



The Equity Partnership
Investment Company PLC



Interim Report (unaudited)

For the period 1 August 2003 to 31 January 2004

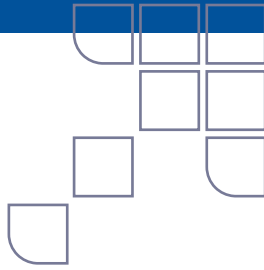
Chairman's Statement

The equity market recovery following the Gulf war sell-off in March last year continued through into the early weeks of 2004. Over the six month period under review world equity markets have made steady if unspectacular progress, and I am happy to report that the Fund's equity exposure continues to outperform the indices, with a return of 23.46% compared to the FTSE All Share Index return of a little under 6.91%. Since launch the Company's UK equities have appreciated by over 32% against a background of the All Share Index decline of 9.6%.

The strong outperformance of our UK equity portfolio has however been offset by a significant write-down of Sunrise against a background of a difficult credit environment particularly in relation to the CDO's exposure to the US manufactured housing sector. As a result the net assets attributable to Capital Shares have, over the six-month period, fallen from 100.39p to 93.52p. Although total assets of £70.26 million as at 31 January show an appreciation from the value of assets at

launch of £67.63 million, the accrual of interest on the Company's bank borrowings has resulted in the Net Asset Value having fallen by around 2.5%. This compares favourably with the returns available from the equity indices over this period but it is nonetheless disappointing to have lagged our Capital Share performance benchmark of Libor + 3% which, over the thirty months since launch, would have produced a return of 18.55%.

The Company's relatively low portfolio yield requirement and the current reserves of distributable income provide comfort that the target dividend to Income shareholders described in the offering circulated will continue to be met in full. However, as a consequence of downgrading a further element of the underlying collateral, the income generated by Sunrise is currently being used to repay senior debt, and income payments from the structure have therefore ceased for the time being and the Managers are considering a range of options for the structure. Over the past six months we have paid two interim



dividends of 5.2308p per Income Share reflecting the inflation adjustment target indicated in the prospectus.

The Company's Capital structure was specifically designed to provide a degree of flexibility between the pursuit of income and capital gain, and as both long and short term Sterling interest rates continue to rise we expect to see opportunities to commit the Company's significant cash holdings into higher yielding investments. The Managers made a conscious decision to sell all of the bond holdings and this has, over the past six months, proved helpful to performance.

While it is disappointing to see the outstanding performance of our equity portfolio diluted by the recent devaluation of Sunrise, a continuation of the recovery in equity markets, together with some promising strategic and private equity holdings offer potential over the medium term for the Company to retrieve some of the relative under-performance of our Libor + 3% per annum benchmark.

The Company's performance objective was designed to provide attractive absolute returns both for Income and Capital shareholders and the latter are lagging this objective both in share price and NAV terms. The Capital share price has recovered somewhat from the depressed levels seen in the middle of last year but still trades at what in my view is an unjustified discount to NAV. Further efforts must therefore be made to attract new investors.

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Manager's Report

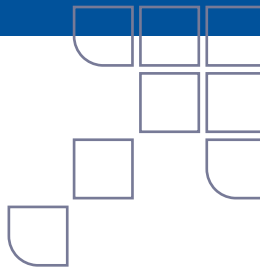
Spurred by historically low inventory levels and continued gains in production indicators, above trend growth in the second half of the year pushed bond yields noticeably higher during this period. As such the decision to sell EPIC's bond exposure and maintain investment in cash has been justified, and indeed has benefited from the anticipated base rate rise in the UK. The pick up in economic momentum is likely to continue into 2004, which suggests November's 0.25% rise will be the first in a series of measures employed by the MPC to contain the impact of earlier rate cuts. Given this view, we contend that the Fund's return objectives can still best be met by maintaining the current zero allocation to bonds until such time that opportunities to reinvest in government and corporate bonds at higher levels of yield materialise.

The optimism that followed the overthrow of Saddam Hussein's regime in Iraq resulted in strong performances by several of EPIC's cyclical equity holdings during the period. Our fears for the effects of the expected rise in UK interest rates lead to a reduction in the Company's large exposure to the UK building materials sector, mainly through sales of RMC and SIG. EPIC's 2.4% stake in

under-performing pub retailer Eldridge Pope was also sold and replaced with holdings of Fuller, Smith & Turner and Wolverhampton and Dudley Breweries. Some indications of recovery in IT spend by large companies encouraged the Manager to add to EPIC's technology weighting with the purchase of software supplier Macro 4.

The past six months has seen dramatic recoveries in two of EPIC's UK small cap equity investment trusts - Platinum and Intrinsic Value - and a continued recovery in both the Japanese and technology specialist fund exposures. EPIC's largest specialist fund holding (EPIC Brands) has moved a wide discount to net assets which the recent announcement for a potential share buy-back has already begun to narrow.

During last six months EPIC has made two new private equity investments in Blueheath and Kilgar French & Stanbury. Blueheath was founded in May 2000 as the UK's first "stockless" grocery wholesaler. Through the extensive use of technology - all orders are processed automatically and all trades with customers use direct debit facilities - Blueheath has achieved a cost base that is less than one third of a traditional wholesaler. Also in August, EPIC teamed up with the existing managing director of Kilgour French Stanbury, a bespoke tailoring business based on Saville Row,



and a new sales and creative director to facilitate a management buy-in/buy-out of the Company.

The Company has had two notable successes in the period in the realisation of its investments in Immedia Broadcasting (formerly Storm Digital Broadcasting) and Futura Medical. Immedia Broadcasting floated on AIM in December and EPIC retains an equity stake allowing it to benefit from the Company's continuing growth prospects. Following flotation and a considerable appreciation in the Futura Medical's share price at the beginning of 2004, EPIC's entire investment in the Company was sold.

EPIC'S 29.9% shareholding in its fund manager The Equity Partnership Limited (EPL) has made further progress over the past six months. Having now traded for two years its specialist fixed income fund management subsidiary has seen a significant pick-up in presentation opportunities and the past three months have been particularly productive for new fixed income mandates which they expect to have on the books by the end of the first six months of 2004. EPL's largest shareholder, Brit Insurance Holdings PLC has also taken the decision to concentrate more of its assets within the EPIC Group. In October EPIC Specialist Investments launched two Open Ended Investment Companies (OEICS) investing in UK

equities and financials and the early performance figures are most encouraging.

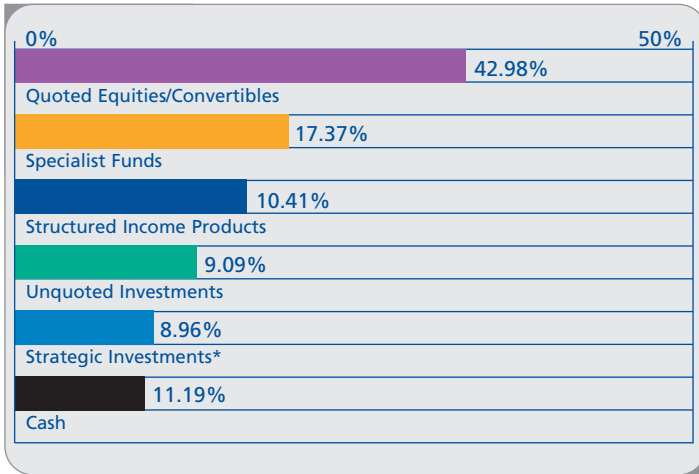
The 4th Quarter of 2003 proved difficult for US Asset Backed Securities generally, and this has had an adverse impact on the value of the Sunrise CDO. The underlying recovery in the US economy has been slow to benefit several of the ABS categories, notably the exposure to Manufactured Housing and to Home Equity Loans. Some of the underlying credits are now dependent upon excess interest generation as the underlying collateral has been eroded.

Based upon the January Trustee's report, excess collateral in the CDO attributable to EPIC totalled \$15.5 million. As a matter of prudence we have written the value down to \$2.7 million based upon our estimation of the impairment of the underlying collateral at present. Notwithstanding this, we believe that there remains value within the CDO and that over time the excess interest being generated could retrieve some of the written-down value.

As a consequence of further rating downgrades amongst the underlying collateral it is anticipated that income generated by the CDO will continue to be used to repay debt - effectively capitalising that income. We are exploring ways in which the CDO might be restructured in order to maximise value for EPIC in the short term.

Asset Allocation

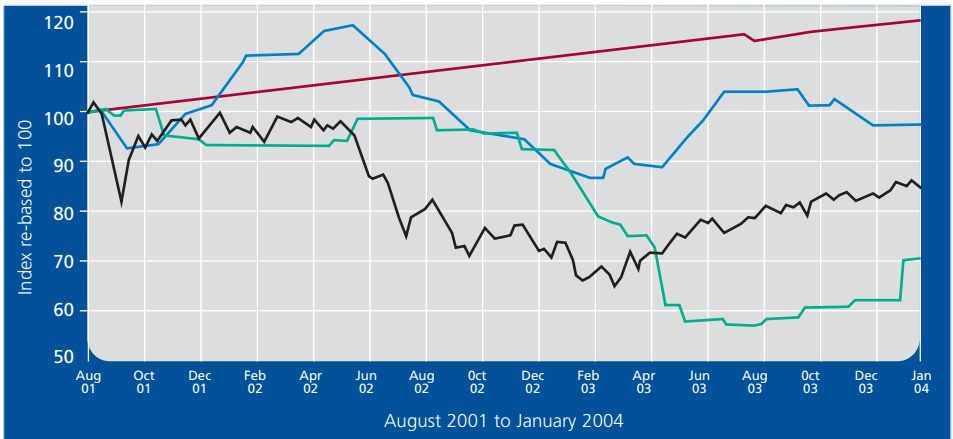
As at 31 January 2004



* The Equity Partnership Limited, Strand Partners Limited and EPIC Specialist Investments Limited

Share Price and NAV Performance vs Benchmark

(from August 2001 to January 2004 - re-based to 100)



Source: Bloomberg

- Capital Share Price
- Benchmark (Libor + 3%)
- Capital Share NAV
- FTSE All Share Index

Statement of Operations and Changes in Net Assets

For the period 1 August 2003 to 31 January 2004 (unaudited)

	1 August 2003 to 31 January 2004 (unaudited)		1 August 2002 to 31 January 2003 (unaudited)		1 August 2002 to 31 July 2003	
	£000's	£000's	£000's	£000's	£000's	£000's
Notes						
Income:						
Interest receivable	1		1		2	
Investment income	1,027		1,988		2,574	
Total income		<u>1,028</u>		<u>1,989</u>		<u>2,576</u>
Expenses:						
Amortisation-Issue costs of income shares	(32)		(32)		(65)	
Loan Interest	(445)		(476)		(941)	
Investment Management fees	(351)		(340)		(683)	
Irrecoverable VAT	(83)		(76)		(166)	
Other administration fees and expenses	(171)		(134)		(367)	
Directors' fees	(20)		(25)		(50)	
Audit fees	(8)		(8)		(15)	
Total expenses:		<u>(1,110)</u>		<u>(1,091)</u>		<u>(2,287)</u>
Net investment income		(82)		898		289
Gains on investments						
Net realised gain on sale of investments	2,053		576		1,646	
Movement in unrealised (loss)/gain on revaluation of investments	(3,675)		(5,284)		867	
(Losses)/Gains on investments		<u>(1,622)</u>		<u>(4,708)</u>		<u>2,513</u>
Net (losses)/profit		(1,704)		(3,810)		2,802
3 Dividends in respect of Income shares		<u>(1,084)</u>		<u>(1,052)</u>		<u>(2,105)</u>
Total (losses)/gains transferred to reserves		<u>(2,788)</u>		<u>(4,862)</u>		<u>697</u>
Basic earnings per capital share (pence)		(8.07)p		14.07p		2.02p
Diluted earnings per capital share (pence)		-		-		-

Balance Sheet

As at 31 January 2004

Notes

	31 January 2004 (unaudited)		31 January 2003 (unaudited)		31 July 2003 (audited)	
	£000's	£000's	£000's	£000's	£000's	£000's
Non-current assets						
Available-for-sale investments		69,786		65,107		72,490
Current assets						
Debtors and prepayments	360		213		149	
Cash at bank and in hand	110		911		41	
	<u>470</u>		<u>1,124</u>		<u>190</u>	
Current liabilities						
Creditors and accrued expenses	(2,776)		(1,602)		(2,459)	
Dividends in respect of income shares	(542)		(526)		(526)	
	<u>(3,318)</u>		<u>(2,128)</u>		<u>(2,985)</u>	
Net current (liabilities)/assets		(2,848)		(1,004)		(2,795)
Long term liabilities						
4 Bank loan	(13,750)		(13,750)		(13,750)	
5 Interest rate SWAP liability	(485)		(987)		901	
6 Income shares	<u>(20,380)</u>		<u>(20,315)</u>		<u>(20,348)</u>	
		(34,615)		(35,052)		(34,999)
Total assets less liabilities		<u>32,323</u>		<u>29,051</u>		<u>34,696</u>
Represented by:						
7 Share capital		3,456		3,456		3,456
Share premium		30,240		30,240		30,240
8 Reserves as at 31 January 2003		(1,373)		(4,645)		1,000
		<u>32,323</u>		<u>29,051</u>		<u>34,696</u>
Net asset value						
per capital share (pence)		93.52p		84.06p		100.39p
Net asset value						
per income share (pence)		100.00p		100.00p		100.00p

Statement of Cashflow

For the period 1st August 2003 to 31st January 2004

	1 August 2003 to 31 January 2004 (unaudited)	1 August 2002 to 31 January 2003 (unaudited)	1 August 2002 to 31 July 2003 (audited)
	£000's	£000's	£000's
Operating activities			
Dividends received	649	608	1,407
Bond Interest received	168	2,681	3,137
Bank Interest and commission received	1	47	31
Expenses paid	(679)	(116)	(1,307)
Payments under interest rate swap agreement	(151)	(101)	(220)
Net cash inflow from operating activities	(12)	3,119	3,048
Investing activities			
Purchase of investments	(38,693)	(58,062)	(92,437)
Sale of investments	39,843	57,101	91,729
Net cash outflow from investing activities	1,150	(961)	(708)
Financing activities			
Proceeds on issue of capital shares	0	0	0
Proceeds on issue of income shares	0	0	0
Draw down of bank loan	0	0	0
Dividends paid	(1,069)	(1,252)	(2,304)
Net cash inflow from investing activities	(1,069)	(1,252)	(2,304)
Increase in cash			
Cash and cash equivalents at start of period	41	5	5
Cash and cash equivalents at end of period	110	911	41

Statement of Changes in Equity

For the period 1st August 2003 to 31st January 2004

	31 January 2004 (unaudited)	31 January 2003 (unaudited)	31 July 2003 (audited)
	£000's	£000's	£000's
Notes			
	34,696	34,438	34,438
	(1,705)	(3,810)	2,802
3	(1,084)	(1,052)	(2,105)
	<u>31,907</u>	<u>29,576</u>	<u>35,135</u>
5	416	(525)	(439)
	<u>32,323</u>	<u>29,051</u>	<u>34,696</u>

The Equity Partnership Investment Company PLC

Notes to the interim statement (unaudited)

1 Accounting policies

The interim financial statements have been prepared using accounting policies set out in the Company's 2003 annual reports and accounts and in accordance with International Accounting Standards.

2 Company

The Company is a closed-end investment company incorporated on 6 July 2001 on the Isle of Man as a public limited company which will be wound up on 31 July 2011.

3 Dividends

The Income Shares have received the following dividends during the period.

Dividend date	Amount per share	£000's
31 July 2003	2.6154 p	542
30 October 2003	2.6154 p	542
		<u>1,084</u>

A dividend was declared at 2.6154 p per Income Share on 28 January 2004. This was paid on 25 February 2004.

The capital shares are not entitled to any dividend until the Company is wound up.

4 Bank loan

The bank loan of £13,750,000 is fixed for five and a half years at 6.70% per annum. The interest is rolled up until maturity of the loan.

	£000's
Bank loan	13,750
Interest charged in period	294
	<u>14,044</u>

The Equity Partnership Investment Company PLC

Notes to the interim statement (unaudited)

5 Derivative financial instruments

The fair value of derivative financial instruments included in the Balance Sheet as debtors or creditors are as follows

	Interest rate swap liability £000's
Fair value of derivative financial instruments at start of period	901
Movement in unrealised loss on revaluation of cash flow hedges	<u>(416)</u>
Fair value of derivative financial instruments at 31 January 2004	<u>485</u>

Cash flow hedges

As of 31 January 2004, the Company had an interest rate swap in place with a notional amount of £13,750,000 whereby it pays a fixed rate of 5.65% and receives LIBOR plus 1.05% on the notional amount. The SWAP is used to protect the bank loan from exposure to changes in interest rates. The SWAP covers 100% of the bank loan outstanding as of 31 January 2004 and expires on on 20 February 2007, the same as the bank loan. An unrealised gain of £415,901 is recognised in equity representing the estimated fair value of this swap at 31st January 2004.

6 Income shares

	£000's
At start of period 1 August 2003	20,348
Amortisation of income shares issue costs	<u>32</u>
Balance at 31 January 2004	<u>20,380</u>

On 17 August 2001, the Company 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 Company provide sufficient cover.

The Equity Partnership Investment Company PLC

Notes to the interim statement (unaudited)

7 Share capital

At 31 January 2004	Number of Shares in issue
Income shares	20,736,333
Capital shares	34,561,666

Capital shareholders who subscribed under the placing were issued with warrants on the basis of one warrant for every five Capital Shares subscribed. At 31 January 2004 there are 6,912,333 warrants in issue. The warrants have the right to convert into capital shares at the price of £1 per share on 30 November in any of the years 2002 to 2006 inclusive.

The diluted earnings per capital share calculation on the Statement of Operations and Changes in Net Assets assumes that all the warrant holders convert their warrants for Capital Shares at £1 each.

8 Reserves

	Profit and Loss Reserve £000's	Hedge Reserve £000's	Total £000's
Reserves at start of period	1,901	(901)	1,000
Net loss for the period	(1,705)	-	(1,705)
Movement in net unrealised gain on revaluation of cash flow hedges		416	416
Dividends paid and proposed	(1,084)	-	(1,084)
Reserves at 31 January 2004	(888)	(485)	(1,373)

Investment Portfolio as at 31 January 2004

For the period 1 August 2003 to 31 January 2004

Top 15 Holdings based on Market Value	% of Total investments
Credit Suisse First Boston (USA) Inc 0% 14 November 2013	8.34
Equity Partnership Limited**	5.48
Diploma PLC	4.74
Davis Service Group Plc	3.88
EPIC Brand Investments	3.83
Gleeson (MJ) Group Plc	3.81
Strand Partners Limited	3.48
Pinnacle-psg Limited	2.87
Jupiter Hyde Park Hedge Fund	2.85
Lloyds TSB Group Plc	2.83
VT Group Plc	2.79
Heywood Williams Group PLC	2.67
EPIC Student Accommodation 8% Loan Stock	2.63
DTZ Holdings PLC	2.10
Sunrise CDO I Preference Shares Class 2 Reg S 1000*	2.10
Total of 15 largest investments	<u>54.40</u>

* The investment has been split into Sunrise Preference Shares and the CSFB (USA) Notes

** Directors' Valuation of 1% of Funds under Management

Company Information

Directors

DC McCrickard, Chairman
DL Adamson
V Campbell
M Richardson
JMP Welman

Secretary

P Scales

Registered Office

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Douglas
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Administrator and Registrar

Barings (Isle of Man) Limited
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Douglas
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Auditors

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Douglas
Isle of Man IM1 1AZ

Investment Manager

The Equity Partnership Limited
55 Bishopsgate
London EC2N 3AS

Stockbroker

Teather and Greenwood Limited
Beaufort House
15 St Botolph Street
London EC3A 7QR

Solicitors

Latham and Watkins
99 Bishopsgate
London EC2M 3XF

Bankers

Barclays Bank PLC
54 Lombard Street
London EC3 9EX

The Equity Partnership Investment Company PLC

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