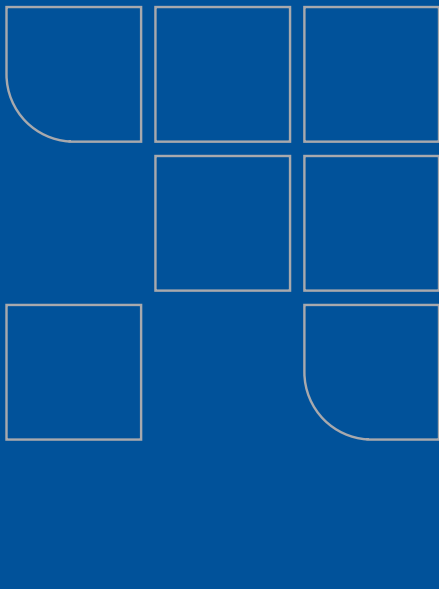


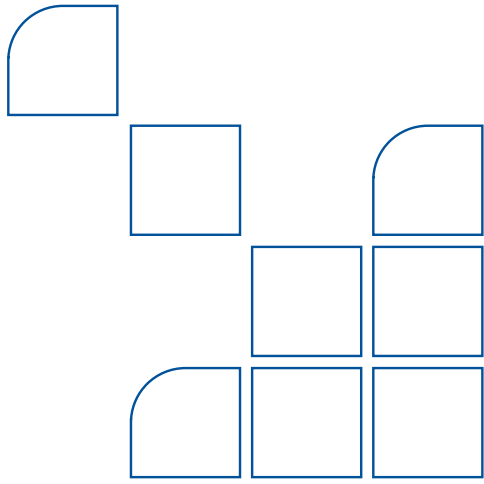


The Equity Partnership  
Investment Company PLC

## Half-yearly Report |

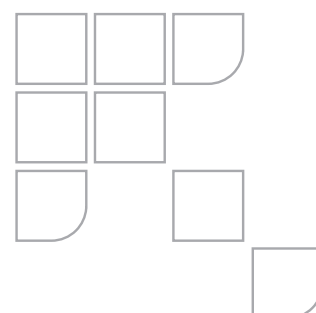
Half-yearly Report & Unaudited  
Financial Statements  
31 January 2010 |





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# Chairman's Statement

For the six months ended 31 January 2010 the net asset value attributable to our Capital Shares rose by 1.14%. This can be compared with a return from the All Share Index of 13% and a continued recovery in the Company's UK equity portfolio which resulted in a return of 43.5%. The difference between the performance of the Company's UK equity portfolio and the overall Capital Share NAV can be accounted for by some relatively small write-downs within the private equity portfolio and more significant write-downs in the specialist funds portfolio, most notably the Bristol & Stone Baltic Property Fund where continued problems in these economies have caused the value of the fund's investments to fall to a level below the outstanding borrowings. For the sake of prudence we have written this holding down to zero.

Income shareholders have received their full entitlement of 6p over the half year with the portfolio continuing to generate high levels of distributable income to the extent that the Company already retains sufficient distributable reserves for the forecast distributions to the end of the Company's life on 31 July 2011.

As we move into the final eighteen months of the Company's life, and as described in my last two reports, the Board's focus is increasingly upon the liquidity of the Company's investments and our ability to satisfy the expectations of Zero Dividend Preference shareholders, Income shareholders and Capital shareholders by July 2011. The quarterly newsletter will continue to cover this in detail.

At the time of writing the share prices of both our Income and Capital shares demonstrate investors' concerns that we have some way to go before Income shareholders can be redeemed in cash, while protecting the value attributable to Capital shareholders. Our first priority is therefore to ensure that both the senior tranches of equity (the Zeros and Income shares) have their final entitlements backed by liquid and tradable assets. Achieving this objective will then ensure that all subsequent realisations and any future initiatives to monetise the assets can be focused on achieving returns for our Capital shareholders.

Our Managers and Advisors are considering a range of potential initiatives to achieve the objective of realising the Company's illiquid investments without significant value dilution. Any such initiative would need to secure redemption rights of both Zero dividend Preference and Income shareholders while offering the Capital shareholders as much value as can be secured for them in July 2011.

**Cameron McPhail**

29 March 2010

# Investment Manager's Report



## Market Commentary

Economic releases during the period confirmed the widely-held expectation that the US, Eurozone and Canada exited recession in Q3, as well as showing that investor confidence continued to improve, and that unemployment, whilst it continued to rise, did so more gradually. While consumers appear to have been gaining in confidence for a number of months, business confidence indicators have been rising for longer and generally by more. Equity markets rallied on the back of this encouraging economic data, the retreat of risk aversion and increased liquidity helped in part by central bank action. A more benign outlook for economic activity, together with expectations of rising future inflation and higher sovereign debt issuance caused bond yields to rise and curves to steepen.

Deterioration in Greece's credit quality and the not so systemically important Dubai World debt restructuring concerned markets during the period. Although these events did not provoke widespread disruption, they served as a gentle reminder that economic recovery is not a simple, consistent one-way story. Money markets, anchored by liquidity and low central bank rates, continued to underperform corporate bonds which continued to rally.

Central banks kept central bank rates unchanged, and continue to send out dovish statements and reiterate their view that bank rates will be maintained at these levels for the near term. They also signalled the reduction in pace of their unorthodox monetary easing policies and in some economies stated that some of these measures will be brought to an end by the first quarter of 2010; in the case of the Eurozone, some facilities are receding in size naturally as demand for them lessens. Markets' attention has been focussed on the timing of such liquidity policy reversals and the effects this will have on both the economic and capital market environment.

After encouraging signs at the end of 2009, the beginning of 2010 saw markets come back down to earth, with disappointing employment reports in the US, larger than expected 85,000 job decline in non farm payrolls and declines in household employment. Manufacturing activity continues to pick up speed,

however with factory orders rising steadily and activity survey measures ending the year at 55.9. On the positive side Q4 GDP was released suggesting a relatively strong recovery in the US, with consumption and investment showing signs of recovery. A concern is how the mortgage market will react to the withdrawal of the Fed purchases in the mortgage market, with borrowing costs expected to rise once this has stopped, hindering the vital recovery of the already fragile housing market.

In the Eurozone, survey data suggested that GDP growth likely remained positive in Q4, although real economic data has been less encouraging. House prices in the UK continued to show signs of stabilisation and recovery.

The UK turned in anaemic GDP growth of 0.3% in the fourth quarter, supporting our view that the UK, despite massive monetary easing and currency depreciation, was the last of the Western economies to exit the recession - continues to lag behind the other economies, and with intimidating prospective burdens of debt and taxation remains likely to do so for a considerable period. Political uncertainty is currently high in the UK with the forthcoming general election having the potential to bring about a paradigm shift in fiscal policy.

The Euro area will be less fettered than other economies by debt burdens and fiscal consolidation; its few problem states represent a minor contribution to overall Eurozone GDP. The region is relatively manufacturing-orientated and thus the effect of inventory restocking is potentially greater here than elsewhere and, while there is uncertainty as to the exact timing and scale of this contribution, signs are that it is already acting as a positive on growth and we expect it to do so in the near-term, probably rendering the recovery self-sustaining and permitting the gradual withdrawal of emergency monetary policy measures.

## Quoted Equity

UK Equity markets continued to rise for most of the six months under review. The 13% appreciation in the All Share Index was driven by some fragile signs of stabilisation in the world's major economies and the relatively attractive dividend yields available on equities compared to returns on cash. The rise would have been greater but for worries about the direction of Chinese monetary policy and US President Obama's banking reforms emerging in January.

EPIC's two large holdings in the building materials area, Heywood Williams and Lupus Capital, both faced very weak markets but experienced markedly different fortunes. Heywood Williams stumbled towards a very unattractive debt for equity swap. EPIC sold its entire 16.6% stake at a substantial loss before administrators were called in. Lupus Capital cut costs drastically, made its profit target, paid back some debt and put a high powered new board in place. The share price quadrupled during the period.

Blood bank specialist Cryo-Save continued to post good sales numbers. The shares doubled in price allowing EPIC to profitably reduce its exposure by a third. LED lighting manufacturer Dialight was able to announce several important orders and was rewarded with a 60% share price rise during the period. Diploma remained EPIC's largest equity holding and despite difficult trading conditions produced another solid set of annual numbers in November. The shares rose by 30% during the period.

International components distributor Electrocomponents was an obvious beneficiary of economic recovery. The shares appreciated by 20%, where the rating looked full. EPIC sold its entire holding.

Cash rich Managed Support Services began to build critical mass in its core building services division. EPIC increased its holding to 6% of the company.

New holdings were taken in European cable operator Colt, North Sea explorer Encore Oil, book and entertainment retailer HMV and media conglomerate Huntsworth.

## Specialist Funds

The **Specialist Funds** portfolio represents 15% of the total Fund. Percentages appear to be higher than normal because of the general decline in the equity market. This decline is also reflected in the decline in the sterling assets in this portfolio. Within this portfolio Sterling assets represent 4.7% of the total Company; and, USD investments represent 10.3% of the Company. This portfolio is targeted at achieving non-correlated returns – diverse from the main body of the Company – in excess of the Company's Libor + 3% per annum performance benchmark.

The Specialist Funds portfolio is targeted at diversifying assets to achieve non-correlated returns in excess of the Company's Libor + 3% per annum performance benchmark. The largest investments by market value are commented upon below.

**EEA Life Settlement Fund** (\$4.2 million) is a Guernsey domiciled, regulated Class B fund listed on the Channel Island Stock Exchange and its objectives are to purchase, hold and manage a portfolio of US life settlements, provide a minimum benchmark return of 8% per annum and generate a consistent total net return of between 9% and 10% per annum. The fund provides an opportunity to invest in an asset class that is wholly uncorrelated with traditional investments and continues to achieve consistent and stable returns. The fund continues to enjoy positive price movements with 48 months of continuous growth.

**CCD Leisure Investments** (\$3.5 million) has been set up to invest in prestige holiday developments in emerging destinations. The first investment has been into the popular emerging tourist destination of Grenada which is located south of the usual hurricane path and whose tourist industry remains relatively undeveloped. The land for the project was bought cheaply and potential returns therefore should remain high. A small number of major players, such as Four Seasons Hotel Resorts, have highlighted the Island as an attractive emerging destination with direct flights from London and Frankfurt. Properties are priced at a fraction of its better known competitors in the Caribbean and the Island has strong potential for boutique and

eco-sensitive development. ERA's and CBRE's research and analysis suggested a significant price uplift would be achieved even in the present financial climate. Notwithstanding this we have previously marked down our investment by \$500,000 (15%) to be prudent. In the last quarter we have agreed the restructuring of our investment, by the introduction of a new co-investor. We believe these steps will make it easier to realise our investment over the next 2 years. The restructuring should make the project further advanced, fully funded, and will facilitate the purchase of further land required, in addition to a small cash return to the Company.

**Jupiter Hyde Park Hedge Fund Limited** (£1.1 million). Jupiter Hyde Park Hedge Fund Limited is an open-ended limited liability company incorporated in Bermuda. The fund is run by Philip Gibbs and is mandated to invest in a wide range of international investments. The fund enjoyed a marked long-term out-performance.

Outside of the Specialist Funds portfolio, the Company has a secured real estate junior loan to Alpha Real Estate GmbH of €5m which was due to be repaid this month. The borrower has missed the repayment date and is in default. We do not believe a loss will arise due to the equity in the portfolio securing it. We are liaising with the borrower to achieve repayment but the senior lender's loan does not mature until April so little is likely to happen until that time.

#### **CCFM Bristol & Stone**

The Fund's Managers have been in discussion with local agents and lending banks and although the prices are expected to bottom out in 2010 there is a concern that current values may be lower than the level of debt against which they are secured. Although reports are relatively positive for the future, predicting that Estonia will recover more quickly from the current downturn than its neighbouring Baltic States, particularly if it adopts the Euro, the Managers are uncertain that there will be sufficient short-term recovery in pricing levels to enable a refinancing of the portfolio. As a result EPIC's Managers have written down the carrying value of this holding to zero.

## Strategic Investments

Over the six month period under review the vast proportion of strategic investments has been encashed and so in future there will not be a separate section addressing this segment of the portfolio. Syndicate Asset Management redeemed our Loan Stock in December 2009 at a price of 96p, to include the 6% 2009 coupon. Given the Company's need for liquidity prior to the Loan Stock's end date, the Board decided to accept a small discount for the early return of cash.

In October 2009 the Company realised its remaining holding in Strand Partners, the boutique corporate finance advisory business.

## Private Equity

The **Private Equity** portfolio held by EPIC Investments LLP and EPIC Investments 2 LLP has performed robustly over the last six months, managing well through the downturn.

A prudent valuation was made in January 2010, and the portfolio has performed such that only small provisions have had to be made at the interim stage, such as against selective accrued interest. The investments continue to be valued upon a prudent basis, with no write-ups having been made in the last two years. Given the current market uncertainty, no holding values will be increased until such market uncertainty has passed, however at present there are no expectations that any further write-downs will be necessary.

No investments were made in the last six months, though the Manager is starting to see good opportunities due to the current lack of liquidity, although it is currently very difficult to leverage such investments. The focus over the next 6-12 months will be on bolt-on acquisitions to the existing portfolio.

## Investment Manager's Report (cont.)

### Current Portfolio

(held by EPIC Investments LLP and EPIC Investments 2 LLP)

**Pharmacy2U**, the online pharmacy, is trading profitably and growing in line with expectations. Sales have grown at 30% pa for the last six years at Pharmacy2U, and continue to grow at a similar rate. Recent profitability has been ahead of expectations.

**Nexus**, the electrical distributor, is performing to expectations, with the retail supply business performing more weakly than expected, whilst British General, the wholesale supply business, is showing signs of recovery.

**Palatinate Schools**, the London-based schools group, reports solid pupil numbers and strong profitability. Recent sales have been slightly below budget, driven by a few pupil departures.

**Pinnacle-psg**, the social housing management company, has delivered sales and profit slightly ahead of budget and well ahead of last year. The organisational changes in early 2009 have delivered improved profitability on existing contracts, resulting in a promising pipeline of new business.

**Indicia**, the marketing services group, is performing to expectations and continues to grow despite the downturn. Entire, the most recent acquisition, is performing well, and recently renewed its key contract, providing a platform for further growth in the coming year.

**Bighead**, the specialist engineering company, suffered in the first half of 2009 due to the downturn in the automotive and construction sector. However, overheads were reduced, and sales stabilised in the second half of the year. Some weakness is currently expected going forward.

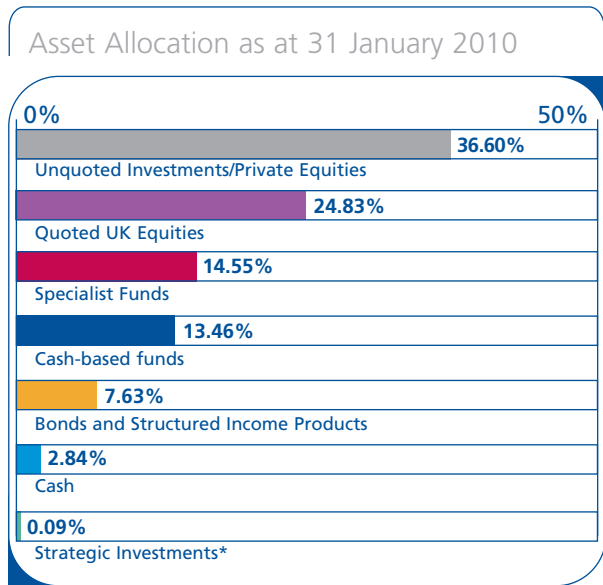
**Ryness**, the electrical retailer and wholesaler, is performing broadly to expectations given the downturn, with the online division growing strongly. Profits are generally slightly down on budget, mostly due to new EU regulations on the retail of incandescent light bulbs.

**Evolving Media**, the digital marketing agency, had a difficult year, but achieved breakeven profitability and beat some of the top UK digital agencies in order to win a couple of large accounts. The performance improved throughout 2009, and is expected to return to profitability in 2010.

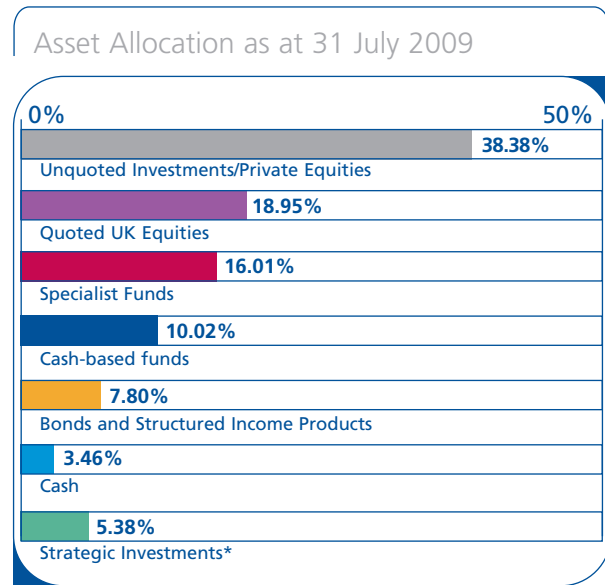
**Driver Require**, the driver recruitment business, has seen a downturn in trading due to the difficult market conditions, but prospects remain encouraging.

# Asset Allocation

As at 31 January 2010



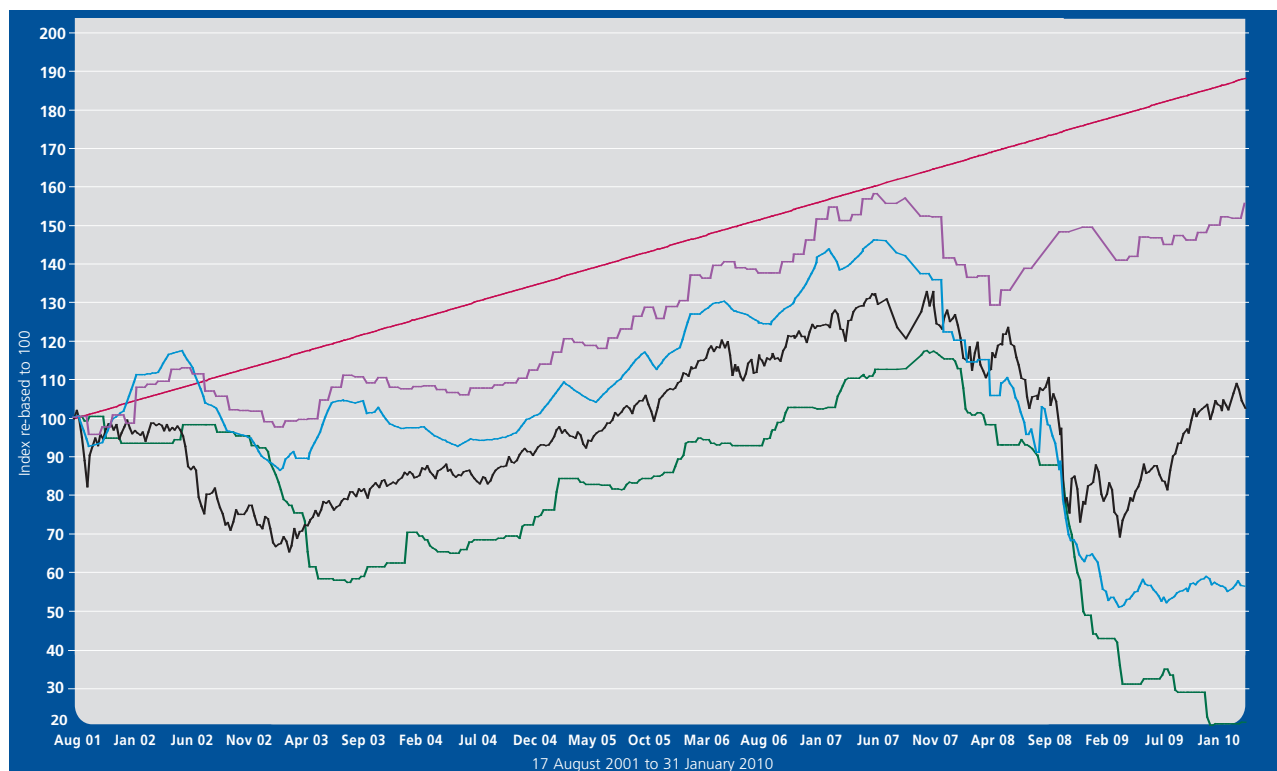
\* Syndicate Asset Management PLC, Strand Partners Limited  
Note: figures do not include the exposure to EPIC Securities PLC



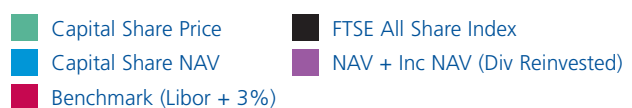
\* Syndicate Asset Management PLC, Strand Partners Limited  
Note: figures do not include the exposure to EPIC Securities PLC

## Capital Share Price and NAV Performance vs Benchmark

(from 17 August 2001 to 31 January 2010 - re-based to 100)



Source: Bloomberg



# Directors' Responsibility Statement

The Directors confirm to the best of their knowledge that:

- this condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;
- the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules, being:
  - an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - related party transactions that have taken place in the first six months of the financial year and any changes in the related party transactions described in the annual report that have materially affected or could have a material effect on the financial position or performance of the Group.

## **P P Scales**

Director

29 March 2010

# Review Report by KPMG Audit LLC to The Equity Partnership Investment Company PLC

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 January 2010, which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Shareholders' Equity, the Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

## Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly report in accordance with the DTR of the UK FSA.

The condensed set of financial statements included in this half yearly report have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 January 2010 is not prepared, in all material respects, in accordance with IAS 34 and the DTR of the UK FSA.

## **KPMG Audit LLC**

### *Chartered Accountants*

Heritage Court  
41 Athol Street  
Douglas  
Isle of Man  
IM99 1HN  
29 March 2010

# Consolidated Statement of Comprehensive Income

For the period from 1 August 2009 to 31 January 2010

Note	1 August 2009 to 31 January 2010 (Unaudited) £'000s	1 August 2008 to 31 January 2009 (Unaudited) £'000s	1 August 2008 to 31 July 2009 (Audited) £'000s
	<b>Income</b>		
	285	708	923
	129	1,317	2,544
	12	120	133
	5	40	40
	<b>431</b>	<b>2,185</b>	<b>3,640</b>
	<b>Expenses</b>		
	558	530	1,077
	364	165	363
	248	266	375
	69	65	139
	38	38	75
	8	-	22
	17	22	68
7	650	-	650
	<b>1,952</b>	<b>1,086</b>	<b>2,769</b>
	<b>(1,521)</b>	<b>1,099</b>	<b>871</b>
	<b>(Losses)/gains on investments</b>		
	(6,207)	(334)	2,757
	60	(559)	(3,428)
	(409)	(2,723)	827
	(6)	246	376
	10,403	(9,733)	(11,939)
	<b>3,841</b>	<b>(13,103)</b>	<b>(11,407)</b>
8	<b>(1,295)</b>	<b>(1,295)</b>	<b>(2,589)</b>
	<b>(791)</b>	<b>(752)</b>	<b>(1,497)</b>
	<b>234</b>	<b>(14,051)</b>	<b>(14,622)</b>
	-	-	-
	<b>234</b>	<b>(14,051)</b>	<b>(14,622)</b>
9	<b>0.58p</b>	<b>(34.86)p</b>	<b>(36.28)p</b>

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

The accompanying notes on pages 14 to 18 are an integral part of the consolidated financial statements.

# Consolidated Balance Sheet

As at 31 January 2010

Note		31 January 2010	31 January 2009	31 July 2009
		(Unaudited)	(Unaudited)	(Audited)
		£'000s	£'000s	£'000s
10	Financial assets at fair value through profit or loss	62,443	59,901	59,786
	<b>Current assets</b>			
	Cash and cash equivalents	1,826	3,030	2,139
	Trade debtors and other receivables	4,150	4,287	5,257
	<b>Total assets</b>	<b>68,419</b>	<b>67,218</b>	<b>67,182</b>
	<b>Current liabilities</b>			
	Trade creditors and other payables	1,203	2,030	1,749
7	Provisions	710	-	60
	<b>Non-current liabilities</b>			
	Zero Dividend Preference Shares	25,085	23,385	24,213
	Income Shares	20,658	20,703	20,631
	<b>Total liabilities</b>	<b>47,656</b>	<b>46,118</b>	<b>46,653</b>
	<b>Net assets</b>	<b>20,763</b>	<b>21,100</b>	<b>20,529</b>
	<b>Shareholders' Equity</b>			
11	Share capital	4,030	4,030	4,030
	Share premium	35,410	35,410	35,410
	Reserves	(18,677)	(18,340)	(18,911)
	<b>Shareholders' Equity</b>	<b>20,763</b>	<b>21,100</b>	<b>20,529</b>
12	<b>Net asset value per Capital Share (pence) - (basic and diluted)</b>	<b>51.52p</b>	<b>52.35p</b>	<b>50.93p</b>

The financial statements were approved by the Board of Directors on 29 March 2010 by:

Philip Scales  
Director

Martin Richardson  
Director

The accompanying notes on pages 14 to 18 are an integral part of the consolidated financial statements.

# Consolidated Statement of Changes in Shareholders' Equity

For the period from 1 August 2009 to 31 January 2010

	Share capital	Share premium	Retained reserves	Total
	£'000s	£'000s	£'000s	£'000s
<b>For six months ended 31 January 2010 (unaudited)</b>				
Balance at 1 August 2009 (audited)	4,030	35,410	(18,911)	20,529
Total comprehensive income for the period	-	-	234	234
<b>Balance at 31 January 2010 (unaudited)</b>	<b>4,030</b>	<b>35,410</b>	<b>(18,677)</b>	<b>20,763</b>

	Share capital	Share premium	Retained reserves	Total
	£'000s	£'000s	£'000s	£'000s
<b>For six months ended 31 January 2009 (unaudited)</b>				
Balance at 1 August 2008 (audited)	4,030	35,410	(4,289)	35,151
Total comprehensive income for the period	-	-	(14,051)	(14,051)
<b>Balance at 31 January 2009 (unaudited)</b>	<b>4,030</b>	<b>35,410</b>	<b>(18,340)</b>	<b>21,100</b>

	Share capital	Share premium	Retained reserves	Total
	£'000s	£'000s	£'000s	£'000s
<b>For the year ended 31 July 2009 (audited)</b>				
Balance at 1 August 2008 (audited)	4,030	35,410	(4,289)	35,151
Total comprehensive income for the year	-	-	(14,622)	(14,622)
<b>Balance at 31 July 2009 (audited)</b>	<b>4,030</b>	<b>35,410</b>	<b>(18,911)</b>	<b>20,529</b>

The accompanying notes on pages 14 to 18 are an integral part of the consolidated financial statements.

# Consolidated Statement of Cash Flows

For the period 1 August 2009 to 31 January 2010

	1 August 2009 to 31 January 2010 (Unaudited) £'000s	1 August 2008 to 31 January 2009 (Unaudited) £'000s	1 August 2008 to 31 July 2009 (Audited) £'000s
<b>Operating activities</b>			
Dividends received	300	749	892
Bond interest received	264	1,355	1,506
Bank interest received	12	120	394
Other income received	5	40	40
Expenses paid	(1,262)	(980)	(1,920)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(681)</b>	<b>1,284</b>	<b>912</b>
<b>Investing activities</b>			
Purchase of investments	(14,610)	(20,171)	(40,671)
Proceeds on sale of investments	16,219	20,685	42,401
Realised exchange differences on non sterling deposits	(11)	-	(99)
Settlement of forward foreign exchange contracts	60	(2,723)	(3,429)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>1,658</b>	<b>(2,209)</b>	<b>(1,798)</b>
<b>Financing activities</b>			
Dividends paid on income shares	(1,295)	(1,264)	(2,558)
<b>Net cash outflow from financing activities</b>	<b>(1,295)</b>	<b>(1,264)</b>	<b>(2,558)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(318)</b>	<b>(2,189)</b>	<b>(3,444)</b>
Effects of foreign exchange fluctuations on cash and cash equivalents	5	110	474
Cash and cash equivalents at start of the period/year	2,139	5,109	5,109
<b>Cash and cash equivalents at end of the period/year</b>	<b>1,826</b>	<b>3,030</b>	<b>2,139</b>

The accompanying notes on pages 14 to 18 are an integral part of the consolidated financial statements.

# Notes to the Financial Statements

For the period from 1 August 2009 to 31 January 2010

## 1 The Company

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

The interim consolidated financial statements of the Company for the period ended 31 January 2010 comprise the Company and its subsidiaries (together referred to as the "Group"). The interim consolidated financial statements are unaudited.

The consolidated financial statements of the Group as at and for the year ended 31 July 2009 are available upon request from the company's registered office at IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP or at [http://www.epicip.com/epic\\_plc\\_home.html](http://www.epicip.com/epic_plc_home.html).

## 2 Statement of compliance

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 July 2009.

These interim consolidated financial statements were approved by the Board of Directors on 29 March 2010.

## 3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in these interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 July 2009.

### Change in accounting policy

#### a) Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these interim financial statements as of and for the six months period ended on 31 January 2010. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

#### **b) Determination and presentation of operating segments**

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the Board, who are the Group's chief operating decision makers. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. The adoption of the standard had no impact on presentation and disclosure of segment information.

#### **4 Estimates**

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates, and assumptions that effect the application of policies and the reported amounts of assets and liabilities, income and expenses. These estimates and 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and future years if the revision affects both current and future years. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies is included in the following balance: Financial assets at fair value through profit or loss, note 10.

#### **5 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.

#### **6 Financial risk management**

The Group's financial risk management policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 July 2009.

#### **7 Provisions**

During the period the Company was engaged in a legal dispute in relation to one of its investments a result of which the Company may be required to pay the other sides costs. An estimate of these costs has been provided in the Interim Financial Statements.

# Notes to the Financial Statements (continued)

For the period from 1 August 2009 to 31 January 2010

## 7 Provisions (continued)

	Six months ended 31 January 2010	Six months ended 31 January 2009	Year ended 31 July 2009
	£'000s	£'000s	£'000s
<b>Legal costs provisions</b>			
Legal costs provisions at start of the period/year	60	-	-
Funds deposited with courts	-	-	(590)
Addition during the period	650	-	650
<b>Legal costs provisions at end of the period/year</b>	<b>710</b>	<b>-</b>	<b>60</b>

## 8 Dividends on Income Shares

	Rate (pence)	Six months ended 31 January 2010	Six months ended 31 January 2009	Year ended 31 July 2009
		£'000s	£'000s	£'000s
1st interim dividend paid on 27 November 2009	3.1217 (2009: 3.1217)	647	647	647
2nd interim dividend paid on 26 February 2010	3.1217 (2009: 3.1217)	648	648	648
3rd interim dividend *	3.1217 (2009: 3.1217)	-	-	647
4th interim dividend *	3.1217 (2009: 3.1217)	-	-	647
		<b>1,295</b>	<b>1,295</b>	<b>2,589</b>

\* The 3rd and 4th interim dividends are shown for the comparative year ended 31 July 2009 only and were paid on 22 May 2009 and 21 August 2009 respectively.

## 9 Basic and diluted earnings/(loss) per Capital Share

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

## 9 Basic and diluted earnings/(loss) per Capital Share (continued)

	Six months ended 31 January 2010	Six months ended 31 January 2009	Year ended 31 July 2009
Profit/(loss) for the period/year (£ thousands)	234	(14,051)	(14,622)
Weighted average number of Capital Shares for basic earnings per share	40,304,312	40,304,312	40,304,312
Basic earnings/(loss) per capital share (pence)	0.58	(34.86)	(36.28)

For the periods ended 31 January 2010 and 2009 there is no difference between basic and fully diluted earnings per Capital Share.

## 10 Financial assets at fair value through profit or loss

	Cash Based Funds £'000s	*Strategic Investments £'000s	Unquoted Investments £'000s	Quoted Equities £'000s	Specialist Funds £'000s	Structured Products £'000s	Others £'000s	Totals £'000s
Closing book cost at 31 January 2010	8,651	542	26,024	21,232	18,737	3,961	500	79,647
Unrealised (loss)/gain on revaluation	-	(483)	(2,499)	(5,274)	(9,388)	940	(500)	(17,204)
<b>Fair Value at 31 January 2010</b>	<b>8,651</b>	<b>59</b>	<b>23,525</b>	<b>15,958</b>	<b>9,349</b>	<b>4,901</b>	<b>-</b>	<b>62,443</b>
<b>As at 31 January 2009</b>	<b>4,343</b>	<b>3,136</b>	<b>23,729</b>	<b>10,928</b>	<b>16,283</b>	<b>5,023</b>	<b>-</b>	<b>59,901</b>
<b>As at 31 July 2009</b>	<b>6,205</b>	<b>3,334</b>	<b>23,767</b>	<b>11,735</b>	<b>9,914</b>	<b>4,831</b>	<b>-</b>	<b>59,786</b>

\* Unquoted investments at Directors' valuation.

Included in the specialist funds and structured products are unquoted holdings at Directors' valuation of £3,723,774 (31 July 2009: £4,151,778) and £4,900,813 (31 July 2009: £4,813,538) respectively.

# Notes to the Financial Statements (continued)

For the period from 1 August 2009 to 31 January 2010

## 11 Share Capital

	31 January 2010		31 January 2009		31 July 2009	
	Number of Shares	£'000s	Number of Shares	£'000s	Number of Shares	£'000s
<b>Authorised</b>						
Capital Shares	75,000,000	7,500	75,000,000	7,500	75,000,000	7,500
Warrants	15,000,000	1,500	15,000,000	1,500	15,000,000	1,500
	<b>90,000,000</b>	<b>9,000</b>	<b>90,000,000</b>	<b>9,000</b>	<b>90,000,000</b>	<b>9,000</b>
<b>Issued and fully paid</b>						
Capital Shares	40,304,312	4,030	40,304,312	4,030	40,304,312	4,030
	<b>40,304,312</b>	<b>4,030</b>	<b>40,304,312</b>	<b>4,030</b>	<b>40,304,312</b>	<b>4,030</b>

## 12 Net Asset Value per Capital Share (pence)

The net asset value per Capital Share is based on the net assets at the end of period of £20,762,916 (31 July 2009: £20,528,637 and 31 January 2009: £21,100,164) divided by 40,304,312 (31 July 2009: 40,304,312 and 31 January 2009: 40,304,312) shares in issue at the end of the period/year.

## 13 Related Party Transactions

During the period the Company accepted an offer by Syndicate Asset Management Plc to repay loans held by the company with a principal cost totalling £2,502,450 for a consideration of £2,402,352. As a condition of the repayment the company also wrote off accrued interest of £150,147. Syndicate Asset Management Plc is the ultimate parent company of Epic Asset Management Limited, the Investment Advisor.

## Portfolio Analysis

Largest Investments as at 31 January 2010	Cost	Fair Value	% of total investments
Pinnacle Regeneration Group Limited	4,920,717	4,921,008	7.88%
Nexus Industries Limited*	6,470,830	4,548,446	7.28%
Alpha Real Estate GmbH 8% February 2010*	3,446,137	4,337,002	6.95%
Indicia*	4,281,889	4,281,889	6.86%
Palatinate Schools*	4,250,000	4,250,000	6.81%
Diploma Plc	1,860,225	3,422,102	5.48%
Lupus Capital Plc	5,600,723	2,684,928	4.30%
EEA Life Settlement Fund (USD)	1,579,269	2,610,424	4.18%
CCD Leisure Investments Limited*	2,188,834	2,241,248	3.59%
Evolving Media Limited*	2,011,908	1,769,616	2.83%
Matchtech Group Plc	1,846,705	1,667,500	2.67%
Bighead Holdings Limited*	1,411,054	1,411,054	2.26%
Dialight Plc	1,731,324	1,354,075	2.17%
Jupiter Hyde Park Hedge Fund Limited	976,294	1,142,357	1.83%
Pharmacy 2U Limited	96,342	1,140,245	1.83%
<b>Total of Largest 15 Holdings</b>	<b>42,672,251</b>	<b>41,781,894</b>	<b>66.92%</b>
<b>Other investments</b>	<b>28,323,052</b>	<b>12,009,297</b>	<b>19.23%</b>
<b>Blackrock Sterling Liquidity Fund</b>	<b>8,651,311</b>	<b>8,651,311</b>	<b>13.85%</b>
<b>Total investments</b>	<b>79,646,614</b>	<b>62,442,502</b>	<b>100.00%</b>

\* denotes debt instruments, principal. Epic Plc classifies debt instruments separately from equity and interest owing to the differing risk characteristics and security of these asset classes. Epic Plc may also hold equity in these companies.

## Group Information

<b>Directors:</b>	Dr C McPhail, Chairman DC McCrickard M Richardson PP Scales	<b>Auditors:</b>	KPMG Audit LLC Heritage Court 41 Athol Street Douglas, Isle of Man IM99 1HN
<b>Secretary:</b>	J Middleton Middleton Katz Chartered Secretaries LLC 11 Hope Street Douglas, Isle of Man IM1 1AQ	<b>Investment Manager:</b>	EPIC Asset Management Limited 22 Billiter Street London EC3M 2RY
<b>Registered Office:</b>	IOMA House Hope Street Douglas, Isle of Man IM1 1AP		EPIC Private Equity LLP 22 Billiter Street London EC3M 2RY
<b>Administrator and Registrar:</b>	IOMA Fund and Investment Management Limited IOMA House Hope Street Douglas, Isle of Man IM1 1AP	<b>Stockbroker:</b>	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
<b>Custodian:</b>	BNP Paribas Security Services Royal Bank House Victoria Street Douglas, Isle of Man IM99 2PG	<b>UK Solicitors:</b>	Latham & Watkins 99 Bishopsgate London EC2M 3XF
		<b>Isle of Man Advocates:</b>	Cains Advocates Limited 15-19 Athol Street Douglas, Isle of Man IM1 1LB
		<b>Bankers:</b>	Barclays Bank PLC 54 Lombard Street London EC3 9EX



