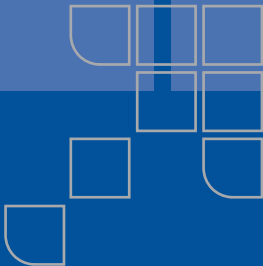




The Equity Partnership
Investment Company PLC

Interim Report & Unaudited Accounts

31 January 2006



Chairman's Statement

The six month period ended 31 January 2006 saw a continuation of the Company's excellent financial progress. As at the 31 July 2005 year end the Capital Share NAV had risen by 17% to a little under 105p and over the first half of the year has risen a further 15.97% to 121.53p. This is against a rise in the FTSE All Share Index of 10.73%. The Company's benchmark return was 3.73% over the six months and so further progress has been made in clawing back previous underperformance against our investment objective. Since launch in 2001 the NAV has now risen by 27% compared with a benchmark return of 38.55% and a rise in the FTSE All Share Index of 13.05%.

I am also happy to report that the Capital Share price has continued its recovery, although it has continued to lag the strong underlying asset value

performance. Income Shareholders received their full entitlements of 5.5453p over the half year.

The main features of the half year period were the continued strong performance of our equity and specialist funds investments and further progress in increasing the Company's exposure to private equity investments which now account for over 26.5% of total assets. Two new private equity investments were concluded during the period. The acquisition of Evesleigh care homes group completed the consolidation of our small care home investments for people with learning disabilities in the South East. Now merged with Communitas and Opus, the combined group is looking to improve occupancy rates to drive profitability across the group. EPIC has a £4.3 million exposure to this investment, invested in yielding Mezzanine and Equity. The acquisition



of Bighead Bonding Fasteners was also completed. Bighead is a light engineering business based in Bournemouth, producing high quality fasteners for a wide customer base. EPIC has a £1.25 million exposure, invested in yielding Mezzanine and Equity.

Following the increase in size and the changing nature of the Company's private equity exposure, the Board announcement on 9 March alluded to our recommendation that this portfolio be separated into a Limited Liability Partnership (LLP) structure. This will be described in further detail in a forthcoming Circular and Letter to Shareholders.

Finally the Board and its advisers have recommended the replacement of the Company's debt with a zero dividend preference share issue. In contrast with

the pricing at the time of the flotation in August 2001, the cost of a zero is now broadly similar to our current bank debt. However, the zero preference shares provide greater freedom to allocate investments between asset classes.

Cameron McPhail

Manager's Report

In the time since the last report, returns from **fixed income** securities have been volatile. At the start of the period, evidence of a slowdown in UK housing and consumer spending which prompted the MPC to cut UK Base rates to 4.50% in August helped UK Gilts to rally. Furthermore, the arrival of hurricane Katrina helped to entrench the down trend in yield, as oil prices pushed to record highs and hindered expectations of growth. However, these gains were short lived with a prompt recovery in leading indicators of business activity and signs of higher inflation in the fourth quarter of 2005. The subsequent sell-off in bonds hampered total returns from sterling denominated securities over the period, and cash investments consequently outperformed. As such, the Manager's decision to avoid investment in fixed income securities was vindicated.

Looking ahead we believe that the outlook for UK Gilts is far more bullish in 2006. As we move through the year, it is expected that recent softening in labour market conditions and household savings will add pressure to consumption growth which should enable inflation expectations to moderate. Whilst the MPC will be cautious toward enacting any further monetary easing at this time given renewed vigour in the housing market and above target inflation, pressure for another cut in interest rates is likely to mount in the second half of the year. Despite this, in the near term we do not expect that bond returns will be sufficient to meet the Fund's benchmark return.

UK Equity markets performed well during the period. The FTSE All Share Index rose by 10.7%. EPIC spent most of the half year with around 45% of its gross assets invested in UK equities. EPIC's performance was boosted by good trading results from several large equity

holdings and corporate activity. Diploma, DTZ and Heywood Williams continued to please the market while Egg, M J Gleeson and Simon Group appreciated substantially as a result of M&A activity. Profitable realisations occurred in Simon Group and VT Group. New holdings included electronics group Amstrad and oil service specialist Hunting. Within the **specialist funds** sector, profits have been taken from the successful investment in Climate Exchange PLC and new investments made in the EPIC Life Settlements Fund and the King and Shaxson Premier Fund Limited.

The performance of the **Private Equity** division over the past half a year remains encouraging with two new deals completed, and an increase in the value of Pharmacy 2U as a result of a third party investment.

New Deals

Activity over the past half year has been strong with two new deals having been completed, maintaining the focus on mezzanine and equity positions with 29.9% stakes taken in both companies. This continues to build the yielding mezzanine book and also provides the Capital Shares with the potential for substantial further gains.

The first deal completed was the acquisition of Evesleigh, the third part of our 'buy and build' strategy within the Learning Disability homes market. This acquisition saw the finalisation of a total investment of £4.5 million in Mezzanine and Shareholder Loans in the combined Communitas Acquisitions group. EPIC are backing a recognised manager with a successful track record to drive value through improved fee rates, increased occupancy and overhead efficiency as the group moves from three small local businesses to a larger regional group.



The second deal was the leveraged buy-out of Bighead Bonding Limited. Bighead is a manufacturer of high end niche fasteners for a range of international customers. The fasteners are recognised as being technically the best within the industry. The company has been family owned for over thirty years and EPIC have backed the incumbent CEO with a new external commercial team, to take this profitable company and expand the business and its technology across the customer base. EPIC invested £1.25 million in Mezzanine and Shareholder Loans.

Current Portfolio

The current portfolio continues to perform strongly, highlights include:

Pharmacy2U (the online pharmacy business) has now completed the sale of 20% of its share capital to the third party strategic investor. This valued the business at 5x the original EPIC valuation and EPIC have already been significantly de-risked through interest and capital repayments. As a result of this third party transaction, EPIC wrote up the value of the 8.2% holding to reflect the value suggested by this investment.

Communitas (the residential care home group) has performed well in the past few months since investment. There are signs that occupancy is beginning to build, and the unification of the business will enable a reduction in central overhead. The Manager will look to support this business through a growth phase in the coming year.

Palatinate (the London based schools group) continues to trade in line with expectations. The Manager is looking to drive occupancy, and market related fee increases have been put through to assist in driving turnover. The business will be looking for bolt-on acquisitions in the coming months

Pinnacle psg (the social housing manager) has recently benefited from an investment by Numis, the broker adviser, to assist in growing the business and pay down debt. The new investment valued the business 50% higher than EPIC's in-price and the additional capital will assist in driving the performance going forward. An exit is likely to be pursued within the coming months.

The outlook for the coming year remains good and the Manager has a substantial pipeline of potential new deals. In addition, the portfolio is being moved into a Limited Liability Partnership structure which will provide the necessary infrastructure to continue to build the private equity activity.

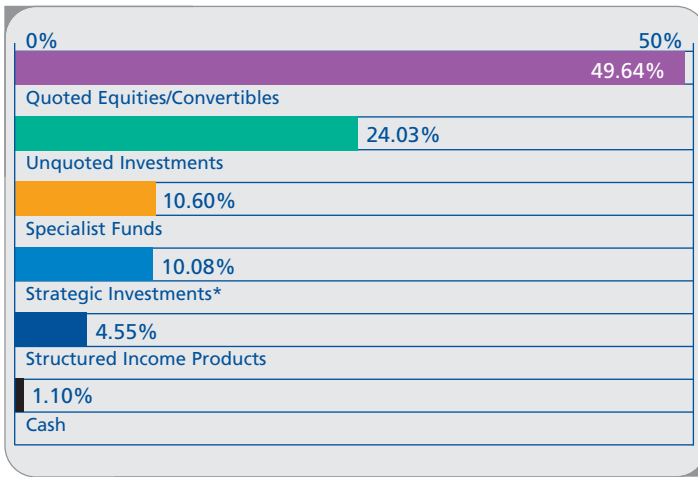
Strategic Investments

The Equity Partnership Limited ("EPL") has now officially changed its name to EPIC Investment Partners Limited ("EIP"). This has been a busy six months for the Group with a significant restructuring of the Specialist Investments ("ESI") subsidiary. The private equity team will soon be operating from a specialist unit - EPIC Private Equity - with responsibility for sourcing and managing private equity investments, both for EPIC PLC and EPIC Reconstruction. An MBO of EPIC Equity Advisers has also been completed during the period and the initial proceeds used to affect an ESI share buy back. On the new business front the marketing team have made significant headway in the Middle East and intend to launch two sizeable funds in the region by the spring.

Strand Partners has had another busy six months and is also undertaking a reconstruction designed to widen the share ownership to include the key corporate finance executives.

Asset Allocation

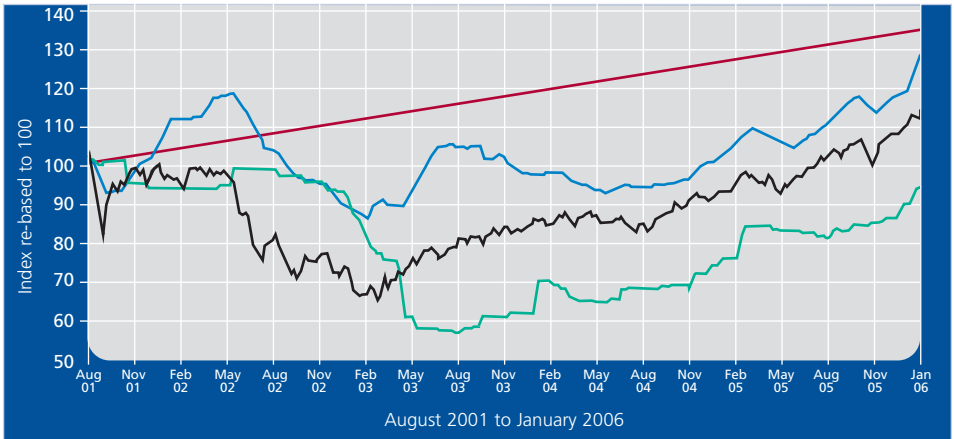
As at 31 January 2006



* EPIC Investment Partners Limited (formerly The Equity Partnership Limited), Strand Partners Limited, EPIC Specialist Investments Limited

Share Price and NAV Performance vs Benchmark

(from 17 August 2001 to 31 January 2006 - 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 2005 to 31 January 2006

Notes

	1 August 2005 to 31 January 2006 (unaudited)		1 August 2004 to 31 January 2005 (unaudited)		1 August 2004 to 31 July 2005 (audited)	
	£000's	£000's	£000's	£000's	£000's	£000's
Income:						
Interest receivable	48		14		47	
Investment income	1,829		1,268		2,736	
		<u>1,877</u>		<u>1,282</u>		<u>2,783</u>
Expenses:						
Amortisation-issue costs of income shares	(32)		(32)		(65)	
Loan Interest	(464)		(464)		(921)	
Investment management fees	(397)		(354)		(741)	
Irrecoverable VAT	(85)		(78)		(159)	
Other administration fees and expenses	(196)		(213)		(357)	
Directors' fees	(31)		(28)		(59)	
Audit fees	(21)		(5)		(14)	
Performance Fee Payable	(109)		-		-	
		<u>(1,335)</u>		<u>(1,174)</u>		<u>(2,316)</u>
Net investment income		<u>542</u>		<u>108</u>		<u>467</u>
Gains on investments						
Net realised gain on sale of investments	2,760		2,119		4,578	
Movement in unrealised (loss)/gain on revaluation of investments	3,725		2,640		2,525	
		<u>6,485</u>		<u>4,759</u>		<u>7,103</u>
Net profit		<u>7,027</u>		<u>4,867</u>		<u>7,570</u>
Dividends in respect of income shares		<u>(1,150)</u>		<u>(1,118)</u>		<u>(2,236)</u>
Total gains transferred to reserves		<u>5,877</u>		<u>3,749</u>		<u>5,334</u>
Basic earnings per capital share (pence)		17.00p		10.85p		15.43p
Diluted earnings per capital share (pence)		17.00p		10.82p		15.43p

Consolidated Balance Sheet

As at 31 January 2006

Notes

	31 January 2006 (unaudited)		31 January 2005 (unaudited)		31 July 2005 (audited)	
	£000's	£000's	£000's	£000's	£000's	£000's
Non-current assets						
Available-for-sale investments		75,038		71,404		72,699
Current assets						
Cash at bank and in hand	5,007		308		1,283	
Debtors and prepayments	1,240		1,203		1,040	
	<u>6,247</u>		<u>1,511</u>		<u>2,323</u>	
Current liabilities						
Creditors and accrued expenses	(693)		(677)		(760)	
Dividends in respect of income shares	(575)		(559)		(559)	
	<u>(1,268)</u>		<u>(1,236)</u>		<u>(1,319)</u>	
Net current assets		4,979		275		1,004
Long term liabilities						
4 Loan Interest	(3,306)		(2,494)		(2,901)	
4 Bank loan	(13,750)		(13,750)		(13,750)	
5 Interest rate swap liability	(449)		(314)		(355)	
6 Income shares	<u>(20,510)</u>		<u>(20,444)</u>		<u>(20,478)</u>	
		(38,015)		(37,002)		(37,484)
Total assets less liabilities		<u>42,002</u>		<u>34,677</u>		<u>36,219</u>
Represented by:						
7 Share Capital		3,456		3,456		3,456
Share Premium		30,240		30,240		30,240
8 Reserves		8,306		981		2,523
		<u>42,002</u>		<u>34,677</u>		<u>36,219</u>
Net asset value per capital share		121.53p		100.33p		104.79p
Net asset value per income share		100.00p		100.00p		100.00p

Company Balance Sheet

As at 31 January 2006

Notes

	31 January 2006 (unaudited)		31 January 2005 (unaudited)		31 July 2005 (audited)	
	£000's	£000's	£000's	£000's	£000's	£000's
Non-current assets						
Available-for-sale investments		74,885		71,404		72,547
Current assets						
Cash at bank and in hand	5,007		308		1,283	
Debtors and prepayments	1,394		1,203		1,192	
	<u>6,401</u>		<u>1,511</u>		<u>2,475</u>	
Current liabilities						
Creditors and accrued expenses	(694)		(677)		(760)	
Dividends in respect of income shares	(575)		(559)		(559)	
	<u>(1,269)</u>		<u>(1,236)</u>		<u>(1,319)</u>	
Net current assets		5,132		275		1,156
Long term liabilities						
4 Loan Interest	(3,306)		(2,494)		(2,901)	
4 Bank loan	(13,750)		(13,750)		(13,750)	
5 Interest rate swap liability	(449)		(314)		(355)	
6 Income shares	(20,510)		(20,444)		(20,478)	
		(38,015)		(37,002)		(37,484)
Total assets less liabilities		<u>42,002</u>		<u>34,677</u>		<u>36,219</u>
Represented by:						
7 Share Capital		3,456		3,456		3,456
Share Premium		30,240		30,240		30,240
8 Reserves		8,306		981		2,523
		<u>42,002</u>		<u>34,677</u>		<u>36,219</u>
Net asset value per capital share		121.53p		100.33p		104.79p
Net asset value per income share		100.00p		100.00p		100.00p

Statement of Cashflow

For the period 1st August 2005 to 31st January 2006

	1 August 2005 to 31 January 2006 (unaudited)	1 August 2004 to 31 January 2005 (unaudited)	1 August 2004 to 31 July 2005 (audited)
	£000's	£000's	£000's
Operating activities			
Dividends received	775	997	1,123
Bond Interest received	715	242	435
Bank Interest and commission received	73	53	46
Expenses paid	(718)	(700)	(1,277)
Payments under interest rate swap agreement	(59)	(109)	(159)
Net cash flows from operating activities	<u>786</u>	<u>483</u>	<u>168</u>
Investing activities			
Purchase of investments	(23,197)	(32,933)	(65,400)
Sale of investments	27,269	33,833	68,708
Net cash flows from investing activities	<u>4,072</u>	<u>900</u>	<u>3,308</u>
Financing activities			
Dividends paid	(1,134)	(1,101)	(2,219)
Net cash flows from financing activities	<u>(1,134)</u>	<u>(1,101)</u>	<u>(2,219)</u>
Increase in cash			
Cash and cash equivalents at start of period	1,283	26	26
Cash and cash equivalents at end of period	<u>5,007</u>	<u>308</u>	<u>1,283</u>

Statement of Changes in Equity

For the period 1st August 2005 to 31st January 2006

	31 January 2006 (unaudited)	31 January 2005 (unaudited)	31 July 2005 (audited)
	£000's	£000's	£000's
Notes			
	36,219	31,057	31,057
	7,027	4,867	7,568
3	(1,150)	(1,118)	(2,236)
	<u>42,096</u>	<u>34,806</u>	<u>36,389</u>
5	(94)	(129)	(170)
	<u>42,002</u>	<u>34,677</u>	<u>36,219</u>

The Equity Partnership Investment Company PLC

Notes to the interim statement

1 Accounting policies

The interim financial statements have been prepared using accounting policies set out in the Company's 2005 annual reports and accounts and in accordance with International Financial Reporting 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 October 2005	2.77265p	575
31 January 2006	2.77265p	575
		<u>1,150</u>

A dividend was declared at 2.77265p per Income Share on 7 January 2006. This was paid on 24 February 2006. 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	3,306
	<u>17,056</u>

The Equity Partnership Investment Company PLC

Notes to the interim statement

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	(355)
Movement in unrealised loss on revaluation of cash flow hedges	(94)
Fair value of derivative financial instruments at 31 January 2006	<u>(449)</u>

Cash flow hedges

As of 31 January 2006, the Company had an interest rate swap in place with a notional amount of 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 2006 and expires on 20 February 2007, the same as the bank loan. An unrealised gain of £94,000 is recognised in equity representing the estimated fair value of this swap at 31st January 2006.

6 Income shares

	£000's
At start of period 1 August 2005	20,478
Amortisation of income shares issue costs	32
Balance at 31 January 2006	<u>20,510</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

7 Share capital

At 31 January 2006	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 2006 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 NAV 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. This would increase the number of capital shares in issue to 41,473,999 and the pro forma net assets available to the capital shareholders to £36,792,582.

8 Reserves

	Profit and Loss Reserve £000's	Hedge Reserve £000's	Total £000's
Reserves at start of period	2,878	(355)	2,523
Net profit for the period	7,027	-	7,027
Movement in net unrealised loss on revaluation of cash flow hedges	-	(94)	(94)
Dividends paid and proposed	(1,150)	-	(1,150)
Reserves at 31 January 2006	8,755	(449)	8,306

Investment Portfolio as at 31 January 2006

Top 15 Holdings based on Market Value	% of Total investments
Equity Partnership Limited*	7.58
Diploma PLC	7.14
DTZ Holdings PLC	7.10
Palatinate Ltd	5.66
Communitas DDB 'A' 10%	4.71
Alpha Real Estate GmbH 8% 11/02/2010	4.55
Nexus Industries Ltd	4.16
Jupiter Hyde Park Hedge Fund	3.48
Heywood Williams Group PLC	3.41
Gleeson (MJ) Group PLC	3.35
Pinnacle psg Limited	2.67
Hunting plc	2.58
Invensys PLC	2.55
Strand Partners Limited	2.50
Blueheath Holdings Plc	2.37
Total of 15 largest investments	<u>63.81</u>

* Directors' Valuation

Company Information

Directors

Cameron McPhail, Chairman
DL Adamson
DC McCrickard
M Richardson

Secretary

P Scales

Registered Office

PO Box 174
St James' Chambers
Athol Street
Douglas
Isle of Man IM99 1PP

Administrator and Registrar

Northern Trust International
Fund Administration Services
(Isle of Man) Limited
PO Box 174
St James' Chambers
Athol Street
Douglas
Isle of Man IM99 1PP

Auditors

Ernst & Young
Rose House
51-59 Circular Road
Douglas
Isle of Man IM1 1AZ

Investment Manager

EPIC Investment Partners Limited
22 Billiter Street
London EC3M 2RY

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

EPIC Investment Partners Limited

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.