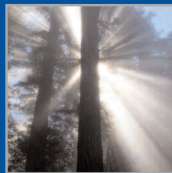
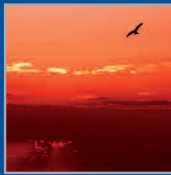


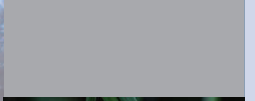


The Equity Partnership
Investment Company PLC



Report & Financial Statements | **July 08**





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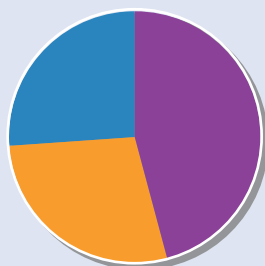
Corporate Information

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 (“RPI”)) 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.

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 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 sixth was applied to payments in respect of the year ending 31 July 2008. Details of the year's payments can be found opposite and on page 31 of these financial statements.

Zero Dividend Preference Shares (“Zeros”)

In April 2006 the Group issued 20 million Zeros 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 of Zeros to be obtained before making any repayment of capital to the holders of the Company's Capital Shares.

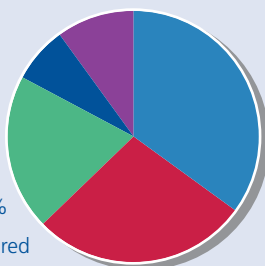
Dividends on Income Shares

1st Interim	November 2007	2.973p paid
2nd Interim	February 2008	2.973p paid
3rd Interim	May 2008	2.973p paid
Final	August 2008	2.973p paid
Total for the year		11.892p paid

Investment Policy

Target Asset Allocation

- Quoted Equities 35%
- Unquoted Equities 28%
- Specialist Investments 20%
- Strategic Investments 7%
- Cash, Bonds and Structured Income Products 10%



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.

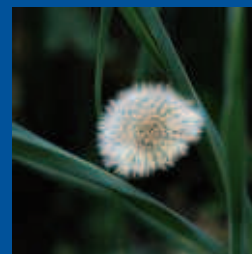
Specialist Funds

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 Asset Management, and the EPIC 6% Loan Stock (issued by Syndicate Asset Management PLC) 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 Wealth Management Division. Prior to this he ran Royal Bank of Scotland 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

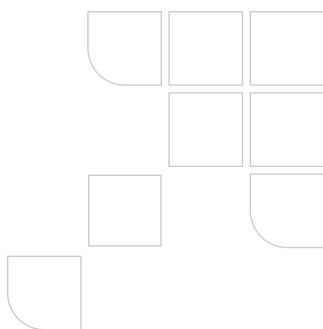


Philip Scales is Managing Director of IOMA Fund and Investment Management Limited and a former Managing Director of Northern Trust International Fund Administration Services (Isle of Man) Limited. Prior to this, Philip was employed by an English merchant bank and has over 30 years' experience of working 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 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



Like many other Funds the past year has been a difficult one for EPIC, the Capital Shareholders' NAV fell 36.6% as a result of the market weakness among small and mid cap UK equities. However, Income Shareholders received a total of £2.5 million made up of four quarterly dividend payments of 2.97p per share.

In my last annual report I mentioned the Manager's concerns relating to increasing levels of inflation, higher interest rates and the high levels of corporate and personal indebtedness. This led us to retain higher levels of liquidity than previously which in turn protected the Fund from a greater fall in the Capital Shares' NAV over the year, and despite the inherent gearing within EPIC's structure, the fall in the NAV was more in line with smaller capitalisation companies as a whole. Over the past year the Company's Capital share price has fallen by a little under 20% and ended the period at a 2.6% premium to the NAV.

Over the year ended 31 July 2008 the Company's listed portfolio has suffered from sharp falls in the value of the Fund's equity positions with exposures to North American housing and to the property and retail sectors in the UK. The fall in the UK equity portfolio of 38% over the year compares with a drop in the All Share Index of 13.3% but this comparison is distorted by the growing representation of global natural resources companies within the larger indices which have until recently enjoyed a spectacular period of outperformance. The small cap SMX index has over the period fallen by almost 30%.

Within the UK equity portfolio there was a small number of significant positive contributors which included Barclays, Thus and a successful trade in Prudential. The bulk of the losses were incurred in a relatively small number of holdings including Lupus, Heywood Williams, DTZ and Woolworths which are described in more detail within the Manager's report.

Last year was a relatively quiet one for the Private Equity portfolio, with three new investments made during the period. The first, in September, was a management buy-in of a temporary driver recruitment business, Driver Require, with EPIC investing £0.25 million. The second, in March, was Entire, a direct marketing business, acquired for £3.1 million as a bolt-on to the Indicia Group buy-and-build strategy. The third, in July, was a bolt-on of electrical wholesaler Lama to the existing portfolio company Ryness, with EPIC investing £0.1 million. Prospects for realisations have been delayed due to the current market conditions and lack of liquidity. However, a number of portfolio companies are reaching maturity and we will be looking to realise these once market sentiment improves. One investment was sold during the year - Kilgour, the Savile Row tailor was sold in February at a total return of 5.2x original investment, representing an IRR ("Internal Rate of Return") of 47%.

EPIC's move into non-market correlated specialist funds was prescient and provided some protection to the Fund from the worst effects of the stock market's fall. Up until the penultimate month of the financial year this segment of EPIC's portfolio was showing a positive return, but the previously strong performing Jupiter Hyde Park Hedge Fund had a particularly weak July which caused the performance of this segment as a whole to fall by 3% over the year. The return was helped by a strong performance from the King & Shaxson Premier Fund and the EEA Life



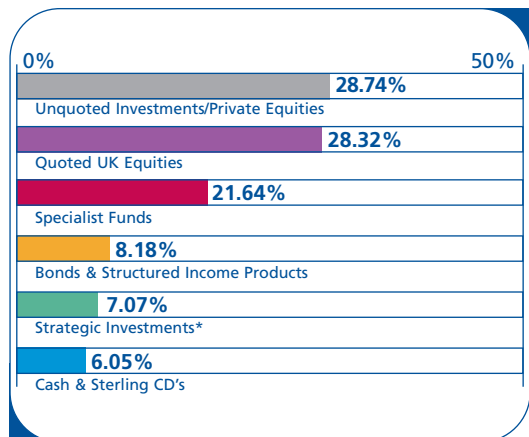
Settlements Fund which has now enjoyed 30 consecutive months of increasing unit prices.

Although on historic comparisons the UK equity market appears to provide good value, investors remain nervous as they wait to see the full extent and effect of the sub-prime banking crisis. Since the period under review the situation has developed into a crisis of confidence in the financial system and investors now fear a financial collapse leading to a prolonged global recession. Within the UK there were already signs that the knock-on effects on housing, consumption and employment could be more severe than first thought and the prospects for the market now depend to a significant extent on both the success of the governments support for the banking system and the timing and extent of the monetary easing that is likely to continue as the inflation outlook improves and the risk of a painful recession increases.

If previous stock market cycles are anything to go by, shares will react positively to the prospect of lower interest rates and prices may start to recover before there are tangible signs of economic recovery. Moreover, the globalisation of economies and securities markets is likely to cause European stock markets' sentiment to be helped by signs of an improving outlook for the American economy and a likely end to most of the cost push inflationary pressures caused by soaring commodity prices.

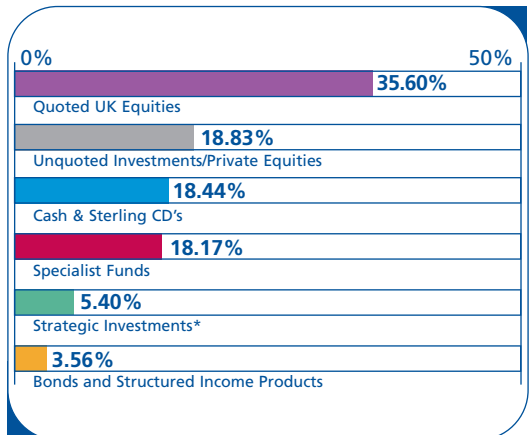
At the time of writing the Company has a lower level of equity exposure than at any time over the Company's seven years in existence, but the portfolio remains orientated towards signs of economic recovery.

Asset Allocation as at 31 July 2008



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

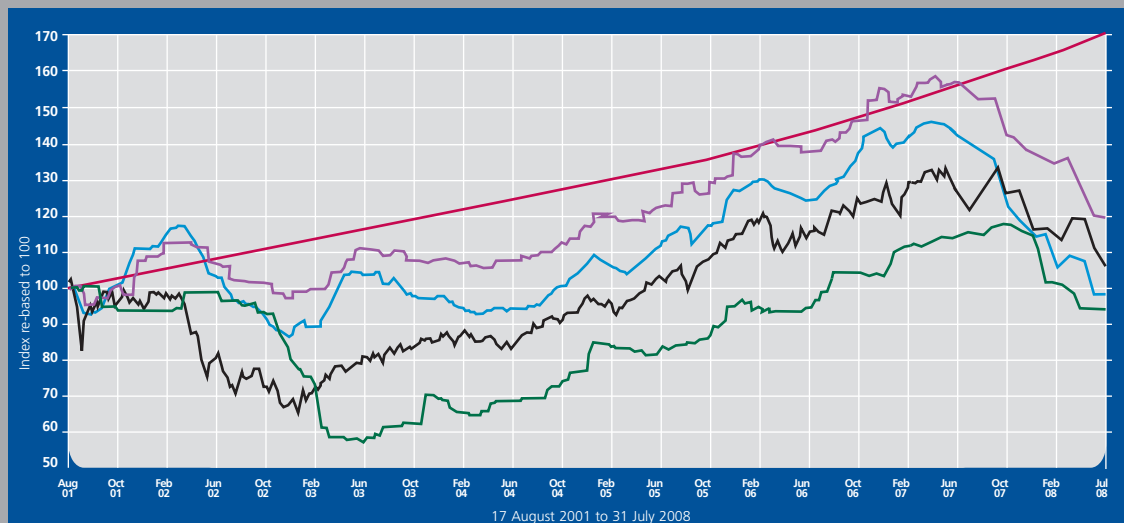
Asset Allocation as at 31 July 2007



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

Capital Share Price and NAV Performance vs. Benchmark (from 17 August 2001 to 31 July 2008 - re-based to 100)

- Capital Share Price
- Capital Share NAV
- Benchmark (Libor + 3%)
- FTSE All Share Index
- NAV (Cap+Inc) Divs Reinvested



Source: Bloomberg

Corporate Issues

At the time of the Company's launch in 2001 the Prospectus committed EPIC to providing Capital Shareholders with an opportunity to vote at the 2008 Annual General Meeting on a continuation of the Company's life beyond an initial ten years.

"The Board shall procure that, at the Annual General Meeting of the Company in 2008, a special resolution shall be proposed that the Company continues as an investment company beyond 2011. If that resolution is not passed, the Directors are required to formulate proposals to be put to Shareholders to reorganise, unitise or reconstruct or to wind up the Company. If the resolution to continue as an investment company is passed, a similar resolution will be proposed in 2011 to continue beyond 2014 and every 3 years thereafter."

As announced on 28 July 2008 the Board and its advisers have begun a strategic review of the Company's strategy and prospects, and this includes ongoing consultations with our Shareholders.

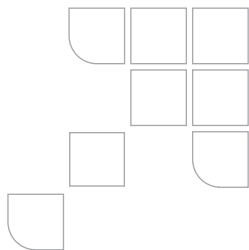
At the end of July 2011, the Company will need to either refinance or repay both the Income Shareholders and holders of the Zero Dividend Preference Shares. As a result, whether or not Shareholders have an appetite for a continuation beyond 2011, the Company will in all likelihood be unable to retain its current structure. The Board and its advisers will

therefore come forward with alternative proposals, including initiatives to cater for those Shareholders who may wish to continue to invest in the Company, or provide liquidity or other alternatives for those who do not.

With the benefit of consultation with our Shareholders, the Board and its advisers will seek to provide a range of options for all three share classes. We are mindful however that with the current uncertain economic background, as the timescale for the potential return of cash to shareholders shortens, we should not be seen by potential buyers of our less marketable and unquoted investments as forced sellers and suffer commensurate discounts on realisation. To avoid this scenario, and whatever the outcome of the strategic review, it may be necessary to provide a continuation vehicle for any investments which need to be realised beyond the end of 2011 in order to generate the maximum value for Shareholders.

After what has been a particularly difficult year for the Company and investors in general, I would like to thank the Board and Managers for their continued hard work and our Shareholders for their support. We look forward to a more benign economic environment in the year to come.

Cameron McPhail
30 October 2008



Investment Manager's Report

Economic Commentary

The market landscape had changed dramatically at the start of the 12 month reporting period, with economic fundamentals taking a backseat to financial market dislocations and financial institutions' credit related losses. This year has been characterised by continuous re-pricing of risk premia, together with the markets' shift in focus between three themes: slowing economic growth, rising inflation, and financial market distress.

Amid the financial market turmoil, rising commodity prices caused external price shocks to the system, putting pressure on inflation at a time when Western central banks might otherwise have entered into monetary easing. The result of this flight to quality caused yields in the major western economies to fall, and stock markets felt the brunt of heightened risk aversion.

The first three months of the reporting year were characterised by heightened volatility, as news of banking sector losses related to the US sub-prime mortgage market increased market risk aversion. Economic activity, particularly in the US, weakened, spurring fears of recession and prompting a flight to quality that caused investors to favour government debt over corporate debt and equities. Dislocations in the financial markets caused the Federal Reserve to reduce interest rates by 325 basis points and the Bank of England by 75 basis points (during the year). The European Central Bank with its more stubborn inflation fighting stance refused to cut rates over the period. This did however represent a change in stance, as they had been widely expected to go on increasing rates in the second half of 2007. Finally in July 2008, a 25 basis points interest rate hike, interpreted as a "one-off" was delivered.

With the US housing market already in trouble the UK housing market began to deteriorate in mid 2007, with the Nationwide house price index beginning to indicate signs of a slowdown in house price growth. This was exacerbated by the phenomenon, not restricted just to the UK,

of unusually elevated LIBOR rates relative to monetary policy rates and swap rates rising relative to the equivalent maturity government bonds. This has increased the cost of funding for mortgage debt, and at the same time, banks have reduced the quantity of lending available by tightening the credit and gearing standards on which it is available. The contraction in house prices had implications for consumption expenditure as household wealth was reduced, and negative real disposable income growth began to bite amid tighter borrowing conditions and a general fall in consumer confidence. Despite the 75 basis points reduction in the base rate during the year, most mortgage rates remain appreciably higher today than a year ago.

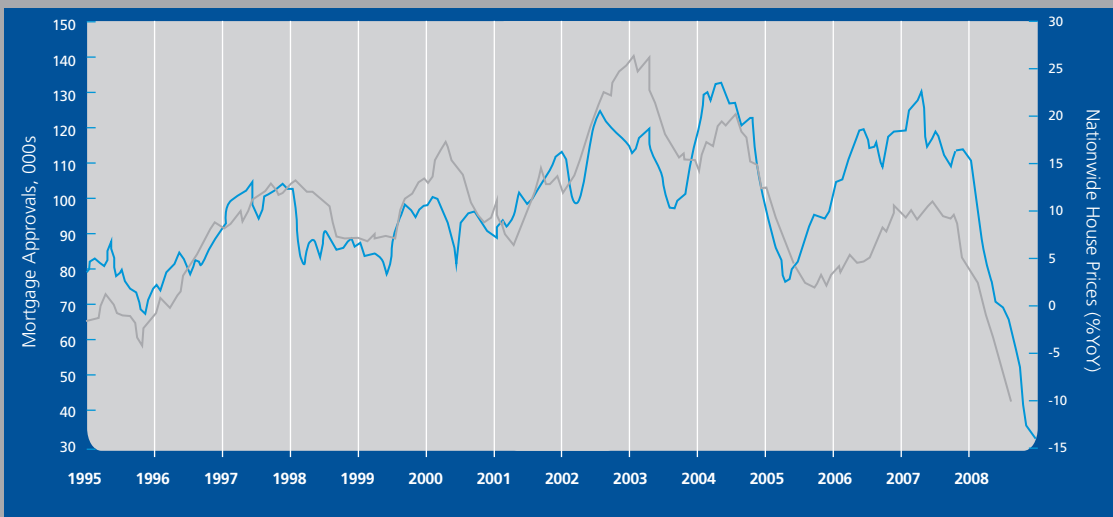
As the price of oil continued to fall towards the end of the year, so the bond market's focus moved further away from inflationary fears and concentrated more upon the prospects for the real economy in an environment where credit remains constrained, the US housing market continues to weaken, job losses are mounting and consumer confidence is near historic lows for the US. August saw the Fed keep rates on hold at 2%, with ongoing weakness in the economic fundamentals, and money markets still not returning to levels seen before the credit crisis began.

With employment data weakening further in July, the official unemployment rate rose from 5.7% to 6.1%, signalling that any boost from consumption, led by income growth was not to be expected.

Chart two

UK mortgage approvals signalling further downturn in UK housing market

BoE Mortgage Approvals, 5m lag
Nationwide House Prices

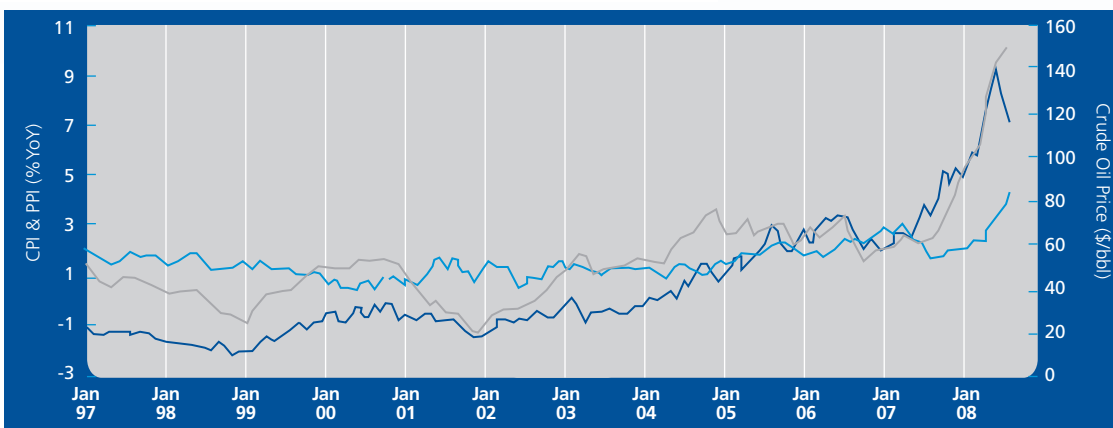


Source: EPIC Asset Management, Bloomberg

Chart three

The reduction in oil prices should provide some offset for CPI increases in the coming months

CPI Headline (YoY%)
PPI (YoY%)
Oil Price (\$/bbl)



Source: EPIC Asset Management, Bloomberg

Oil prices started the reporting year at \$75/bl and ended the period at \$125/bl. This rise in commodity prices, together with the rise in food prices caused CPI headline in the US and UK to reach levels outside the central banks' target bands.

It is true to say that the Eurozone economy boomed later than the UK and the US, only turning in genuinely above-trend rates of growth from about mid 2006 onwards. However, with a more institutionally rigid, old fashioned economy, growth-based inflation problems were a greater risk here than elsewhere, and only very recently has the Euro economy slowed to below-trend rates of growth. It might also face less downside, given its lesser dependence on the financial services sector, and smaller run-up in debt-to-income ratios. As a

consequence, its position is somewhat different from others. While the slowdown now appears to be very visibly in train - on household, business and export sector measures - it could be some time before this feeds through into lower core inflation, if indeed it does.

Meanwhile, headline inflation, while it will converge towards core if oil prices continue to fall, remains too far above its de facto target for the central bank to rush into early easing.

Bank losses are now approaching US\$520 billion whilst insurance companies have written off US\$70 billion, compared with the US\$365 billion new capital that has been raised. The credit crisis has precipitated in aggressive actions by the Federal Reserve and, to a lesser extent, the Bank of England,

Asset Class	Returns denominated in Sterling during 07/08 (%)*
Benchmark : 12month LIBOR +3%	8.96
Dow Jones (US)	-15.34
FTSE 100 Index (UK)	-11.21
1-3yr US Treasuries	9.52
1-3yr UK Gilts	5.83
1-3yr A UK Corporates	3.62
1-10yr UK Gilts	7.12
1-10yr BBB UK Corporates	-1.65

Source: Bloomberg



including substantial rate cuts, and targeted provision of liquidity to the financial system. Term borrowing facilities have been aimed preventing a re-run of Northern Rock or Bear Stearns, with total Fed injections reaching US\$500 billion, and the Bank of England £50 billion.

As a result of the flight to quality, 2 year Treasury yields fell during the period by 100 basis points, while 2 year Gilts tumbled by 75 basis points. With government bond yield curves generally steepening in the UK and US, the short end of the curves have priced in further rate cuts at the end of the reporting year.

Returns in the year commencing August 2007

The asset returns have been summarised above with US government bonds outperforming all other asset classes over the period. Equity indices did not perform well over the year with both UK and US equity indices generating negative returns over the period. The corporate bond indices, depending on the rating and the maturity, underperformed government bond indices, which can be explained by capital losses due to credit spread widening due to increased risk premia.

Looking forward, in this market environment we believe that government bonds still provide the only genuine safe haven and will be further aided by the growing realisation that inflation outside the energy sector will be subdued by a prolonged period of weak growth; energy inflation will also become less of a problem if our expectations of continuing falls in oil and

commodity prices comes to pass. The scope for interest rates in the major economies to be cut over the next 12 months is considerable and would underpin a further rally in shorter dated government bonds. Corporate bond prices now build in very significant risk premia, particularly in the banking sector, although there will doubtless be elevated volatility and while the selective, opportunistic purchase of such securities could pay off handsomely in the medium term, in the short term these securities may suffer from capital losses.

Equities, in relation to normal linkages between corporate debt, volatility and the cost of capital, have been surprisingly resilient, particularly in light of expected earnings downgrades. Analogously to our views on corporate bonds, there will be some opportunities for significant medium to long term gains but short term heightened volatility is likely to be experienced.

Since the time of reporting oil prices have fallen further to below \$100 per barrel and major market ructions have reappeared in the financial markets with US investment bank Lehman Brothers filing for Chapter 11 bankruptcy. At the time of writing, the largest US Insurance company AIG has been bailed out by the Federal Reserve which has acquired a 79% stake and has extended a \$85 billion loan to the beleaguered firm. Merrill Lynch is in the process of being taken over by Bank of America, while in the UK HBOS is likely to be acquired by Lloyds TSB.

Quoted Equity



The FTSE All Share Index fell by 16.4% during the year. This fall would have been much greater had it not been for a strong performance by natural resource stocks. Consumer and financial sectors were hard hit as the well documented difficulties of the US housing market spread through the banking system to the rest of the western world.


EPIC's exposure to small and medium sized companies continued to be unhelpful. In particular the valuation of the building components suppliers Heywood Williams and Lupus Capital fell by over £5 million during the year. In the year to June 2008 housing new build activity was down by between 20% and 50% in the western world and home improvement activity was down 15% to 25%. Heywood Williams sells 80% of its branded building products to customers in the residential new build and home improvement market segments across North America and Europe. Lupus has a smaller exposure through its seals and window systems businesses with 20% of sales going into the US housing market. Moreover, the splendid Gall Thomson oil service division provides around a quarter of group profits. In response to the continuing difficult markets both companies have rationalised and concentrated on cash generation but capital appreciation in both shares must await expectation of some improvement in end markets.

International property consultant DTZ lost its finance director, continued to expand into a falling market and exhausted EPIC's patience by suggesting that the final dividend might be reduced. The entire holding was sold during the third quarter. Investments in online retailer Findel and high street operator Woolworths proved premature as their business models failed to provide the expected immunity to the consumer squeeze. Despite making excellent operational progress early

in the year Kyrgyzstan copper and gold miner Aurum spent the last four months of the year suspended on AIM as it defended what it believes to be fraudulent and malicious litigation.

By late June the UK banking sector had lost 30% of its 31 December 2007 valuation. Gloomy forecasts about the UK housing market, suspicion about adequate provisioning and a raft of unwanted rights issues were responsible.

Single figure ratings and, in some cases yields of twice the prevailing bank rate, suggested that either the UK economy was entering such a severe recession that bank profits would collapse and dividends would be slashed or that the stock market had exaggerated the problem. EPIC has taken the latter view, and believing that the banks must be at the heart of any economic recovery, invested just over £6 million in Barclays Bank and Lloyds Bank. These purchases were funded by disposals of Carclo, Cryo-Save, Delta, Invensys and Microgen. This diverse group of companies were cash rich, well run and with the exception of Invensys without large pension deficits. These characteristics would allow them to survive a downturn well but their financial strength will probably make them less geared to an economic recovery than bank shares. New investments were also made in general insurer Brit Insurance Holdings and Managed Support Services where former Revenue Assurance chief Simon Beart took the helm.



Private Equity

The Private Equity portfolio, managed by EPIC Private Equity, has shown robust performance over the past year, generating a high and stable yield coupled with capital appreciation on exiting investments. Two new investments were made whilst the pipeline has grown strongly as the Managers aim to take advantage of current market conditions.

New Deals

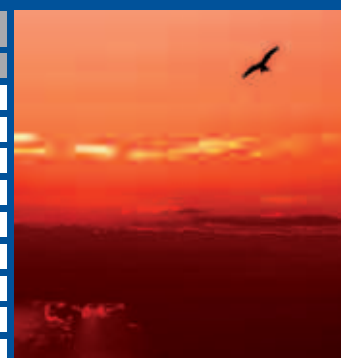
The objective of EPIC Private Equity remains to generate a strong yield through investment in Mezzanine debt supported by steady historic cash flows and assets, and to achieve significant capital appreciation from invested equity stakes. Investment focus is on businesses in commercially attractive sectors or niches with prospects for growth. Two new deals have been completed, including two bolt-on acquisitions.

In September 2007, EPIC Private Equity completed the management buy-in of **Driver Require**, a Stevenage-based temporary driver recruitment business. As part of the leveraged structure, EPIC invested £0.25 million in high yielding Mezzanine debt and equity.

March 2008 saw the addition of a third acquisition to the portfolio held **Indicia** group. The direct marketing business Entire was acquired following a £3.1 million investment, with the combined group enjoying wide-spread synergies and cross-selling opportunities.

In July 2008, the established electrical wholesaler **Lama** was acquired as a logical extension to the wholesale activity of the existing portfolio company **Ryness**. With stable overheads and gross margins of 30%, Lama was acquired with an initial £0.1 million investment by EPIC and will reduce the combined group's exposure to the retail sector.

Investment	Equity	Loans	Yield
	£m	£m	
Bighead	-	1.8	11%
Driver Require		0.3	10%
Evolving	-	1.8	10%
Indicia	0.2	3.8	13%
Nexus	-	4.8	10%
Palatinate	-	5.2	12%
Pharmacy2U	1.1	-	n/a
Pinnacle	2.4	-	n/a
Ryness	-	0.9	11%
Total	3.7	18.6	



Current Portfolio

Pharmacy2U, the online pharmacy, is trading profitably and growing in line with expectations. After an initial investment of £0.25 million, the investment was written up following a third party transaction in the equity, with EPIC now holding an 8.2% stake. Sales have grown by 37% per annum since 2002 with a current sales budget of £20 million.

Ryness, the electrical retailer, is performing well in spite of tough general retail conditions. Sales have grown steadily, especially in the wholesale area, with a current budget of £9.1 million and EBITDA margins running at 10%.

Nexus, the electrical wholesaler, continues to grow sales in line with forecasts, with £50.0 million of budgeted sales for 2008. With restructuring and overhead reductions to be implemented, the current EBITDA margin of 8% is predicted to grow sharply.

Palatinate Schools, the London-based schools group reports strong pupil numbers and financial performance in line with budget. Following the 2005 management buy-out, sales have continued to grow in excess of 10% per annum since 2004. With a 2008 sales budget of £8 million, EBITDA margins run at 30% on average.

Pinnacle-psg, the social housing management company, continues to benefit from government investment in the sector with a promising pipeline of new opportunities. £55.0 million of sales have been achieved in the last 12 months at a CAGR (“Compound Annual Growth Rate”) of 28% between 2003-2008. EBITDA margin runs at around 6%.

Bighead, the specialist engineering company, has grown more slowly than anticipated due to weakness in some customer sectors and delays in contracts. However, future prospects for the business are exceptional, with a planned rationalisation of the product line, strengthening of margins and a unique and still evolving product offering.

Indicia, the database management and analytics group, is a buy-and-build strategy in the marketing services sector, and following its recent acquisition of Entire, expects to complete a fourth bolt-on in Q4 2008. Run-rate sales are now £9.0 million, with target operating margins of 15%.

Evolving, the integrated digital marketing business, is exceeding forecast growth with a 2008 sales budget of £3.0 million and EBITDA margins running at 15%. Growth prospects remain strong with numerous client wins and continual margin improvements with expansion in scale.

Exits

EPIC LLP’s investment in **Kilgour**, the Savile Row tailor whose management buy-out was financed in 2003, was sold in February 2008 at a total return of 5.2 x money, representing an IRR (“Internal Rate of Return”) of 47%. The business was transformed by the Manager and is expected to continue flourishing under its new owner.



Specialist Funds

As at the end of July, the Specialist Funds portfolio represented 21.64% of the Fund. This portfolio is targeted at achieving non-correlated returns - diverse from the main body of the Fund - in excess of Libor +3% per annum. Sterling assets represented 6.2% of the total Fund; Euro investments totalled 3.8% of the Fund; and USD investments represented 8.6% of the Fund. We removed our USD currency hedges when the Cable rate hit 1.98 in order that the Fund might benefit from our forecast improvement in the USD closer to the Presidential elections. We anticipate re-hedging in November 2008 or thereafter when the USD has stabilised at a lower rate (i.e. stronger Dollar) against Sterling. Our Euro investments are largely hedged.

The largest holdings are **CCFM Bristol & Stone Baltic Property Ltd** (€4.0 million), a fund which invests in a portfolio of real estate assets in the Baltic states of Latvia, Lithuania and Estonia; **Jupiter Hyde Park Hedge Fund Ltd** (\$6.1 million), a long/short equity fund which was performing particularly strongly until mid July but has subsequently given back most of its calendar year gains; **EEA Life Settlements Fund** (\$3.7 million), a US Viatical Fund which purchases life insurance policies where the insured has an impaired life expectancy and which has now risen for 30 consecutive months.

Our German tax transaction sponsored by Macquarie Bank concluded satisfactorily during the year but our other smaller fund positions have not escaped the effects of the recent market turbulence although we remain comfortable with the underlying assets. For example, the share price of **South African Property Opportunities PLC** has suffered from a sector write-down which may prove unjustified by the Fund's underlying prospects.

During the period we sold our holdings in **Climate Exchange PLC** in March 2008, and closed our positions in **Limelight Private Capital**, **Cayenne Trust** and **AHG Trading GmbH** - the German tax structure mentioned above.

We have recently made an investment in the **Rasmala MENA Equity Opportunity Fund** which invests in the growth markets of the Middle East and North Africa.

Strategic Investments

Syndicate Asset Management ("SAM")

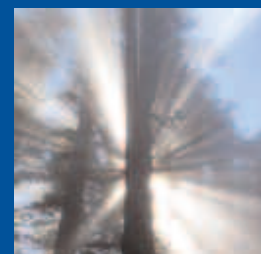
Following the sale of EPIC Investment Partners to SAM, the Company retains holdings in the Company's AIM listed shares as well as Loan Stock relating to the EPIC Investment Management contract and Deferred Consideration linked to the profitability of EPIC Investment Partners' ongoing fund management business. These shares and securities were received as part of the purchase consideration.

In performance and share price terms SAM has had another good year and the funds under management and revenues as at 31 March 2008 have risen to a little over £5.7 billion and by over 40% to £40 million respectively. This led to the doubling of EBITDA and an 84% increase in pre-tax profits. The Company continues to seek bolt-on acquisitions to its current activities and the current environment might be helpful in this regard, particularly within the previously competitive Independent Financial Advisory sector.

Strand Partners

Strand Partners have had another remarkably good year under circumstances where the market has become less receptive to IPO placings. This reflected the Company's focus on some active companies in the resources sector and a growing reputation for introducing international companies to the AIM market. Strand has succeeded in broadening its franchise considerably over recent years and appears to be well placed to withstand the current market conditions.

Portfolio Analysis



Largest Investments	Cost	Fair Value	2008	2007
			% of total investments	
Nexus Industries Limited	6,470,830	4,748,446	6.17	4.11
Palatinate School Holdings Limited	4,250,007	4,250,007	5.52	4.79
Alpha Real Estate GMBH 8%11 February 2010	3,446,137	3,938,248	5.12	3.79
Indicia Limited	3,566,538	3,758,538	4.88	-
Barclays Plc	2,853,115	3,380,000	4.39	-
CCFM Bristol and Stone Limited	2,816,823	3,115,154	4.05	-
Diploma Plc	1,732,464	3,029,023	3.94	5.08
Jupiter Hyde Park Hedge Fund Limited	2,000,000	3,002,067	3.90	3.16
Lloyds TSB Group Plc	3,166,508	2,950,000	3.83	-
Syndicate Asset Management Plc - 6% Loan Stock	2,502,450	2,502,450	3.25	-
Pinnacle-psg Limited	2,066,717	2,400,000	3.12	2.70
Irish Nationwide BS 4 3/4% 22 Dec 2008	2,150,500	1,938,385	2.52	-
Strand Partners Limited	2,583,925	1,875,849	2.44	-
EEA Life Settlement Fund	1,579,269	1,856,020	2.41	-
Aurum Mining Plc	2,276,825	1,219,400	1.58	-
Total of 15 largest investments	43,462,108	43,963,589	57.13	23.63
Other investments	39,711,370	23,541,210	30.59	68.80
BGI Sterling Liquidity First Fund, Liquid Deposits and Cash at Bank	9,447,866	9,452,755	12.28	7.57
Total investments	92,621,344	76,957,554	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 Palatinat 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.

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

Incorporation

The Company was incorporated on the 6 July 2001. The Company's registered office is: IOMA House, Hope Street, Douglas, Isle of Man. IM1 1AP

Business Review

Principal activity

The Equity Partnership Investment Company PLC ("EPIC PLC") 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.

The Company does not make any political donations or expenditure and as common with most investment companies the Company has no employees. Directors' and Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

Monitoring Performance

At each Board meeting, the Directors review a number of performance measures to assess the Company's success in achieving its objectives. The Key Performance Indicators for the Company as identified by the Board include NAV performance, share price performance and benchmark performance. Further details are provided in the Chairman's Statement on page 4.

Principal Risk Factors

Investment in private companies or securities of unquoted companies involves a greater degree of risk than that usually associated with investment in securities traded in major securities markets. Further details of the risks attaching to the Company's investments are provided in note 18 to the financial statements.

Share Capital

The company capital structure comprises of Income shares, Capital shares and Zero Dividend Preference shares ("ZDP shares"). The Income shares and ZDP shares have fixed redemption prices and are due for redemption on 31 July 2011. Although the Income shares and ZDP shares are entitled to a pre-determined capital repayment on the repayment date, this is not guaranteed, as the Company may have insufficient assets to satisfy the current or final capital entitlement.

The market price and the realisable value of the Capital shares, as well as being affected by their underlying net asset value, also take into account supply and demand for the Capital shares, market conditions and general investor sentiment. As such, the market value and the realisable value of the shares may fluctuate and vary considerably from the net asset value of the shares and investors may not be able to realise the value of their original investment. The Capital shares are also highly geared by way of Income shares and ZDP shares which have a priority call on capital repayment.

Dividends

The Income Shares carry the right to a cumulative preferential dividend and have no further rights to participate in the profits of the Group. The dividends payable in respect of each financial year are increased in proportion to the increase (if any) in the RPI over the preceding year, capped at a 5% increase in any year. Details of dividends declared and paid during the year are analysed on page 31 in note 5.

ZDP shareholders are not entitled to receive, and cannot participate in, any dividends or other distributions out of the profits of the Company.

Capital shareholders are entitled to capital appreciation of the investments and the gains on realisation.

Market Risks

The Company's investments portfolio comprises of quoted, unquoted and cash-based investments. The Company's investments are subject to normal market fluctuations and the risks inherent in the purchase, holding or selling of securities, and there can be no assurance that appreciation in the value of those investments will occur. Investment in unquoted securities involves a greater degree of risk than that usually associated with marketable securities. Unquoted investments have no ready markets and as such, these investments may not be readily realisable.

Foreign Exchange Risks

The Company accounts for its activities and reports its results in sterling while investments are made and realised in sterling and other major currencies. The Company uses derivative financial instruments to hedge certain Euro and US Dollar foreign currency revenues and investments.

Taxation and Exchange Controls

Any change in the Company's tax status or in taxation legislation (including the tax treatment of dividends or other investment income received by the Company) could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.

The Company may purchase investments that may be subject to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on its investments and the capital value of the affected.

Results of the financial year

Results for the year and their appropriation are set out in the Consolidated Income Statement on page 20 and in note 15 to the financial statements.

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 41.

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:

Dr Cameron McPhail (Chairman)
Mr Donald McCrickard
Mr Martin Richardson
Mr Philip Scales

Secretary

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

Mr John Middleton

Going concern

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

Auditors

KPMG Audit LLC was appointed as auditors on 20 December 2007. Being eligible, they have expressed their willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

On behalf of the Board

Philip Scales

Director

30 October 2008

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

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

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

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

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

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and to enable them to ensure that 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.

The Directors confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Directors' Report includes a fair view of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

On behalf of the Board

Philip Scales

Director

30 October 2008

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, KPMG Audit LLC, to the members of The Equity Partnership Investment Company PLC

We have audited the Group and Parent Company financial statements ("the financial statements") of The Equity Partnership Investment Company PLC for the year ended 31 July 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Shareholders' Equity and the Consolidated Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable Isle of Man company law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities on 18.

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 Isle of Man Companies Acts 1931 to 2004. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' transactions with the Company is not disclosed.

We read the Directors' Report and any other information accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements or inconsistencies within it.

Basis of opinion

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

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 the Group's and Parent Company's affairs as at 31 July 2008 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit LLC
Chartered Accountants
Douglas, Isle of Man
30 October 2008

Consolidated Income Statement

For the year ended 31 July 2008

Notes	2008 £000's	2007 £000's	
	Income		
	Dividends on financial assets at fair value through profit or loss	1,107	1,512
	Bond Interest	2,229	1,887
	Bank Interest	614	746
	Other Income	16	91
	Total income	3,966	4,236
	Expenses		
3	Management and investment advisory fees	976	1,273
	Professional fees	378	610
	Other expenses	515	382
3	Performance fees	273	386
	Abort fees	18	228
	Transaction costs	-	186
3	Administration fees	145	150
4	Directors' fees	67	93
	Custodian fees	(6)	69
	Audit fees	67	43
	Total expenses	2,433	3,420
	Net investment income	1,533	816
	(Losses)/gains on investments		
	Realised (losses)/gains on sale of investments at fair value through profit or loss	(8,261)	13,291
	Net unrealised loss on forward foreign currency contracts	(617)	(15)
	Foreign exchange differences	191	(675)
7	Movement in unrealised losses on revaluation of investments at fair value through profit or loss	(9,212)	(1,392)
	(Loss)/profit for the year on investments at fair value through profit or loss	(17,899)	11,209
5 & 11	Dividends on Income Shares	(2,466)	(2,376)
11	Debt finance costs	(1,410)	(1,392)
	(Loss)/profit for the year	(20,242)	8,257
6	Basic and diluted (loss)/earnings per capital share (pence)	(50.22)p	22.37p

The Directors derive that all results derive from continuing operations.

The accompanying notes on pages 25 to 40 are an integral part of the financial statements.

Consolidated Balance Sheet

As at 31 July 2008

Notes		2008 £000's	2007 £000's
7b	Financial assets measured at fair value through profit or loss	71,848	88,777
	Current assets		
	Cash and cash equivalents	5,109	5,707
9	Trade debtors & other receivables	3,113	4,159
	Total assets	80,070	98,643
	Current liabilities		
10	Trade creditors & other payables	1,686	1,436
	Non-current liabilities		
11b	Zero Dividend Preference Shares	22,562	21,208
11a	Income Shares	20,671	20,606
	Total liabilities	44,919	43,250
	Net assets	35,151	55,393
	Shareholders' Equity		
12	Share capital	4,030	4,030
13	Share premium	35,410	35,410
14	Reserves	(4,289)	15,953
	Shareholders' Equity	35,151	55,393
		Pence	Pence
15	Net asset value per Capital Share (basic and diluted)	87.21	137.45

The financial statements were approved by the Board of Directors on 30 October 2008 and signed on its behalf by:

Philip Scales
Director

Martin Richardson
Director

Company Balance Sheet

As at 31 July 2008

Notes		2008 £000's	2007 £000's
7a	Financial assets measured at fair value through profit or loss	51,464	71,166
	Investment in subsidiaries	-	-
	Current assets		
	Cash and cash equivalents	5,029	5,324
9	Trade debtors & other receivables	18,954	19,104
	Total assets	75,447	95,594
	Current liabilities		
10	Trade creditors & other payables	1,661	1,406
	Non-current liabilities		
11	Loan Note of EPIC Securities PLC	22,562	21,208
11	Income Shares	20,671	20,606
	Total liabilities	44,894	43,220
	Net assets	30,553	52,374
	Shareholders' Equity		
12	Share capital	4,030	4,030
13	Share premium	35,410	35,410
14	Reserves	(8,887)	12,934
	Shareholders' Equity	30,553	52,374

The financial statements were approved by the Board of Directors on 30 October 2008 and signed on its behalf by:

Philip Scales
Director

Martin Richardson
Director

The accompanying notes on pages 25 to 40 are an integral part of the financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 July 2008

	2008	2007
	£000's	£000's
Shareholders' Equity brought forward	55,393	41,392
(Loss)/profit for the year	(20,242)	8,257
	35,151	49,649
Exercise of share warrants	-	5,744
Shareholders' Equity as at 31 July 2008	35,151	55,393

The accompanying notes on pages 25 to 40 are an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 July 2008

Notes	2008 £000's	2007 £000's
	Operating activities	
	1,079	1,349
	2,066	1,106
	621	732
	16	-
	(2,805)	(3,351)
17	977	(164)
	Investing activities	
	(75,378)	(90,384)
	76,422	86,338
	(39)	-
	78	659
	1,083	(3,387)
	Financing activities	
5	(2,444)	(2,357)
	-	5,744
	(214)	-
	(2,658)	3,387
	(598)	(164)
	5,707	5,871
	5,109	5,707

The accompanying notes on pages 25 to 40 are an integral part of the financial statements.

Notes to the Financial Statements

As at 31 July 2008

1 Operations

The Equity Partnership Investment Company PLC ("EPIC 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 (IFRSs) and Interpretations adopted by the International Accounting Standards Board (IASB) 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.

In preparing these consolidated financial statements, the Group has adopted IFRS 7 *Financial Instruments: Disclosures* and the consequential amendments to IAS 1 *Presentation of Financial Statements*. The adoption of IFRS 7 and the amendment to IAS 1 impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profits or financial position of the Group. In accordance with the transitional requirements of the standards, the Group has provided full comparative information.

b Segmental reporting

The Directors are of the opinion that the Group is engaged primarily 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 2.

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.

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.

Notes to the Financial Statements

As at 31 July 2008

continued

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 weighted average 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 Consolidated 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 39 ("IAS 39"), Financial Instruments: Recognition and Measurement. 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 18.

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 benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

m Subsidiaries

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

n Associates

Associates are those entities over which the Company has significant influence. By virtue of the exemption provided by IAS 28 for investment funds and similar entities, investments in such entities are designated upon initial recognition to be accounted for at fair value through profit or loss.

o 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 loss on ordinary activities, a loss of £21,821,180 (2007: profit of £5,465,243) has been made by EPIC PLC.

p 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:

<u>International Accounting Standards (IAS/IFRS)</u>		<u>Effective Date</u>
IAS 1	Presentation of Financial Statements (Revised)	1 January 2009
IAS 23	Borrowing costs (Revised)	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (Amended)	1 January 2009
IAS 1 and 32	Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amended)	1 January 2009
IAS 39	Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement (Amended)	1 July 2009
IFRS 2	Share-based Payment – Vesting Conditions and Cancellations (Amended)	1 January 2009
IFRS 3	Business Combinations (Revised)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
<u>International Financial Reporting Interpretations Committee (IFRIC)</u>		<u>Effective Date</u>
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008

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Revised IAS 1 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group's 2009 consolidated financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 consolidated financial statements.

IFRS 8 introduces the "management approach" to segment reporting, with information based on internal reports. Management are currently assessing the impact of this on the disclosures to be presented regarding segmental reporting.

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

q 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.

In 2007, interest in EPIC Investment Partners Limited ("EIP") 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. The 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 the deferred consideration and this has therefore been accrued as a debtor. The remaining 50% represents a contingent asset.

3 Management, investment advisory, administration and performance fees

	2008	2007
	£000's	£000's
Management and investment advisory fee	976	1,273
Administration fee	145	150
Performance fee	273	386
	1,394	1,809

EPIC PLC

On 14 August 2001 the Group entered into an agreement with EPIC Investment Partners Limited for the provision of investment management services. EPE Limited (formerly EPIC Specialist Investment Limited) provided investment management services between January 2007 and September 2007. On 21 of September 2007 EPIC Asset Management Limited was appointed the Investment Manager. 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.

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 Asset Management Limited 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 Asset Management Limited for the forthcoming year.

Investment management fees of £876,486 (2007: £1,154,752) were payable to EPIC Asset Management Limited, of which £161,497 (2007: £287,508) was outstanding as at 31 July 2008.

EPIC INVESTMENTS LLP

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.

The investment advisor of EPIC Investments 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), subject to an annual minimum of £100,000.

Investment advisory fees of £100,000 (2007: £118,311) were payable to EPIC Private Equity LLP of which £25,000 (2007: £29,375) remains outstanding at the year end.

EPIC INVESTMENTS 2 LLP

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 2008, £nil (2007: £nil) has been expensed, of which £nil (2007: £nil) was outstanding at 31 July 2008.

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 £272,950 (2007: £386,411) has been expensed, representing an accrual for the previous year.

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 EPIC 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%
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- (b) On the hurdle payment date 19.999% of the Non-Mezzanine Relevant Sums previously allocated to EPIC 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%
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Notes to the Financial Statements

As at 31 July 2008

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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 EPIC 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 EPIC 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 contained within the Members' Agreement.

Administration fee

On 30 November 2007 the Group entered into an agreement with IOMA Fund and Investment Management Limited ("IOMA"), for the provision of administration, registration and secretarial services. IOMA delegated the provision of accounting services to EHM Service Providers Limited. 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.

4 Directors' fees

Directors' fees amount to £67,439 (2007: £93,315) and are comprised as follows:

	2008	2007
	£000's	£000's
Dr Cameron McPhail (Chairman)	25	25
Mr Donald McCrickard	20	20
Mr Martin Richardson	20	20
Mr Philip Scales	10	11
Mr Donald Adamson	-	17
Prior year overprovision	(8)	-
	67	93

5 Dividends on Income Shares

	Rate (pence)	2008 £000's	2007 £000's
1 st interim dividend paid on 23 November 2007	2.973 (2007: 2.86410)	617	594
2 nd interim dividend paid on 25 February 2008	2.973 (2007: 2.86410)	616	594
3 rd interim dividend paid on 23 May 2008	2.973 (2007: 2.86410)	617	594
Declared 4 th interim dividend paid on 22 August 2008	2.973 (2007: 2.86410)	616	594
	11.892 (2007: 11.4564)	2,466	2,376

The 4th interim dividend of £616,491 was payable on 22 August 2008 to shareholders on the register as at 1 August 2008. The ex-dividend date was 30 July 2008.

6 Basic and diluted (loss)/earnings per capital share

Capital Shares

Basic (loss)/earnings per capital share is calculated by dividing the (loss)/profit for the year attributable to Capital Shares by the weighted average number of Capital Shares outstanding during the year.

	2008 £000's	2007 £000's
(Loss)/profit for the year	(20,242)	8,257
Weighted average number of capital shares for basic earnings per shares	40,304,312	36,905,923
Weighted average number of capital shares for diluted earnings per shares	40,304,312	36,905,923

For the years ended 31 July 2007 and 2008 there is no difference between basic and fully diluted loss per capital share.

7a 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 2008	4,343	5,586	-	32,905	16,512	5,597	500	65,443
Unrealised (loss)/gain on revaluation	-	(503)	-	(12,561)	(961)	280	(234)	(13,979)
Fair Value at 31 July 2008	4,343	5,083	-	20,344	15,551	5,877	266	51,464
As at 31 July 2007	6,718	5,091	-	33,445	17,169	3,368	5,375	71,166

**Unlisted investments at Directors' valuation.*

Included in Specialist Funds and Structured Products are unquoted holdings at Directors' valuation of £2,260,067 and £3,938,248 respectively.

Notes to the Financial Statements

As at 31 July 2008

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7b Consolidated: Financial assets measured at fair value through the profit & loss account

At bid price	Cash Based Funds	*Strategic Investments	*Unquoted Investments	Quoted Equities	Specialist Funds	Structured Products	*Others	Totals
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Closing book cost at 31 July 2008	4,343	5,586	22,074	32,905	16,512	5,597	500	87,517
Unrealised (loss)/gain on revaluation	-	(503)	(1,690)	(12,561)	(961)	280	(234)	(15,669)
Fair Value at 31 July 2008	4,343	5,083	20,384	20,344	15,551	5,877	266	71,848
As at 31 July 2007	6,718	5,091	17,611	33,445	17,169	3,368	5,375	88,777

*Unlisted investments at Directors' valuation.

Included in Specialist Funds and Structured Products are unquoted holdings at Directors' valuation of £2,260,067 and £3,938,248 respectively.

8 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

The partnerships are controlled entities of EPIC PLC. The Partnerships' principal purpose is to make private equity investments.

9 Trade debtors & other receivables

	Group 2008	Company 2008	Group 2007	Company 2007
	£000's	£000's	£000's	£000's
Amounts due from brokers	-	-	940	468
Interest and dividends receivable	2,604	861	2,416	749
Unrealised gain on outstanding forward exchange contracts	-	-	331	331
Loan due from EPIC Investments LLP	-	15,027	-	14,266
Loan due from EPIC Investments 2 LLP	-	2,557	-	1,700
Hurdle fees EPIC Investments LLP	-	-	-	999
Hurdle fees EPIC Investments 2 LLP	-	-	-	119
Other debtors	509	509	472	472
	3,113	18,954	4,159	19,104

Loans due from subsidiaries are unsecured, 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 by brokers within normal market settlement terms.

10 Trade creditors & other payables

	Group	Company	Group	Company
	2008	2008	2007	2007
	£000's	£000's	£000's	£000's
Amounts due from brokers	539	539	-	-
Unrealised loss on outstanding forward exchange contracts	286	286	-	-
Accrued expenses	245	220	842	812
Dividends payable on Income Shares	616	616	594	594
	1,686	1,661	1,436	1,406

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.

11 Non-current liabilities

			Group	Company	Group	Company
	Maturity date	Rate %	2008	2008	2007	2007
			£000's	£000's	£000's	£000's
Zero dividend preference shares	31 July 2011	6.5	22,562	-	21,208	-
Loan note of EPIC Securities Plc	-	-	-	22,562	-	21,208
Income Shares	31 July 2011	10.0	20,671	20,671	20,606	20,606
			43,233	43,233	41,814	41,814

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

b Income Shares

	Number of Shares	2008	Number of Shares	2007
		£000's		£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
		2008		2007
		£000's		£000's
At start of year		20,606		20,542
Amortisation of Income Shares issue costs		65		64
At close of year		20,671		20,606

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 2008 was £21,306,582 (2007: £24,313,350) based on the quoted offer price of 102.75p (2007: 117.25p) per income share.

Notes to the Financial Statements

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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.

b 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 £751,214 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 2008 was £22,550,000 (2007: £21,150,000) based on the quoted offer price of 112.75p (2007: 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 7.29% (2007: 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 2008 the accrued value was £22,562,028 (2007: £21,208,189). 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 will be satisfied by an allocation to the redemption reserve. The daily compound rate applied to the ZDP Shares represents an annual compound rate of 7.29% (2007: 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 did 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 attach 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.

12 Share capital - Capital shares

	2008		2007	
	Number of Shares	£000's	Number of Shares	£000's
Authorised				
Capital Shares	75,000,000	7,500	75,000,000	7,500
	75,000,000	7,500	75,000,000	7,500
Issued and fully paid				
Capital Shares	40,304,312	4,030	40,304,312	4,030
	40,304,312	4,030	40,304,312	4,030

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.

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.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board manages the Company's affairs to achieve shareholder returns through capital growth rather than income, and monitors the achievement of this through growth in net asset value per share.

Company capital comprises share capital, share premium and reserves. The Company is not subject to externally imposed capital requirements.

Notes to the Financial Statements

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13 Share premium - Capital shares

	2008 £000's	2007 £000's
Share premium at start of year	35,410	30,240
Share premium on issue	-	5,170
Share premium at 31 July 2008	35,410	35,410

14 Group and Company Reserves - Capital shares

Group Reserves

	Profit and loss reserve 2008 £000's	Profit and loss reserve 2007 £000's
Reserves at start of year	15,953	7,696
(Loss)/profit for the year	(20,242)	8,257
Reserves at 31 July	(4,289)	15,953

Company Reserves

	Profit and loss reserve 2008 £000's	Profit and loss reserve 2007 £000's
Reserves at start of year	12,934	7,469
(Loss)/profit for the year	(21,821)	5,465
Reserves at 31 July	(8,887)	12,934

Per the Group's Prospectus, dividends can be paid up to the cumulative total of gross income. As at 31 July 2008 £6,898,000 (2007: £5,547,000) 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 19.

15 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 £35,151,000 (2007: £55,393,000) on 40,304,312 (2007: 40,304,312) capital shares in issue at the end of the year.

16 Published Net Asset Value

As at 31 July 2008	£000's	Pence per share
Published net asset value of capital shares	38,177	94.72
Adjustments for:		
Financial assets market value adjustments	(3,026)	(7.51)
Consolidated net asset value per financial statement	35,151	87.21

17 Note to the Consolidated Statement of Cashflows

Reconciliation of net investment income to net cash inflow/(outflow) from operating activities:

	2008	2007
	£000's	£000's
Net investment income	1,533	816
Adjustment for:		
Amortisation of Zero Dividend Preference Shares issue costs	160	-
Amortisation of Income Shares issue costs	65	-
Increase in interest and dividends receivable	(184)	(947)
Decrease in trade and other payables	(597)	(33)
Net cash inflow/(outflow) from operating activities	977	(164)

18 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;

The analysis of investments is provided in note 7b.

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 11).

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.

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continued

A list of the 15 largest investments held by the Group is shown in the Portfolio Analysis (unaudited) on page 14.

If the value of the Group's investment portfolio declined by 5% the net assets would decrease by £3,592,414 (2007: £4,438,837).

An increase in value of 5% would have an equal but opposite effect.

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.

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

	2008	2007
	£000's	£000's
Cash bases funds	4,343	6,718
Debt securities	26,353	19,487
Cash and cash equivalents	5,109	5,707
Trade debtors and other receivables	3,113	4,159
	38,918	36,071

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. 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.

Residual contractual maturities of financial liabilities:

31 July 2008	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	No stated maturity
	£000's	£000's	£000's	£000's	£000's	£000's
Financial liabilities						
Trade creditors and other payables	1,070	-	-	-	-	-
Zero Dividend Preference Shares	-	-	-	22,562	-	-
Income Shares	616	-	-	20,671	-	-
	1,686	-	-	43,233	-	-

31 July 2007	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	No stated maturity
	£000's	£000's	£000's	£000's	£000's	£000's
Financial liabilities						
Trade creditors and other payables	842	-	-	-	-	-
Zero Dividend Preference Shares	-	-	-	21,208	-	-
Income Shares	594	-	-	20,606	-	-
	1,436	-	-	41,814	-	-

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.

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 Euro and US Dollar. 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 2008 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
29 August 2008	EUR 5,000,000	3,809	(3,940)	(131)
20 November 2008	USD 4,099,979	2,021	(2,086)	(65)
20 November 2008	USD 5,099,979	(2,602)	2,595	(7)
21 November 2008	USD 1,000,000	508	(509)	(1)
27 February 2009	EUR 3,300,000	2,527	(2,609)	(82)
		6,263	(6,549)	(286)

As at 31 July 2007 the Group held open forward exchange contracts in GBP 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	EUR 5,000,000	3,368	3,667	299
28 February 2008	USD 2,000,000	1,347	1,379	32
		4,715	5,046	331

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

	2008	2007
	Denominated in foreign currency US \$000's	Denominated in foreign currency US \$000's
Financial assets at fair value through profit or loss	8,132	7,612
Cash balances	32	227
Forward exchange contracts (net)	-	(2,000)
Total : US Dollar	8,164	5,839
Total: Sterling	4,121	2,874
	€000's	€000's
Financial assets at fair value through profit or loss	9,003	4,587
Cash	5	1
Forward exchange contracts	(8,300)	(5,000)
Total : Euros	708	(412)
Total: Sterling	541	278

Notes to the Financial Statements

As at 31 July 2008

continued

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to debt securities in the Group's investment portfolio and obligations regarding ZDP shares and Income Shares. 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. The interest rate profile of the Group at 31 July 2008 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 based funds	4,343	4,343	-	-
Unquoted investments	20,384	-	16,600	3,784
Quoted equities	20,344	-	-	20,344
Specialist funds	15,551	-	516	15,035
Strategic investments	5,083	-	2,502	2,581
Structured products	5,877	-	5,877	-
Others	266	-	-	266
Financial assets measured at fair value through profit or loss	71,848	4,343	25,495	42,010
Cash and cash equivalents	5,109	5,109	-	-
Trade debtors and other receivables	3,113	-	-	3,113
	80,070	9,452	25,495	45,123

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	20,671	20,671	-	-
Creditors	1,686	-	-	1,686
Zero Dividend Preference Shares	22,562	-	22,562	-
	44,919	20,671	22,562	1,686

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

Financial assets	Total as per	Variable rate	Fixed rate	Assets on which
	Balance Sheet			no interest is
	£000's	£000's	£000's	received
				£000's
Type:				
Cash based funds	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	-	-
Trade debtors and other receivables	4,159	-	-	4,159
	98,643	22,444	10,760	65,439

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

19 Split of profit and loss reserve between Revenue and Capital

	2008	2008	2007	2007
	Revenue	Capital	Revenue	Capital
	£000's	£000's	£000's	£000's
Total income	3,966	-	4,236	-
Total expenses (including debt finance costs)	(65)	(3,778)	(64)	(4,748)
Net investment income/(loss)	3,901	(3,778)	4,172	(4,748)
Gains on investments				
Realised (loss)/gain on sale of investments	-	(8,261)	-	13,291
Movement in unrealised (loss)/gain on revaluation of investments	-	(9,212)	-	(1,392)
Net unrealised loss on forward foreign currency contracts	-	(617)	-	(15)
Foreign exchange differences	-	191	-	(675)
Dividends in respect of Income Shares	(2,466)	-	(2,376)	-
	2,466	17,899	(2,376)	11,209
Profit for the year	1,435	(21,677)	1,796	6,461
Reserves brought forward	5,547	10,406	3,751	3,945
Reserves carried forward	6,982	(11,271)	5,547	10,406

Notes to the Financial Statements

As at 31 July 2008

continued

20 Directors' interests

No Directors had interests in the shares of the Group as at 31 July 2008.

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.

21 Related parties

(i) 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. EPE Limited (formerly EPIC Specialist Investment Limited) provided investment management services between January 2007 and September 2007. On 21 of September 2007 EPIC Asset Management Limited was appointed the Investment Manager.

(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. EPE Limited (formerly EPIC Specialist Investment Limited) provided investment management services between January 2007 and September 2007. On 21 of September 2007 EPIC Asset Management Limited was appointed the Investment Manager.

Investment management fees of £876,486 (2007: £1,154,752) were payable to EPIC Asset Management Limited, of which £161,497 (2007: £287,508) was outstanding as at 31 July 2008.

Performance fees of £272,950 (2007: £386,411) were paid to EPE Limited, of which £nil was outstanding at 31 July 2008 (2007: £386,411).

(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 £100,000 (2007: £118,311) were payable to EPIC Private Equity LLP of which £25,000 (2007: £29,375) 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 2008 (2007: £Nil).

(v) Mr Don McCrickard, a director, is also a non-executive Director of Brit Insurance Holdings PLC. As at 31 July 2008 Brit Insurance Holdings PLC held 1,000,000 Income Shares, representing 4.82% of the Income Shares class.

(vi) The Group invest in certain companies which are considered to be related parties, as follows:

- Syndicate Asset Management plc;
- EPE Special Opportunities plc (formerly EPIC Reconstruction plc).

(vii) The principles of EPIC Private Equity LLP co-invest in certain portfolio companies invested by the Group companies.

22 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.

23 Commitments

As 31 July 2008, EPIC PLC was committed to fund the working capital requirements of certain portfolio companies as follows:

- Driver Require - £100,000 working capital facility expiring on 13 October 2008;
- Indicia Limited - £300,000 working capital facility expiring on 28 March 2009.

The Company was also committed to fund Indicia Limited's deferred consideration relating to the acquisition of Entire Limited amounting to £670,000.

24 Post Balance sheet events

Dividends

The Board of Directors declared a final dividend of 2.973 pence per income share, payable to all eligible income shareholders at record date 1 August 2008. The ex-dividend date is 30 July 2008. The dividend was paid on 22 August 2008.

Investments

In the published Net Asset Value at 31 July 2008, the Company's quoted equity investment portfolio had 2,345,000 Aurum Mining plc shares purchased at a cost of 97.1p per share and stated at a price of 93 pence per share, being the last quoted price before suspension on 4 March 2008. The suspension was subsequently lifted 18 August 2008. For the purpose of the financial statements, this investment has been fair valued using the opening trading price on 18 August 2008 of 52 pence per share. This resulted in a write-down of £961,450.

On 15 October 2008, Equity Special Situation Limited ("ESS") announced its request for the suspension of trading in its shares pending clarification of the status of certain of its investments. The suspension was granted and announced on that date. At 31 July 2008, the Company's quoted investments include 653,846 ESS shares valued at £1,569,230. The Directors do not consider the suspension of the stock to be an adjusting event as the suspension occurred after year end. It has been subsequently written down to 50 pence per share, representing a write down of £948,000.

Shareholder Information - significant holdings

As at 31 July 2008

Schedule of shareholders holding over 3% of issued shares

Income Shares

	Holdings	% of class
Nortrust Nominees Limited	4,642,550	22.39%
The Corporation of Lloyd's	2,500,000	12.06%
Chaucer Syndicates Limited	2,500,000	12.06%
BNY (OCS) Nominees Limited	1,161,500	5.60%
Ferlim Nominees Limited	901,900	4.35%
The Corporation of Lloyds	900,000	4.34%
HSBC Global Custody Nominee(UK)	825,000	3.98%
HSBC Global Custody Nominee(UK)	810,000	3.91%
Giltspur Nominees Limited	727,440	3.51%
	14,968,390	72.20%

Capital Shares

	Holdings	% of class
SG Option Europe S.A.	10,455,000	25.94%
The Corporation Of Lloyd's	5,000,000	12.41%
BNY (OCS) Nominees Limited	4,830,000	11.98%
Nortrust Nominees Limited	4,825,000	11.97%
Nortrust Nominee Limited	3,550,000	8.81%
Landsbanki Securities (UK) Limited	3,272,956	8.12%
Norturst Nominees Limited	1,250,000	3.10%
	33,182,956	82.33%

Zero Dividend Preference Shares

	Holdings	% of class
Giltspur Nominees Limited	4,314,783	21.57%
Nortrust Nominees Limited	2,267,116	11.34%
Ferlim Nominees Limited	2,086,225	10.43%
Nortrust Nominees Limited	1,230,000	6.15%
Smith & Williamson Nominees Limited	1,169,300	5.85%
Chase Nominees Limited	950,000	4.75%
NW Brown Nominees Limited	811,500	4.06%
HSBC Global Custody Nominee (UK)	737,937	3.69%
BNY (OCS) Nominees Limited	665,000	3.33%
BDS Nominees Limited	532,217	2.66%
	14,764,078	73.83%

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of The Equity Partnership Investment Company Plc (the “Company”) will be held

at **IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP**
on **29 December 2008 at 10.00 a.m. for the following purposes:**

ORDINARY BUSINESS

To consider and, if thought fit, to pass the following resolutions which will be proposed as Ordinary Resolutions:

- Resolution 1** To receive and adopt the audited accounts of the Company for the year ended 31 July 2008, together with the Directors’ and Auditor’s Reports thereon.
- Resolution 2** To approve the payment of Directors’ fees for the year ended 31 July 2008.
- Resolution 3** To re-appoint KPMG Audit LLC as auditors of the Company and authorise the Directors to determine their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions which will be proposed as Special Resolutions:

- Resolution 4** THAT subject to approval being granted by the holders of Zero Dividend Preference Shares in EPIC Securities PLC in a separate general meeting, the Company generally be and is hereby authorised for the purposes of Section 13 of the Companies Act 1992 to make market purchases (as defined in Section 13(2) of the said Act) of Income shares (“Income Shares”) of £0.10 each and Capital shares (“Capital Shares”) of £0.10 each in the capital of the Company provided that:
- (i) the maximum number of Income Shares hereby authorised to be purchased is 14.99 per cent. of the Income Shares in issue as at the date hereof and the maximum number of Capital Shares thereby authorised to be purchased is 14.99 per cent. of the Capital Shares in issue as at the date hereof;
 - (ii) the minimum price to be paid for such Income Shares and Capital Shares is the nominal amount thereof;
 - (iii) the maximum price (exclusive of expenses) to be paid for such Income Shares and Capital Shares is 105 per cent. above the average of the middle market quotations taken from the Official List of the UK Listing Authority for the five business days before the purchase was made;
 - (iv) the authority hereby conferred to make market purchases will (unless previously varied, renewed or revoked) expire on the earlier of the next annual general meeting of the Company and the date being eighteen months after the date on which this resolution is passed; and
 - (v) under the authority hereby conferred, the Company may make a contract to purchase its own Income Shares and Capital Shares prior to the expiry of such authority which would or could be executed wholly or partly after the expiry or revocation of such authority, and may make a purchase of its own Income Shares and Capital Shares in pursuance of any such contract.
- Resolution 5** THAT pursuant to section 56 of the Companies Act 1931, subject to confirmation by the Isle of Man High Court, the capital of the Company be reduced by cancelling all amounts standing to the credit of the share premium account of the Company and reclassifying such amounts as a distributable reserve of the Company.
- Resolution 6** THAT the Company shall not continue to carry on business as an investment company beyond 2011 and that the directors should formulate proposals for the reorganisation, reconstruction or winding up of the Company.

By order of the Board

John Middleton
Company Secretary
4 December 2008

- Notes**
- 1 A member who is entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him or her in respect of such shares. A proxy need not be a member of the Company.
 - 2 A Form of Proxy is enclosed which, to be valid, must be completed and delivered, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy of such authority) to IOMA Fund and Investment Management Limited, IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP so as to arrive not later than 10.00am on 27 December 2008, being 48 hours before the time of the meeting.
 - 3 Completion and return of a Form of Proxy does not preclude a member from attending and voting in person should they wish to do so.
 - 4 The Company, pursuant to Regulation 22 of the Uncertificated Securities Regulations 2005 (Isle of Man), specifies that only those members registered in the register of members as at 10.00am on 27 December 2008 (or in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjournment meeting) shall be entitled to attend or vote at the meeting in respect of the ordinary shares registered in their name at that time. Changes to entries on the register of members after 10.00am on 27 December 2008 (or, in the event that the meeting is adjourned, on the register of members less than 48 hours before the time of any adjournment meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Group Information

Directors

Dr C McPhail, Chairman
DC McCrickard
M Richardson
PP Scales

Secretary

John Middleton

Registered Office

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Administrator and Registrar

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Custodian

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Auditors

KPMG Audit LLC
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Investment Manager

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Stockbroker

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Isle of Man Advocates

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