

Company [Equity Pre-IPO Inv](#)
TIDM EIL
Headline Final Results
Released 07:00 30-Jun-08
Number 8002X07

RNS Number : 8002X
Equity Pre-IPO Investments Ltd
30 June 2008

30 June 2008

EQUITY PRE-IPO INVESTMENTS LIMITED

("Pre IPO" or the "Company")

AUDITED RESULTS FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2007

Equity Pre-IPO Investments Limited (AIM: EIL), the strategic pre-IPO investment company, today announces its final results for the twelve month period ended 31 December 2007.

For further information please contact:

Equity Pre-IPO Investments Limited

Martin Shires +44 (0)1481 751 000

Paul Schreibke

Noble & Company Limited

John Riddell +44 (0)20 7763 2200

GTH Media Relations

Toby Hall

+44 (0)20 7153 8039

Christian Pickel +44 (0)20 7153 8036

DIRECTORS' REPORT

We are pleased to present this annual report to shareholders for the year ended 31 December 2007 for Equity Pre-IPO Investments Limited ("Pre-IPO" or the "Company"). We have also included some unaudited information for the period from 31 December 2007 to 21 May 2008 in order to ensure that shareholders are provided with as much up to date information as is practical.

Net Asset Value

We have set out in the table below the progression of our Net Asset Value per share ("NAV") from 31 March 2005, the first quarter end date following the Company's admission to trading on AIM on 24 February 2005, to 31 December 2007.

Date 31 March 2005 30 June 2005 30 September 2005 31 December 2005

NAV(unaudited)(unaudited)(unaudited) (audited)

28.14p 28.13p 39.69p 44.19p

Date 31 March 2006 30 June 2006 30 September 2006 31 December 2006

NAV(unaudited)(unaudited)(unaudited) (audited)

44.68p 42.27p 42.73p 55.37p

Date 31 March 2007 30 June 2007 30 September 2007 31 December 2007

NAV(unaudited)(unaudited)(unaudited) (audited)

55.54p 54.72p 55.18 p 28.56p

This table shows that for the majority of the year to 31 December 2007 the NAV remained relatively constant at around 55p. As a result of events affecting four of the Company's investments, we have taken the prudent view to make provisions against these investments in the year end accounts. We are obviously disappointed that these events have had such a material impact on the Company's NAV, however we believe that the portfolio will deliver increases in NAV during the course of 2008 and beyond.

Overall, the calendar year of 2007 has been a very testing one for the Company. In our annual report for the year to 31 December 2006 we stated that our target for 2007 was the flotation of two of our investee companies. We did in fact achieve an exit from two investee companies during 2007 but one was already quoted at the beginning of the year and the other was via a trade sale. The investee company that was the subject of a trade sale was Combimeer N.V. where we achieved the exit with a profit on amount invested of 37%. The targeted flotation of two other portfolio companies did not occur despite both the companies appointing financial advisors and undertaking thorough due diligence exercises in preparation for their flotations. Both companies were due to float in the last quarter of 2007 but the prevailing difficult market conditions, particularly for smaller companies, meant that this did not occur. These two companies have only recently undertaken alternative corporate fund-raising transactions, the effect of which is to materially reduce Pre-IPO's carrying values of these two companies.

The environment for the provision of finance for smaller companies has been unfavourable for many months which has caused us to hold many investments for longer than we have in the past. We have also held a number of unquoted investments for longer than the 18 months within which we normally aim to exit from those investments. It has also meant that our investee companies have been unable to turn to the public markets to obtain their next round of growth finance and therefore, in many cases, this responsibility has fallen to their existing investors, including Pre-IPO. As a consequence, we have reviewed the valuations of our unquoted portfolio with this sentiment as a backdrop, resulting in a prudent and cautious year end valuation of all of our investments. The effect of this is that for the first time since the Company was incorporated, we are reporting a reduction in our NAV for a financial year to 28.56 pence (31 December 2006: 55.37 pence). However, we do hope to achieve flotations and/or exits or partial exits from a number of our investments during the current year at materially higher levels.

Fund Raising

We have not raised any new funds during the course of 2007 and therefore the total equity funds raised by the Company since its incorporation remains at a total of £4,609,638 (before costs). This compares to the total net assets of the Company as at 31 December 2007 of £3,781,183.

We continue to operate Pre-IPO with limited levels of uninvested cash. As we have not achieved as many exits as planned, we have had little cash reserves available for new investments and unfortunately therefore we have had to turn down new investment opportunities. Pre-IPO's focus has instead been on achieving exits from its current investments through either trade sales or flotations.

Investment Strategy

Pre-IPO's investment strategy remains to achieve capital growth for shareholders through the purchase, holding and sale of minority stakes in other companies. We intend to invest only in companies which are currently unquoted but which we believe will achieve either a flotation on a Recognised Investment Exchange or Exchange Regulated Market in Europe or a trade sale up to 18 months from the time of Pre-IPO's investment. Potential investments are evaluated from a wide variety of industry sectors which are based upon the recommendations of an Investment Advisory Panel.

Investment decisions will normally take into account the following key factors:

- The size of the investments in relation to Pre-IPO's assets;
- Whether or not the investment cost appears to be at a discount to the actual or potential valuation of the investee company;
- Whether or not there is a proven management team in place or available for the investee company;
- Whether the investee company's financial and other resources, future trading prospects, visibility of earnings, cash flow forecasts and on-going working capital requirements are satisfactory;
- Whether or not there are satisfactory prospects for the investee company to achieve a flotation within a reasonable timeframe; and
- Whether or not there are satisfactory prospects for Pre-IPO to exit the investment once a flotation has been achieved.

We began 2007 with one quoted investment and five unquoted investments. During the course of the year, we achieved two complete exits: one being the quoted investment, through the sale of shares in the market; and the other being one of the unquoted investments through a trade sale. We invested in two new unquoted companies in early August, as well as making further investments in support of the existing portfolio. As a result, at the year end, we had a total of six unquoted investments.

One of the benefits of Pre-IPO's focus on supporting its existing investments rather than making new investments, which has been driven by the lack of investable funds, has been the gaining of a more detailed knowledge of, and consequently more input into, the day to day running of a number of the investee companies. This has led us to believe that, whilst many of the valuations of the companies have suffered in the short term, as businesses, they have become significantly stronger and more resilient entities as a direct result of Pre-IPO's influence. We therefore feel that when sentiments in the markets do improve and the appetite for IPO's returns, the portfolio companies will be in a very strong position to capitalise.

Our focus for 2008 is the partial or complete exit from companies within our portfolio and, assuming that we are able to achieve exits, making new investments in high quality opportunities that have potential for realisation in the short to medium term. We remain hopeful that we will be able to exit from at least three companies in 2008 through either sales to the current management teams, flotations later in the

year, or by trade sale. There is also the possibility that a fourth company will be able to become publicly listed or be bought by an existing public company in a trade sale. However, given the uncertain market conditions it is difficult to determine when these will be able to be achieved.

Investee Companies

The investment portfolio that we currently hold (as of 21 May 2008) is as follows:

Pinnacle Plus Limited ("Pinnacle")

Pinnacle was established in 2003 and specialises in providing airport ground support equipment operators, maintainers and fleet managers ("GSEs") with a range of decision support information services. Pinnacle's services are designed to help GSEs to manage their equipment assets more effectively, improve operational efficiency and reduce costs. Pinnacle provides a range of services which provide GSEs with key management and performance information, enabling them to better manage [user access](#), [locate equipment](#), [monitor vehicle usage](#) and [fleet utilisation](#), view [fuel and de-icing tank levels](#) as well as [reduce equipment damages](#). Customers include KLM Equipment Services, Martinair and Menzies at Schiphol in Amsterdam and Air France Services at London Heathrow.

Pinnacle was one of the companies whose flotation was aborted at the end of last year due to adverse market conditions. We understand from Pinnacle's management that they are currently in advanced discussions with a third party to sell Pinnacle in a share for share transaction. It is anticipated that the purchaser will provide the necessary working capital needed to take Pinnacle through to profitability. However, we also understand that the valuation being attributed to the equity of Pinnacle, pursuant to this trade sale, is significantly below the level at which Pre-IPO invested in Pinnacle in early 2006. Accordingly, we have taken the prudent step and revised downwards Pre-IPO's year end carrying value of its investment in Pinnacle to that of the anticipated sale value. (Web site address: www.pinnacle-air.com).

Altair Financial Services International PLC ("Altair")

Altair utilises industry-proven architecture and a state-of-the-art low cost processing platform to provide bespoke white labelled prepaid card programs with enhanced functionality, in association with either MasterCard® or Visa and issuing banks globally.

The prepaid cards provided by Altair can be used to make purchases and to access cash from ATMs at over 24 million locations wherever MasterCard or Visa is accepted. The card holder can manage their funds using a prepaid card due to Altair's proprietary Internet and SMS text functionality, Altair Mobile Payment System.

Like Pinnacle, Altair was the other Pre-IPO investment expected to float at the end of 2007. Altair is still in its aggressive growth phase and therefore still investing large amounts of development and infrastructure capital. Accordingly, in order to maintain its growth rate, and with access to the public markets predominantly closed for high growth technology companies, Altair recently announced an open offer to its shareholders to raise up to £5.3 million of new funds ("Open Offer"). The Open Offer is being undertaken at a significantly reduced per-share valuation to that of previous material external funding rounds that Altair undertook in 2006 and 2007 and, as a consequence, we have decided that it's prudent to revalue Pre-IPO's year-end holding in Altair to the Open Offer price. This downward revaluation is the largest single contributory factor to Pre-IPO's reduced year-end NAV, however we continue to have every confidence that, with this additional funding secured, Altair will now be able to achieve a successful flotation later in the year. (Web site address: www.altair-financial.com).

Lorega Limited ("Lorega").

Lorega was established in 1983 as a claims consultancy service for businesses and has now grown into a leading provider of products and services focused on making the claims process easier for private clients and commercial insurance customers. It employs 70 independent Chartered Loss Adjusters who work on behalf of insurance brokers' clients to prepare and negotiate claims against insurance companies in relation to property and business interruption claims (commercial) or contents and buildings claims (household). Lorega's loss recovery insurance service is now sold by over 300 brokers.

Lorega continues to perform to its management's expectations and is expected to report record profit levels in the year to March 2008. As a result, we have not revalued this investment at the year end. Indeed, we have previously had indications from Lorega's management that they may look to undertake a share buy-back programme during 2008 which could result in a material realisation of a proportion of this investment for Pre-IPO, however there can be no certainty of the outcome at this stage. (Web site address: www.lorega.com).

RadioScape plc ("RadioScape")

Founded in 1996, RadioScape provides software and hardware solutions to manufacturers of digital radios and broadcasters of content for the digital radio market. 2007 was a tough year for RadioScape with a number of factors contributing to RadioScape not achieving its 2007 forecasts. Specifically, UK retail unit growth fell short of industry forecasts resulting in fewer of RadioScape's units being sold; the timing for the replacement

digital standard to the AM wavelength (DRM) is still uncertain after trials in several countries; and mobile TV standards remain fragmented with Europe and the US adopting different standards.

RadioScape announced a business restructuring in late 2007, with the intention to move towards higher margin product design business and reducing the dependency on DAB. RadioScape anticipated making some significant cost and headcount reductions in order to reach profitability in 2008.

Pre-IPO invested in RadioScape in late 2006 as part of RadioScape's £5.5 million fundraising when the company had plans to float in the first quarter of 2007 at a significant uplift in valuation. However a number of unforeseen events, including an unsolicited approach for RadioScape, resulted in the float being delayed until the second half of 2007, whereupon the prevailing difficult market conditions caused the IPO to be aborted. Accordingly, we have concluded that, whilst RadioScape could be floated towards the end of the current financial year, the valuation is likely to be considerably lower than previously predicted and as a result we have reduced Pre-IPO's carrying value in this company by more than 70% from that at the time of its last fundraising. (Web site address: www.radioscape.com).

Fashion Brands Collections B.V. ("Fashion Brands")

Fashion Brands is a Dutch based private company which holds the exclusive rights to operate ELLE branded stores throughout Europe and the Middle East selling ELLE's day wear collection, "pret-a-porter". Fashion Brands was granted the rights from Hachette Filipacchi Presse SA ("HFP"), the Paris based ultimate owner of ELLE magazine worldwide. ELLE is amongst the world's largest fashion magazines, with 39 editions printed across 5 continents with 21 million readers. HFP continues to be extremely successful in leveraging the strength of the ELLE brand in related markets.

Fashion Brands began operations in 2005 and today has a total of 8 stores open and operational across Europe, 5 in Netherlands and one in each of Sweden, Spain and Romania. Fashion Brands designs the bi-annual collections in-house with its team of talented and up and coming designers and outsources its manufacturing to high quality third parties. ELLE branded stores are operated both by the company itself and by sub-licenceses of Fashion Brands and are obliged to only sell clothing designed by Fashion Brands.

Pre-IPO invested in Fashion Brands on 5 August 2007 as part of a larger fundraising by the company. However, due to the emergence of weaker economic data, particularly in the retail sector since that date, we have again taken a prudent view to revalue downwards this investment, despite our belief that it is on track operationally and is expected to open a further 4 ELLE branded stores this year.

As previously disclosed there is one further portfolio company that has asked us to keep our investment confidential at this stage.

Valuation of portfolio

The cost of our existing investments as of 31 December 2007 was £4,469,217, (as of 31 December 2006 £4,419,538). This investment portfolio has been re-valued to £4,093,423 as at 31 December 2007 (NAV 28.56 pence) and as at 21 May 2008 was £4,116,736 (unaudited) (NAV 28.72 pence). The valuation principles used are as for unquoted companies set out in the International Private Equity and Venture Capital Valuation Guidelines (published June 2005, amended October 2006) by the European Private Equity and Venture Capital Association.

Share Price

Our share price began 2007 at 29 pence and rose to a high of 36 pence slipping back again to finish the year at 26 pence. During 2007 our share price has fluctuated between 21 pence and 36 pence per share. This share price performance and the low market liquidity of the shares has been a continual disappointment to us, although is not wholly unexpected, given the current weak demand for small cap stocks in the capital markets.

Outlook

The Directors believe that the investment portfolio held by Pre-IPO, whilst having its carrying value significantly reduced at the year end, offers great potential for significant uplifts in the asset value of the Company in the future. This is, however, tempered by the current poor market conditions and the lack of capital available to the Company.

Directors and their Interests

The Directors of the Company during the year were:

Martin Shires BSc (Econ), ACA, TEP

Paul Matthew Schreibke BSocSc, CTA, TEP

Jonathan David Freeman BA (Hons), MBA

Ian Geoffrey Clarke (alternate director for Paul Matthew Schreibke)

James Grant Howitt (alternate director for Martin Shires)

None of the Directors who held office at the end of the financial year had any interest in the share capital or share options of the Company, nor does any person connected with the Directors have any such interests, whether beneficial or non-beneficial.

Substantial Shareholdings

At 31 December 2007 and 21 May 2008, the issued share capital of the Company was 13,237,235 ordinary shares of 1 pence each.

We have conducted a limited investigation into the underlying holders of 3% or more of our share capital. It is a requirement of both the Company's Articles of Association and the AIM Rules for Companies that shareholders must notify the Company if they own shares representing 3% or more of the issued share capital. However, there is no authority for the Company to issue an equivalent to a Notice under section 212 of the UK Companies Act 1985 ("a 212 Notice"). Therefore the combination of the use of nominee accounts (which the CREST settlement system encourages) and no 212 Notice equivalent means that it can be difficult to track the ownership of the Company's shares. As far as we are aware, as at 31 December 2007, the following shareholders held 3% or more of the Company's share capital:

	Number of ordinary shares	Percentage of issued ordinary share capital
Jon Olafsson	3,970,500	29.99%
Equity Special Situations Limited	3,323,052	25.10%
Cobra Capital Limited	997,500	7.54%
W T Lamb Investments Limited	662,400	5.00%
Newton Nominees Limited	639,022	4.83%

Share Option Plan

A discretionary Share Option Plan ("Plan") was adopted by the Board prior to the admission of the Company to AIM on 18 February 2005. A summary of the draft terms of the Plan were provided in the admission to trading on AIM document. On 16 May 2007, the Board formally adopted the finalised Plan which was set up on the basis of the draft terms in the AIM Admission document.

In an effort to preserve cash the Board has, where it is considered appropriate, awarded options over the Company's shares to consultants to the Company rather than pay fees to them for work carried out. On 30

May 2007 Kenneth West was granted options exercisable over 50,000 Ordinary Shares for services provided to the Company as a member of the Investment Advisory Panel. On 1 June 2007 options exercisable over 750,000 Ordinary Shares were issued to a number of third party consultants used by Pre-IPO during the course of the previous 12 months. The award of these options were in lieu of fees that would otherwise have to have been paid using Pre-IPO's limited cash resources. The exercise price of all these options is 26 pence per share which was the mid-price of the shares at the time the options were awarded. These were the first options awarded by the Company and so there are currently options over a total of 800,000 shares in issue as of 31 December 2007 (31 December 2006: nil).

The Board intends to continue to award options to consultants in place of fees when appropriate but has decided that it would not be appropriate to award any of its directors such options.

Dividends

No dividends have been paid or are proposed.

STATEMENT OF TOTAL RETURN FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	For the year ended			For the year ended		
		Revenue	Capital	31 December 2007 Total	Revenue	Capital	31 December 2006 Total
		£	£	£	£	£	£
(LOSSES)/GAINS ON INVESTMENTS							
Net (losses)/gains on investments at							
fair value through profit or loss	3	-	(3,279,261)	(3,279,261)	-	1,875,620	1,875,620
Unrealised gain on foreign							
exchange		14,163	-	14,163	-	-	-
		14,163	(3,279,261)	(3,265,098)	-	1,875,620	1,875,620
INCOME							
	1(c)						
Commission received		1,200	-	1,200	-	-	-
Interest income	4	22,219	-	22,219	1,909	-	1,909
		23,419	-	23,419	1,909	-	1,909
EXPENDITURE							
	1(b)						
Directors' fees		20,000	-	20,000	20,000	-	20,000
Administration fees		43,530	-	43,530	49,498	-	49,498
Professional fees		26,738	10,667	37,405	42,832	14,609	57,441
Consultancy fees		-	183,768	183,768	-	171,961	171,961

Audit fee	12,930	-	12,930	9,300	-	9,300
Interest charged	20,418	-	20,418	4,198	-	4,198
Commission paid	3,256	-	3,256	3,288	-	3,288
Regulatory and registration fees	19,097	-	19,097	18,046	-	18,046
	145,969	194,435	340,404	147,162	186,570	333,732
(LOSS)/PROFIT ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR	(108,387)	(3,473,696)	(3,582,083)	(145,253)	1,689,050	1,543,797
Earnings per share:	6					
- basic (pence per share)	(0.82)	(26.24)	(27.06)	(1.10)	12.76	11.66

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued during the year.

A reconciliation of movements in shareholders' funds is set out in note 15 to the financial statements.

BALANCE SHEET

31 DECEMBER 2007

	Note	31 December 2007	31 December 2006
FIXED ASSETS			
Investments at fair value through profit or loss		4,093,423	7,270,739
CURRENT ASSETS			
Loans receivable	8	230,000	-
Other debtors and prepayments		21,202	-
Cash and cash equivalents		6,651	77,504

	257,853		77,504
--	---------	--	--------

CREDITORS - AMOUNTS FALLING
DUE WITHIN ONE YEAR

Loans payable	9	(496,269)	-
Other creditors and accruals	10	(73,824)	(18,657)
		(570,093)	

NET CURRENT ASSETS		(312,240)		58,847
TOTAL ASSETS LESS CURRENT LIABILITIES	£	3,781,183	£	7,329,586

CAPITAL AND RESERVES

CALLED UP SHARE CAPITAL	12	132,372		132,372
SHARE PREMIUM ACCOUNT	13	4,254,872		4,254,872
CAPITAL RESERVE				
REALISED	14	520,093		546,843
UNREALISED	14	(595,745)		2,851,201
SHARE OPTION RESERVE	14	33,680		-
REVENUE RESERVE	14	(564,089)		(455,702)
SHAREHOLDERS' FUNDS	15	£ 3,781,183	£	7,329,586
Net asset value per share	7	28.56		55.37

(pence per share)

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	For the year ended 31 December 2007	For the year ended 31 December 2006
Net cash outflow from operating activities	11	(235,176)	(341,344)

Investing activities:		
Purchase of unquoted investments	(1,466,394)	(1,833,741)
Proceeds from disposals of quoted investments	985,498	2,150,921
Proceeds from disposals of unquoted investments	378,950	-
Loans receivable advanced	(230,000)	-
Net cash (outflow)/inflow from financial investment	(331,946)	317,180
Financing:		
Loans payable received	496,269	-
Net cash inflow from financing	496,269	-
Decrease in cash for the year	£(70,853)	£(24,164)

RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN
CASH
AND CASH EQUIVALENTS

Decrease in cash resources for the year	(70,853)	(24,164)
Cash inflow from increase in debt finance	(496,269)	-
Change in net debt resulting from cash flows	(567,122)	(24,164)
Opening funds brought forward	77,504	101,668
Closing net (debt)/funds carried forward	11 £(489,618)	£77,504

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

1. ACCOUNTING POLICIES

(a) CONVENTION

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable United Kingdom accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" issued by The Association of Investment Trust Companies in December 2005. The principal accounting policies which the directors have adopted within that convention are set out below.

(b) ADOPTION OF NEW STANDARDS

In the current year, the Company has adopted FRS 29: Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007. The impact of the adoption of FRS 29 has been to expand the disclosures provided in the financial statements regarding the Company's financial instruments (see note 19).

(c) INCOME

Dividends receivable from equity investments are recognised on the ex-dividend date. Dividends receivable from equity investments where no ex-dividend date is quoted are recognised when the Company's right to receive payment is established. Interest receivable on cash deposits is accounted for using the effective interest rate method.

(d) FOREIGN CURRENCY

The Directors have considered the primary economic environment of the Company and considered the currency in which the original finance was raised and ultimately what currency would be returned to investors on a break up basis. The directors have also considered the currency to which the underlying investments are exposed. On balance, the directors believe sterling best represents the functional currency of the Company. Sterling is also the presentational currency.

Assets and liabilities denominated in foreign currencies other than sterling have been translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions during the period have been translated at the rates of exchange ruling at the date of the transaction.

(e) FINANCIAL INSTRUMENTS

The Company's financial instruments fall into the categories discussed below with the allocation depending to an extent on the purpose for which the asset was acquired. Unless otherwise indicated, the carrying amounts of the Company's financial instruments are a reasonable approximation of their fair values.

(i) Investments held at fair value through profit or loss Classification

All investments are classified as "fair value through profit or loss". These financial assets are designated by the Board of Directors at fair value through profit or loss at inception.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy is for the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Recognition

Purchases and sales of investments are recognised on the trade date or the date on which the Company commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the income statement. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of total return in the period in which they arise.

Fair value estimation

Quoted investments are valued at bid price. Unquoted investments are valued by the Board according to the valuation principles of the European Private Equity and Venture Capital Association as set out in the International Private Equity and Venture Capital Valuation Guidelines (Published June 2005, amended October 2006) and accordingly are stated at the value of their latest third party funding. Where no third party funding has taken place, they are valued at cost, less a provision for impairment when necessary.

Because of the inherent uncertainty associated with the valuation of such investments and the absence of a liquid market, these fair values may differ from the realisable values, and differences could be material. Realised gains or losses on the disposal of investments are taken to the capital reserve - realised. Unrealised gains or losses on revaluation of investments are taken to the capital reserve - unrealised.

(ii) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They consist of loans receivable, other debtors and cash and cash equivalents, but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The effect of discounting on these financial instruments is not considered to be material.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

(iii) Financial liabilities measured at amortised cost

These include:

° other creditors and accruals which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

° loans payable which are initially recognised at fair value net of attributable transaction costs incurred. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method. Other creditors and accruals primarily comprise of amounts outstanding for ongoing costs. The Company has a financial risk management procedure in place to ensure that all payables are paid within the credit timeframe.

(iv) Share capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability.

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(vi) Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

(f) EXPENDITURE

All expenses are accounted for on an accruals basis. Expenses that are directly attributable to the management of investments are allocated directly to capital in the Statement of Total Return. With the Directors' long term target for returns on investments being entirely capital gain there is no requirement to apportion these expenses between revenue and capital.

(g) SHARE BASED PAYMENTS

The Company has applied the requirements of FRS 20: Share-based Payments. The Company makes equity-settled share-based payments to certain consultants. Equity-settled share based payments are measured at fair value as at the date of grant. The fair value determined at grant date is expensed on a straight line basis over the vesting period based on the Company's estimate of shares that will eventually vest. Further details of how the fair value of share based payments is determined are shown in note 18.

2. TAXATION

The company has been granted exempt status under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989, and is therefore subject to the payment of an annual fee which is currently £600.

3. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2007	31 December 2006
Designated at fair value through profit or loss		
- Listed equity securities	-	918,000
- Unlisted investments	4,093,423	6,352,739
Total investments at fair value through profit or loss	£4,093,423	£7,270,739

Changes in fair value of financial assets at fair value through profit or loss.

- Realised	169,980	115,845
- Unrealised	(3,449,241)	1,759,775
	£(3,279,261)	£1,875,620

4. INTEREST INCOME

	31 December 2007	31 December 2006
Bank interest	2,892	1,477
Loan interest	19,327	432
Total	£22,219	£1,909

The above interest income arises from financial assets classified as loans and receivables (including cash and cash equivalents) and has been calculated using the effective interest rate method.

5. INTEREST EXPENSE

	31 December 2007	31 December 2006
Bank interest and charges	1,630	2,074
Loan interest	18,788	2,124
Total	£20,418	£4,198

The above interest expense arise on financial liabilities measured at amortised cost using the effective interest rate method.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net return on ordinary activities after tax for the year and on 13,237,235 (2006: 13,237,235) shares being the weighted average number of shares in issue during the year.

FRS 22: "Earnings Per Share" defines dilution as a reduction in earnings per share or as an increase in loss per share. When calculating the dilutive earnings per share for the year the loss decreased. Accordingly the diluted loss per share is not disclosed as per FRS 22. The Company has 800,000 share options in issue which could potentially dilute basic earnings per share in the future.

7. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of £3,781,183 (2006: £7,329,586) and on the ordinary shares in issue of 13,237,235 (2006: 13,237,235) at the balance sheet date.

8. LOANS RECEIVABLE

31 December 2007 31 December 2006

Loan to investee company	£230,000	£-
--------------------------	----------	----

An amount of £80,000 bears interest at 18% per annum, is unsecured and was repayable on or before 21 May 2007. The remaining balance of £150,000 bears interest at 18% per annum, is unsecured and was due for repayment on or before 15 December 2007.

Both loans are past due and the directors are currently restructuring the debt repayment arrangements, including all outstanding interest. Accordingly, the directors have not made provision for impairment.

9. LOANS PAYABLE

31 December 2007 31 December 2006

EUR loan	421,269	-
GBP Loan	75,000	-
	£496,269	£-

The EUR loan payable is unsecured, repayable on demand and bears interest at 3% per annum above the EUR base rate. The GBP loan payable is unsecured, repayable on demand and bears interest at 3% above the UK base rate.

10. OTHER CREDITORS AND ACCRUALS

31 December 2007 31 December 2006

Audit fees	10,000	4,650
Consultancy / director's fees	7,150	-
Professional fees	22,425	1,875
Interest payable	18,788	-
Nomad fees	1,875	5,625
Registrar fees	4,393	-
Administration fees	8,973	6,507
Sundry creditors	220	-
	£73,824	£18,657

11. CASH FLOW NOTE

(a) Reconciliation of revenue return to operating cashflow

	31 December 2007	31 December 2006
Net revenue return on ordinary activities for the year	(108,387)	(145,253)

Expenses charged to capital		(194,435)	(186,570)
Increase in debtors		(1,875)	-
Increase/(decrease) in creditors		36,380	(9,521)
Share based payments		33,680	-
Loan interest paid		18,788	-
Loan interest received		(19,327)	-
Net cash outflow from operating activities	£	(235,176)	£(341,344)

(b) Analysis of net debt

	At 1 January 2007	Cashflow	At 31 December 2007
Cash and cash equivalents	77,504	(70,853)	6,651
Loan payable	-	(496,269)	(496,269)
	£77,504	£(567,122)	£(489,618)

12. CALLED UP SHARE CAPITAL

	31 December 2007	31 December 2006
Authorised		
50,000,000 ordinary shares of £0.01 each	£500,000	£500,000
Allotted and fully paid		
13,237,235 ordinary shares of £0.01 each	£132,372	£132,372

13. SHARE PREMIUM ACCOUNT

As at 1 January 2007 and at 31 December 2007 £4,254,872

14. RESERVES

	Capital Reserve - Realised	Capital Reserve - Unrealised	Share Option Reserve	Revenue Reserve	Total
Balance at 1 January 2007	546,843	2,851,201	-	(455,702)	2,942,342
Net return for the financial year	(24,455)	(3,449,241)	-	(108,387)	(3,582,083)
Transfer from unrealised reserves to realised reserves on disposal of investments	(2,295)	2,295	-	-	
Value of options granted during the year (note 18)	-	-	33,680	-	33,680
Balance at 31 December 2007	£ 520,093	£ (595,745)	£ 33,680	£ (564,089)	£ (606,061)

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2007	31 December 2006
Net return for the financial year	(3,582,083)	1,543,797
Impact of implementation of FRS 26	-	(63,869)
	(3,582,083)	1,479,928
Effect of share based payments in the year	33,680	-
Net (reduction)/addition to shareholders funds	(3,548,403)	1,479,928
Opening shareholders' funds	7,329,586	5,849,658
Closing shareholders' funds	£3,781,183	£7,329,586

16. RELATED PARTY TRANSACTIONS

On 9 February 2005 and as disclosed in the AIM Admission Document dated 18 February 2005, Combined Management Services Limited ("CMS") entered into a services agreement with the Company under the terms of which CMS agreed to provide research, consultancy, office management and administration services to the Investment Advisory Panel.

A total of £100,147 has been paid to CMS for the year to 31 December 2007 (£101,601 for the year to 31 December 2006). Jonathan Freeman is a director of, and owns 50% of, CMS.

17. CONTROLLING PARTY

The issued share capital of the Company is owned by numerous parties and, therefore, in the opinion of the Directors, there is no ultimate controlling party of the Company as defined by FRS 8: Related Party Disclosures

18. SHARE OPTIONS

At 31 December 2007 the number of ordinary shares of 1 pence each subject to options granted under the Company's Share Option Plan were:

Exercise Period	Exercise Price per Share	01-Jan 2007 Grants No.	during year exercised No.	Options exercised No.	31-Dec 2007 No.	31-Dec 2007 Exercisable No.
30 November 2007 - 30 May 2017	26.0 pence-	50,000	-	-	50,000	50,000
1 December 2007 - 1 June 2017	26.0 pence-	750,000	-	-	750,000	750,000
		-	800,000	-	800,000	800,000

There were no market conditions within the terms of the grant of options. The main vesting condition for all the options awarded was that the consultant remained contracted to the Company at the date of exercise.

The Binomial formula is the option pricing model applied to the grant of all options in respect of calculating the fair value of the options.

For the granting of options during the year ended 31 December 2007, the following inputs to the Binomial formula have been used:

	Year ended 31 December 2007
Number of shares under option	800,000
Share price at grant	26.0 pence
Option exercise price	26.0 pence
Expected life of options	3.5 years
Expected volatility	23.70%
Risk free rate	5.66% p.a.
Grant date	50,000 on 30 May 2007 750,000 on 1 June 2007
Fair value per share option	4.21 pence
Total charge over the vesting period	33,680.00

The share-based remuneration charge comprises:

	Year ended 31 December 2007	Year ended 31 December 2006
Share-based payments	£33,680	£Nil

The charge is included within consultancy fees within the Statement of Total Return.

19. FINANCIAL INSTRUMENTS

In common with other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(a) Strategy in using financial instruments

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company will invest in companies which are unquoted or trading on the OFEX market at the time of the investment and where the Directors believe that a flotation is likely to be achieved by the company within eighteen months of an investment by the Company. Investee companies will be located in Europe.

The objective is to provide long term capital growth by exploiting the valuation differential between privately held companies and those that are publicly traded.

Investments

All of the Company's intended investments present the risk of a loss of capital. Such investments are subject to investment-specific price fluctuations as well as to macro economic, market and industry-specific conditions including, but not limited to, international economic conditions, international financial policies and performance, governmental events and changes in laws. Moreover, the Company may only have a limited ability to vary its investments in response to changing economic, financial and investment conditions.

The success of the Company will be dependent upon, inter alia, the identification, making, management and realisation of suitable investments. There can be no guarantee that such investments can or will be made or that such investments will be successful. Poor performance by an investment could severely affect the Net Asset Value per share. In particular, investors should note that:-

- ° Shareholders will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Directors and, accordingly, will be dependent on the judgement and ability of the Directors in investing and managing the assets of the Company. No assurance can be given that the Directors will be successful in making suitable investments or that, if such investments are made, the investment objectives will be achieved;
- ° the Company is likely in most cases to have minority interests in the companies, partnerships and ventures in which it invests and may be unable to exercise control over the operations of such companies, partnerships and ventures or control over any exit, or timing of any exit, by other investors in such companies, partnerships or ventures;
- ° the management of the investee companies targeted by the Directors may not always welcome proactive shareholder involvement and may be resistant to change;
- ° the Company may be unable to effect an investment in an identified opportunity and, in particular, resources of the Company may be expended investigating potential projects which are subsequently rejected as being unsuitable;
- ° the Company may dispose of investments in certain circumstances and may be required to give representations and warranties about those investments and to pay damages to the extent that such representations and warranties turn out to be inaccurate or other terms of sale are breached;
- ° an investee company's competitors may develop or market technologies that are more effective or less expensive than those developed or marketed by the investee company, or that would render the investee company's technology or business model obsolete or uncompetitive;

° the Company cannot guarantee that the value of investments as reported from time to time will in fact be realised; and

° although the Directors will use all due care and diligence when implementing the investment strategy, the situation may arise whereby an investee company does not proceed with a successful IPO. In such instance, the Company may find it difficult to achieve an exit, or may do so at a loss to the initial investment, or may lose the entirety of its investment.

Investments in small unquoted companies

The Company's investment portfolio will comprise interests predominantly in unquoted private companies and companies with an AIM listing which may be difficult to value and/or realise. Investment in the securities of smaller companies may involve greater risks than is customarily associated with investments in larger, more established companies. In particular, such companies may have limited product offerings, markets or resources and may be dependent on a small number of key individuals.

Concentration risk

It is possible that certain investments will represent a significant proportion of the Company's total assets. As a result, the impact on the Company's performance and the potential returns to investors will be adversely affected to a greater degree if anyone of those investments were to perform badly than would be the case if the Company's portfolio of investments was more diversified.

At 31 December 2007 the overall investment allocation was entirely in unquoted investments.

(b) Market risk

The Company operates in a competitive market for investment opportunities. While the Directors consider the Pre-IPO market to be an attractive area for investment, it is nonetheless likely that the Directors will encounter competition for target investments from investors many of which will have significantly greater resources than the Company. There can be no assurance that these competitive pressures will not have a material adverse effect on the Company's business, financial condition and results of operations. As a result of this competition, the Directors may not be able to take advantage of attractive investment opportunities from time to time. Furthermore the Directors can offer no assurance that they will be able to identify and make investments that are consistent with the Company's investment strategy.

i) Interest rate risk

The majority of the Company's financial assets and liabilities are non-interest bearing. As result, the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any cash and cash equivalents are invested at short-term market interest rates.

The Company's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarises the Company's exposure to interest rate risks.

	Non-Interest Bearing	Variable Interest	Fixed Interest	Total
As at 31 December 2007				
Assets				
Investments at fair value through profit or loss	4,093,423	-	-	4,093,423
Loans receivable	-	-	230,000	230,000
Other debtors	21,202	-	-	21,202
Cash and cash equivalents	-	6,651	-	6,651
Total financial assets	£ 4,114,625	£ 6,651	£ 230,000	£ 4,351,276
Liabilities				
Loan payable	-	(496,269)	-	(496,269)
Sundry creditors and accruals	(73,824)	-	-	(73,824)
Total financial liabilities	£ (73,824)	£ (496,269)	£ -	£ (570,093)

The terms, including the interest rate of the loans receivable and loans payable are disclosed in notes 8 and 9 respectively.

	Non-Interest Bearing	Variable Interest	Fixed Interest	Total
As at 31 December 2006				
Assets				
Investments at fair value through profit or loss	7,270,739	-	-	7,270,739
Cash and cash equivalents	-	77,504	-	77,504
Total financial assets	£ 7,270,739	£ 77,504	£ -	£ 7,348,243
Liabilities				
Sundry creditors and accruals	(18,657)	-	-	(18,657)
Total financial liabilities	£ (18,657)	£ -	£ -	£ (18,657)

At 31 December 2007, should interest rates rise by 25 basis points with all other variables remaining constant, the decrease in net assets attributable to shareholders for the year would amount to approximately £1,224 (2006: £194 increase) arising substantially from the increase in interest expense. If interest rates decrease by 25 basis points, the increase in net assets attributable to shareholders would amount to approximately £1,224 (2006: £194 decrease). At the Balance Sheet date, the Company does not hold any debt securities.

The Directors are permitted to utilise overdraft facilities towards the achievement of the Company's investment objectives. As at the Balance Sheet date, no overdraft facility has been negotiated or utilised.

ii) Hedging and currency risk

The Company's investments are expected to be denominated in pounds sterling. The Directors may invest in opportunities other than sterling and may, through forward foreign exchange contracts, hedge its exposure back to sterling. While hedging may attempt to reduce currency risk, it is not possible to hedge fully or perfectly against currency fluctuations. Accordingly investors may, at certain times, be exposed to exchange rate risks between sterling and other currencies, such that if the value of other currencies falls relative to sterling, the Company's assets will, in sterling terms be worth less.

The Company held no hedging instruments during the years ended 31 December 2007 and 31 December 2006. The Company holds assets denominated in currencies other than pounds sterling, the functional currency. It is therefore exposed to currency risk, as the value of assets denominated in other currencies will fluctuate due to changes in exchange rates.

The table below summarises the Company's foreign currency exposure:

ii) Hedging and currency risk (continued)

Analysis of assets and liabilities in currencies other than sterling

Currency	Value £	31 December 2007	
			% of net assets
Financial assets			
Euro - Unlisted investments	734,484		19.42%
Euro - Cash at bank	765		0.02%
USD - Cash at bank	215		0.01%
Financial liabilities			
Euro - Loans payable	(421,269)		11.14%
Currency	Value £	31 December 2006	
			% of net assets
Euro - Unlisted investments	276,470		3.77%
USD - Cash at bank	371		0.01%

At 31 December 2007, had the exchange rate between the Euro and sterling increased or decreased by 5% with all other variables held constant, the increase or decrease respectively in net assets attributable to shareholders would amount to approximately £15,699 (2006: £13,824).

At 31 December 2007, had the exchange rate between the US Dollar and sterling increased or decreased by 5% with all other variables held constant, the increase or decrease respectively in net assets attributable to shareholders would amount to approximately £11 (2006: £19).

iii) Other price risk

Other price risk is the risk that value of an instrument will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Company's financial instruments are carried at fair value with changes in value recognised in the Statement of Total Return, all changes in market conditions will directly affect net investment income.

The table below details the breakdown of the investment assets held by the Company

	31 December 2007		31 December 2006	
	Value £	% of Net Assets	Value £	% of Net Assets
Investment assets				
Equity investments:				
◦ Listed equities	-	-	918,000	12.52%
◦ Unlisted equities	4,093,623	108.26%	6,332,739	86.67%

Investment liabilities

At the year end the equity investments held by the Company were all unlisted. A 5% increase in the fair value of all investments at 31 December 2007 would have increased the net assets attributable to shareholders by £204,671: an equal change in the opposite direction would have decreased the net assets attributable to shareholders by an equal but opposite amount.

(c) Liquidity risk

The Company's financial instruments include unlisted equity instruments, some of which are not traded in an organised public market and which generally may be illiquid. As a result, the Company may not be able to liquidate quickly some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements.

The Company has a procedure to manage liquidity risk whereby the board meet regularly to review investment holdings and current and anticipated levels of financial liabilities. Where liquidity of the investments within the portfolio is believed to be at a level which may adversely affect the Company's ability to service its financial obligations, the board will consider taking action to improve cash flow, which may include utilising bank overdrafts or other credit arrangements.

The table below details the contractual, undiscounted cash flows of the Company's financial liabilities

31 December 2007

	Less than 1 month	1-3 monthsto	3 months to 1 year	No stated maturity
All amounts stated in GBP				
Financial liabilities				
Loans payable	496,269	-	-	-
Sundry creditors and accruals	(55,036)	-	-	-
	£ 441,233	£ -	£ -	£ -

31 December 2006

	Less than 1 month	1-3 monthsto	3 months to 1 year	No stated maturity
All amounts stated in GBP				
Financial liabilities				
Accrued expenses	£ (18,657)	£ -	£ -	£ -

The gross nominal outflow disclosed above is the contractual, undiscounted cash flow on the financial liability or commitment.

d) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to the financial assets carried at amortised cost, as they have a short term to maturity.

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

	31 December 2007	31 December 2006
Loans receivable	230,000	-
Other debtors	21,202	-
Cash and cash equivalents	6,651	77,504
Total	£257,853	£77,504

Amounts in the above table are based on the carrying value of all accounts.

The Company has a procedure to manage credit risk whereby the board meets regularly to review credit positions. The Company has the following financial assets;

i) Loans receivable

The details of the loan are disclosed in the note 8 to the financial statements. Both loans are past due and the directors are currently restructuring the debt repayment arrangements, including all outstanding interest. Accordingly, the directors consider the loans to be recoverable in full and have not made a provision for impairment.

i) Other debtors

In the event of default by a debtor, or in respect of amounts due relating to other receivables, the Company will incur additional costs, including legal expenses to recover amounts due. The Company has no significant credit risk as there is no exposure with one significant counterparty. The Company did not recognise any impairment during the year and there were no other receivables that were past due.

ii) Cash and cash equivalents

The Company has concentration of credit risk arising from its bank holdings of cash and cash equivalents, from time to time. To manage this exposure, the Company has a policy of maintaining its cash and cash equivalents with counterparties that have a credit listing of at least A from independent rating agencies. Given this high credit rating, the directors do not expect any counterparty to fail.

Copies of the Annual Report for the year ended 31 December 2007 are being sent to shareholders. Further copies will be available from the Company Secretary's office: Cosign Limited, Martello Court, Admiral Park, St Peter Port, Guernsey, GY1 3HB.