (2006: £123,594) were payable to Northern Trust International Fund Administration Services (Isle of Man) Limited, calculated in accordance with the Administration Agreement, dated 14 August 2001, of which £18,183 (2006: £23,607) was outstanding as at 31 July 2007.

(ii) On 14 August 2001 the Group entered into an agreement with EPIC Investment Partners for the provision of investment management services, terms of which are disclosed in note 3. On 21st of September 2007 EPIC Asset Management was appointed Investment Manager.

Investment management fees of £1,154,752 (2006: £901,004) were payable to EPIC Specialists Limited, of which £316,883 (2006: £220,472) was outstanding as at 31 July 2007. The Group owns 33.5% (2006: 33.5%) of the equity of EPIC Investment Partners.

Performance fees of £386,411 (2006: £157,969) were payable to EPIC Specialists Limited, £386,411 which remained outstanding at 31 July 2007 (2006: £157,969).

(iii) Under the terms of the Limited Liability Partnership Member's agreement for the investment in EPIC Investment Limited Liability Partnership (EPIC LLP) dated 27 April 2006 EPIC Private Equity LLP was appointed as investment advisor to the Partnership, terms of which are disclosed in note 3.

(iv) Under the terms of the Limited Liability Partnership Member's agreement for the investment in EPIC Investment 2 Limited Liability Partnership (EPIC 2 LLP) dated 30 January 2007 EPIC Private Equity LLP was appointed as investment advisor to the Partnership, terms of which are disclosed in note 3.

Investment advisory fees of £118,311(2006: £31,625) were payable to EPIC Private Equity LLP of which £29,375 (2006:£31,625) remains outstanding at the year end.

The Limited Liability Partnership Members agreement also provides for the provision of a performance-related fee to its members EPIC PLC and EPIC Carry LLP, terms of which are disclosed in note 3.

There was no performance fees payable for the year ended 31 July 2007 (2006: £Nil).

(v) Mr Don McCrickard, a director, is also a non-executive director of Brit Insurance Holdings PLC. As at 31 July 2007 Brit Insurance Holdings PLC held 1,000,000 income shares, representing 4.82% of the income share class.

(vi) On 19th of January 2007, EPIC PLC sold its holding in EPIC Investment Partners Limited ("EIP") to Syndicate Asset Management PLC ("SAM"). The term of the sale provide for the Company to receive aggregate consideration of up to £5.035 million.

24 Contingent Asset

As part of the sale of the investment of EPIC Investment Partners, deferred consideration of £938,000 is receivable if certain performance conditions are achieved during the period from 1 January 2007 and 31 March 2010. These conditions are detailed in note 2 (p). The directors consider that it is more probable than not that 50% of the performance condition will be achieved and have accrued £469,000 accordingly. The remaining 50% above expected performance is considered to be less likely to be achieved and has not therefore been accrued. There is therefore a contingent asset in the amount of £469,000 at the year end.

25 Commitments

As at 31 July 2007, EPIC PLC is under commitment to make further investment of £1.8 million in Limesight Private Capital Plc, of US$1.04 million in UK Film Partners LLC and of £0.125 million in Zybor Plc under the terms of contracts with respective parties.

26 Post Balance Sheet Events

The Board of Directors of the Equity Partnership Investment Company PLC declared an interim dividend of 2.86410p per income share and will be payable to all eligible income shareholders at record date 3 August 2007. The ex dividend date is 1 August 2007 and the dividend was paid on 23 August 2007.

Shareholder Information - significant holdings

As at 31 July 2007

Schedule of shareholders holding over 3% of issued shares

Income Shares

	Holdings	% of class
Nortrust Nominees Limited	3,657,550	17.64
The Corporation of Lloyd's	3,400,000	16.40
Chaucer Syndicates Limited	2,500,000	12.06
Ferlim Nominees Limited	2,218,600	10.70
HSBC Global Custody (Nominees) Limited	1,893,092	9.13
BNY (OCS) Nominees Limited	1,002,000	4.83
Brit Insurance Limited	1,000,000	4.82
	15,671,242	**75.58**

Capital Shares

	Holdings	% of class
SG Option Europe S.A.	10,455,000	25.94
Nortrust Nominees Limited TDS	9,525,000	23.63
The Corporation of Lloyd's	5,700,000	14.14
BNY (OCS) Nominees Limited	5,100,000	12.65
Landsbanki Securities (UK) Limited	3,183,236	7.90
HSBC Global Custody Nominee (UK) Limited	3,135,000	7.78
	37,098,236	**92.04**

Zero Dividend Preference Shares

	Holdings	% of class
Giltspur Nominees Limited	2,831,590	14.16
Nortrust Nominees Limited	2,811,978	14.06
BNY (OCS) Nominees Limited	2,439,616	12.20
HSBC Global Custody Nominee (UK) Limited	2,015,000	10.08
Ferlim Nominees Limited	1,618,925	8.09
Smith & Williamson Nominees Limited	1,260,000	6.30
Chase Nominees Limited	950,000	4.75
SG Option Europe S.A.	850,000	4.25
NW Brown Nominees Limited	819,500	4.10
Pershing King Nominees Limited	801,015	4.01
	16,397,624	**82.00**

Notice of Annual General Meeting

Notice is hereby given that the third Annual General Meeting of The Equity Partnership Investment Company PLC will be held:

at **IOMA House, House Street, Douglas, Isle of Man IM1 1AP**

on **11 January 2008 at 11.00 a.m. for the purpose of dealing with the following ordinary business:**

Resolution 1 Considering and, if thought fit, adopting the audited accounts of the Company for the year ended 31 July 2007, together with the Directors' and Auditor's reports thereon.

Resolution 2 To approve the payment of Directors' fees for the period ended 31 July 2007.

Resolution 3 To reappoint the auditors and authorise the Directors to determine their remuneration.

By order of the Board

J Middleton
Company Secretary
12 December 2007

Notes A Member entitled to attend and vote at this Meeting may appoint one or more proxies to attend and, on a poll, vote in his stead. The proxy need not be a Member of the Company. Proxies must reach the office of the Registrars at least forty-eight hours before the Meeting.

A form of proxy is provided with the Annual Report. Completion of the form of proxy will not prevent a Member from attending the Meeting and voting in person.

Contracts of service are not entered into with the Directors, who hold office in accordance with the Articles of Association.

Group Information

Directors	Dr C McPhail, Chairman DC McCrickard M Richardson PP Scales
Secretary	J Middleton Middleton Katz Chartered Secretaries LLC 11 Hope Street Douglas Isle of Man IM1 1AQ
Registered Office	PO Box 174 St James's Chambers Athol Street Douglas Isle of Man IM99 1PP
Administrator and Registrar	Northern Trust International Fund Administration Services (Isle of Man) Limited St James's Chambers Athol Street Douglas Isle of Man IM1 1JE
Custodian	BNP Paribas Security Services Royal Bank House Victoria Street Douglas Isle of Man IM99 2PG

Auditors	Ernst & Young LLC Rose House 51-59 Circular Road Douglas Isle of Man IM1 1AZ
Investment Manager	EPIC Asset Management 22 Billiter Street London EC3M 2RY
Stockbroker	Landsbanki Securities (UK) Limited (formerly Teather & Greenwood Limited) Beaufort House 15 St Botolph Street London EC3A 7QR
UK Solicitors	Latham and Watkins 99 Bishopsgate London EC2M 3XF
Isle of Man Advocates	Cains Advocates Limited 15-19 Athol Street Douglas Isle of Man IM1 1LB
Bankers	Barclays Bank PLC 54 Lombard Street London EC3 9EX

The Equity Partnership Investment Company PLC
Registered in the Isle of Man number 103447C.
The Equity Partnership Investment Company PLC is listed on the London Stock Exchange and is managed by EPIC Investment Partners Limited.

www.epicip.com

Fresh Corporate Design