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Equity Pre-IPO Investments Limited

Preliminary Results for the year ended 31 December 2008

Equity Pre IPO Investments Limited (AIM: EIL), the strategic Pre-IPO investment company, today announces its preliminary results for the year ended 31 December 2008.

DIRECTORS' REPORT

Introduction

We are pleased to present this annual report of Equity Pre-IPO Investments Limited ('Pre-IPO' or the 'Company') to shareholders for the year ended 31 December 2008. The last financial year has been by far the most difficult period in the Company's short history, with virtually no small cap IPOs and interest by investors and lenders in supporting small unquoted businesses reaching an all time low. These factors, together with investee company specific reasons resulted in the directors having to write down the value of those unquoted investments still held at the year end to almost zero.

Background

The environment for the provision of finance for smaller companies deteriorated markedly during the year under review, as evidenced by the lack of flotations and new monies raised by companies joining the AIM market of the London Stock Exchange. In the previous financial year to December 2007, a total of 284 new companies joined AIM, raising an aggregate £6.6 billion of new money (an average of approximately £23 million of new money per IPO). In stark contrast, in the last quarter of 2008, there were only 22 new admissions and those companies raised an aggregate of £13.1 million (an average of just £0.5 million per IPO), representing a plunge in financing activity of more than 97 per cent.

Pre-IPO's historic business model and investment strategy of only investing in unquoted companies which are expected to achieve a flotation within a year or 18 months of the investment has, in the current economic downturn, proved to have been a significant limiting factor to the Group's ability to recycle its investments. Furthermore, the Company's objective at the outset of providing long term capital growth by exploiting the valuation differential between privately held companies and those whose shares are publicly traded has also been challenged due to the significant falls in the value of quoted companies - the AIM All Share index fell by more than 62% during the course of 2008. A consequence of the significant changes in the landscape for financing of small cap companies is that the Board of Pre-IPO will be seeking approval of, inter alia, a broader investment policy, as set out later in this report, at the Annual General Meeting of shareholders, which is to be held on 21 July 2009.

Investee Companies

At the beginning of 2008, the Company held investments in six unquoted companies:

- Pinnacle Plus Limited ('Pinnacle');
- Altair Financial Services plc ('Altair');
- Radioscape plc ('Radioscape');
- Fashion Brands Company B.V. ('Fashion');
- Lorega Limited ('Lorega'); and
- a London based corporate finance boutique, the name of which Pre-IPO is contractually required to keep confidential.

During 2008, Pinnacle's entire issued share capital was acquired by Creon Corporation ('Creon'), an AIM traded company, in exchange for Creon Shares and these shares remain within Pre-IPO and are subject to an agreed lock-in until October 2009.

Towards the end of the year, under pressure to repay outstanding loans which at the time stood at approximately £0.74 million, we reluctantly agreed to dispose of our shareholding in Lorega - achieving a price that enabled us to reduce the Company's borrowings significantly. We sold the majority of the holding in Lorega before the year end, with an investment balance of only £0.1 million held at the year end, which was sold in February 2009 for the carrying value.

Unfortunately, during the latter part of 2008 and into 2009, all four of the remaining investee companies encountered severe financial difficulties, such that three were unable to refinance when required. As a consequence, Altair and Fashion appointed administrators in the first quarter of 2009 with no value being ascribed to their respective equity shareholders. Radioscape, under pressure from its lenders, undertook a sale of the majority of its trading assets around the same time. However disappointingly, the proceeds received were only sufficient to repay Radioscape's secured lenders with no value being ascribed to the holders of Radioscape's equity, such as Pre-IPO. The corporate finance boutique in which Pre-IPO has a shareholding is currently finalising a highly-discounted equity fund raise and those existing shareholders that are unable to participate (such as Pre-IPO) are, in the Board's opinion, being unjustifiably diluted, such that we do not believe that there will be any material value ascribed to the Company's current shareholding. The regrettable upshot of the financial difficulties afflicting all of our unquoted investments is that the Board has written down all investments to a value of £0.25 million (2007: £4.1 million).

Financial Review

Loss on ordinary activities for the year to 31 December 2008 was £3.74 million (2007: £3.58 million loss), driven lower by the write downs on investments at fair value through profit or loss of £3.60 million (2007: £3.28 million). Running expenses for the year of £0.37 million were in line with 2007 of £0.34 million. Loss per share for 2008 was 28.24 pence (2007: 27.06 pence).

The Company was able to reduce its borrowings from £0.50 million at the beginning of the year to £0.12 million at the year end. This outstanding amount was repaid after the period end from the proceeds of the disposal of the final tranche of our investment in Lorega and a small new loan of £0.02 million. Net asset value per share at the year end was 0.33 pence (2007: 28.56 pence).

Cash balances were negligible at the year end, with the Company's ongoing administrative running costs being met by third party loans and supportive creditors. The recently announced placing of £0.04 million, conversion of amounts owing to trade creditors of £0.15 million and the new two-year borrowing facility of up to £0.1 million from our new shareholders has enabled the Company to continue operations as further material sources of finance are sourced and investment opportunities are identified.

Investment Policy

As outlined above, the Board believes that Pre-IPO's investment policy should be broadened to improve the illiquidity of its future investments and to not be dependent upon the IPO market for exits. The Company will continue to evaluate potential investments from a wide variety of industry sectors and will seek investments in sectors where there is potential for growth. This is likely to include sectors such as financial services, support services, and property where values have declined markedly over the last 12-18 months. The Company will primarily focus on European based businesses but will also consider investments in other geographical areas if appropriate.

Previously the Company invested in privately held companies only, however, given the current extremely difficult market conditions, the Company will now broaden its investment criteria to include publicly quoted companies and partnerships. The Company will not seek to limit the size of the investment or the size of the entities in which it invests and will not limit the percentage ownership that it may hold in any one company at any time.

The Company will not seek to have a fixed number of investments or seek to diversify the investments over particular sectors or particular indexes, however it is envisaged that the total number of investments at any given time will not exceed 30 investments. The Company will instead generally focus on diversifying the relative risks of investments. The Company does not intend at this stage to gear its investments but may consider doing so in the future if suitable funding arises.

Subject to seeking further finance for investment purposes, the directors will begin to review a number of new investment opportunities and

will make an investment within the next three years.

The Company will generally be a passive investor in the entities in which it invests but if the Board or the Company's consultants are able to add value to the investee entity then the Company may take a more activist stance. The Company's investment decisions will be based upon research prepared and presented to the Board by its panel of research consultants and advisers.

Directors appointment

The Company is pleased to welcome August ('Guus') Johannes Francisca Maria Berting onto the Board of the Company as a non-executive director with immediate effect. Guus, aged 31, has experience as a non-executive on a number of other AIM company boards which will be important in evaluating the proposed broadened investment strategy. Guus is a non-executive director of AIM quoted Avarae Global Coins plc and Creon Corporation plc and of Pasha Investments B.V. He has previously been a director of Ascona Capital Limited. There is no further information required to be disclosed under Schedule 2, Paragraph (g) of the AIM Rules for Companies, pursuant to Guus's appointment.

The current Board, with the exception of Guus Berting, has been in place since the Company's admission to trading on AIM in February 2005 during which time it has evaluated significant numbers of investment opportunities. All of the directors are experienced directors who have served, and continue to serve, on a number of company boards. This has given them knowledge of a variety of sectors including technology, financial services, retail, consumer, healthcare, property and construction, and support services and extensive knowledge of operational matters that the Board feels makes them well placed to evaluate potential investments. These potential investments will be found through the extensive network of contacts of the board and the Company's panel of consultants and advisers.

Change of name

In line with the proposed widening of the Company's investment policy to be not solely focussed on investments in pre-IPO companies, the Board believes that it is appropriate to change the name of the Company. Your Board proposes to change the name of the Company from Equity Pre-IPO Investments Limited to Kingswalk Investments Limited. Pursuant to the Companies (Guernsey) Law, 2008, a change of name requires the passing of a special resolution of Shareholders at an Extraordinary General Meeting to be held on 21 July 2009. Your Board believes that the proposed change of name better reflects the change in the Company's strategy and is in the best interests of the Company and its shareholders.

Annual General Meeting

The Company's Annual General Meeting ('AGM') is to be held at its registered office, being Martello Court, Admiral Park, St Peter Port Guernsey, GY1 3HB on Tuesday 21 July 2009 at 12:00 noon. The notice of AGM, together with a form of proxy for use at the AGM has today been sent to shareholders.

Outlook

The Directors are pleased that, following the recent injection of funds into the Company, the Company's future has now been secured for the time being. The Board and its advisors are currently in discussions with a number of parties to obtain additional equity finance and future announcements will be made in due course.

Paul Matthew Schreiberke
Director

Martin Shires
Director

29 June 2009

STATEMENT OF TOTAL RETURN FOR THE YEAR ENDED 31 DECEMBER 2008

		For the year ended 31 December 2008			For the year ended 31 December 2007		
	Note	Revenue	Capital	Total	Revenue	Capital	Total
		£	£	£	£	£	£
LOSSES ON INVESTMENTS							
Net losses on investments at fair value through profit or loss	3	-	(3,598,699)	(3,598,699)	-	(3,279,261)	(3,279,261)

Unrealised gain on foreign exchange	-	-	-	14,163	-	14,163
		(3,598,699)	(3,598,699)	14,163	(3,279,261)	(3,265,098)
INCOME	1(b)					
Commission received		-	-	1,200	-	1,200
Interest income	4	13,770	-	13,770	-	22,219
Loan waiver	12	-	429,051	429,051	-	-
		13,770	429,051	442,821	23,419	23,419
EXPENDITURE	1(e)					
Loan write off	11	-	210,306	210,306	-	-
Directors' fees		15,000	-	15,000	20,000	20,000
Administration fees		50,939	-	50,939	43,530	43,530
Professional fees		26,890	-	26,890	26,738	37,405
Consultancy fees		-	154,220	154,220	-	183,768
Audit fee		11,500	-	11,500	12,930	12,930
Interest expense	5	77,362	-	77,362	20,418	20,418
Commission paid		-	-	-	3,256	3,256
Regulatory and registration fees		12,588	-	12,588	19,097	19,097
Loss on foreign exchange		23,144	-	23,144	-	-
		217,423	364,526	581,949	145,969	340,404
LOSS ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR		(203,653)	(3,534,174)	(3,737,827)	(108,387)	(3,473,696)
Earnings per share:						
- basic (pence per share)	9			(28.24)		(27.06)

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

No operations were acquired or discontinued during the year.

BALANCE SHEET 31 DECEMBER 2008

	Note	31 December 2008		31 December 2007	
		£	£	£	£
FIXED ASSETS					
Investments at fair value through profit or loss	3		251,239		4,093,423
CURRENT ASSETS					
Loans receivable	11		-		230,000
Other debtors and prepayments			-		21,202
Cash and cash equivalents			880		6,651
			880		257,853
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR					
Loans payable	12		(115,000)		(496,269)
Other creditors and accruals	13		(93,763)		(73,824)
			(208,763)		(570,093)
NET CURRENT LIABILITIES			(207,883)		(312,240)
TOTAL ASSETS LESS CURRENT LIABILITIES			43,356		3,781,183
CAPITAL AND RESERVES					
Called up share capital	15		132,372		132,372
Share premium account	16		4,254,872		4,254,872
Reserves	17		(4,343,888)		(606,061)
SHAREHOLDERS' FUNDS	18		43,356		3,781,183
Net asset value per share (pence per share)	10		0.33		28.56

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	For the year ended 31 December 2008 £	For the year ended 31 December 2007 £
Net cash outflow from operating activities	14	(349,613)	(235,176)
Investing activities:			
Purchase of unquoted investments		-	(1,466,394)
Proceeds from disposals of quoted investments		-	985,498
Proceeds from disposals of unquoted investments		243,484	378,950
Loans receivable repaid / (advanced)		52,576	(230,000)
Net cash inflow / (outflow) from investing activities		296,060	(331,946)
Financing:			
Loans received		47,782	496,269
Net cash inflow from financing		47,782	496,269
Decrease in cash for the year		(5,771)	(70,853)
Opening cash position		6,651	77,504
Cash and cash equivalents at 31 December		880	6,651
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN CASH AND CASH EQUIVALENTS			
Decrease in cash for the year		(5,771)	(70,853)
Cash inflow from increase in debt finance		(47,782)	(496,269)
Change in net debt resulting from cash flows		(53,553)	(567,122)
Loans waived		429,051	-
Opening (debt) / funds brought forward		(489,618)	77,504
Closing net debt carried forward	14	(114,120)	(489,618)

Notes to the Financial Statements

31 December 2008

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) 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.

(c) 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.

(d) 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

1 ACCOUNTING POLICIES (continued)

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; and
- 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.

1 ACCOUNTING POLICIES (continued)

(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.

(e) 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.

(f) 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 20.

(g) GOING CONCERN

The directors have reviewed the current budgets and cashflow

projections for a period of more than 12 months from the date of this report. The forecasts take into account the recent injection of new subscription funds of £0.04 million, the conversion of more than £0.15 million of outstanding creditors to equity, the renegotiation of existing contracts with advisers and the secured loan facility of up to £100,000.

The forecasts indicate the need for additional working capital funding towards the end of June 2010.

Various sources of additional financing have been considered by the directors including raising of fresh equity and potential disposal of the remaining investment. A final decision regarding the source of financing has not yet been made, however, the directors are confident that sufficient cash will be raised by the company to pay its future liabilities.

Accordingly the directors have prepared the financial statements on the going concern basis.

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 2008	31 December 2007
	£	£
Designated at fair value through profit or loss		
- Listed equity securities	151,239	-
- Unlisted investments	100,000	4,093,423
	<u> </u>	<u> </u>
Total investments at fair value through profit or loss	251,239	4,093,423

	31 December 2008	31 December 2007
	£	£
Changes in fair value of financial assets at fair value through profit or loss.		
- Realised	(1,055,234)	169,980
- Unrealised	(2,543,465)	(3,449,241)
	<u> </u>	<u> </u>
	(3,598,699)	(3,279,261)

4 INTEREST INCOME

	31 December 2008	31 December 2007
	£	£
Bank interest (note 6)	215	2,892
Loan interest (note 6)	13,555	19,327
	<u> </u>	<u> </u>
Total	13,770	22,219

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. The loan interest of £13,555 in 2008 arose on loans written off during the year (see note 11 for further details).

5 INTEREST EXPENSE

	31 December 2008	31 December 2007
	£	£
Bank interest and charges (note 7)	685	1,630
Loan interest (note 7)	76,677	18,788
	<u> </u>	<u> </u>
Total	77,362	20,418

The above interest expense arise on financial liabilities measured at amortised cost using the effective interest rate method. The loan interest expense of £76,677 in 2008 arose on loans reduced during the year (see note 12 for further details).

6 NET GAINS OR LOSSES ON LOANS AND RECEIVABLES

	31 December 2008	31 December 2007
	£	£
Bank interest (note 4)	215	2,892
Loan interest (note 4)	13,555	19,327
Loan written off (note 11)	(210,306)	-
	<hr/>	<hr/>
Net (loss) / gain	(196,536)	22,219

7 NET GAINS OR LOSSES ON FINANCIAL LIABILITIES CARRIED AT AMORTISED COST

	31 December 2008	31 December 2007
	£	£
Bank interest and charges (note 5)	685	1,630
Loans interest (note 5)	76,677	18,788
Loans waived (note 12)	(429,051)	-
	<hr/>	<hr/>
Net (gain) / loss	(351,689)	20,418

8 TOTAL INTEREST INCOME AND TOTAL INTEREST EXPENSE ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT AT FAIR VALUE THROUGH PROFIT AND LOSS

	31 December 2008	31 December 2007
	£	£
Bank interest	215	2,892
Loan interest received	13,555	19,327
Bank interest paid	(685)	(1,630)
Loan interest paid	(76,677)	(18,788)
	<hr/>	<hr/>
Total	(63,592)	1,801

9 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 (2007: 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 - see note 21.

10 NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of £43,356 (2007: £3,781,183) and on the ordinary shares in issue of 13,237,235 (2007: 13,237,235) at the balance sheet date.

11 LOANS RECEIVABLE

	31 December 2008	31 December 2007
	£	£
Loan to investee company	-	230,000

The above loan bore interest at 18% per annum and was unsecured with an amount of £80,000 due for repayment on 21 May 2007 and the balance of £150,000 due for repayment on 15 December 2007. During 2008, the loans were restructured to become interest bearing at 11% from inception. Subsequent to this restructuring, the Company sold the loans and accrued interest totalling £262,882 for £52,576, resulting in a loan write off of £210,306.

12 LOANS PAYABLE

	31 December 2008	31 December 2006
	£	£

EUR loan	-	421,296
GBP loan	115,000	75,000
	<u> </u>	<u> </u>
Total loans	115,000	496,269

The Euro and the GBP loan were from the same party. Both loans were unsecured and repayable on demand. The Euro loan bore interest at 3% above Euro base rate per annum and the GBP loan bore interest at 3% above GBP base rate per annum.

During 2008, the Company reached an agreement with the lender, whereby the loan and accrued interest of £741,908 was reduced to £312,857 by the waiver of £429,051 of the outstanding balance. Prior to the year end, £197,857 was repaid with the balance of £115,000 being repaid post year end. In February 2009, the Company took on further borrowings to pay the Company's ongoing running costs which, at the date of this report, the Company had a loan outstanding of approximately £0.03 million, repayable in June 2011 and attracting an interest rate of 10% per annum and secured on the Company's quoted investment.

13 OTHER CREDITORS AND ACCRUALS

	31 December 2008	31 December 2007
	£	£
Audit fees	10,000	10,000
Consultancy fees	72,570	7,150
Professional fees	5,000	22,425
Interest payable	-	18,788
Nomad fees	-	1,875
Registrar fees	2,193	4,393
Administration fees	4,000	8,973
Sundry creditors	-	220
	<u> </u>	<u> </u>
	93,763	73,824

14 CASH FLOW NOTE

(a) Reconciliation of revenue return to operating cashflow

	31 December 2008	31 December 2007
	£	£
Net revenue return on ordinary activities for the year	(203,653)	(108,387)
Expenses charged to capital	(154,220)	(194,435)
Increase / (decrease) in debtors	1,875	(1,875)
Increase/(decrease) in creditors	38,728	36,380
Share based payments	-	33,680
Loan interest paid	(18,788)	18,788
Loan interest received	(13,555)	(19,327)
	<u> </u>	<u> </u>
Net cash outflow from operating activities	(349,613)	(235,176)

(b) Analysis of net debt	At 1 January 2008	Cashflow	Other	At 31 December 2008
	£	£	£	£
Cash and cash equivalents	6,651	(5,771)	-	880
Loan payable	(496,269)	(47,782)	429,051	(115,000)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(489,618)	(53,553)	429,051	(114,120)

15 CALLED UP SHARE CAPITAL

	31 December 2008	31 December 2007
	£	£
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

16 SHARE PREMIUM ACCOUNT

As at 1 January 2008 and at 31 December 2008 £ 4,254,872

17 RESERVES

	Capital Reserve Realised £	Capital Reserve Unrealised £	Share Option Reserve £	Revenue Reserve £	Total £
Balance at 1 January 2008	520,093	(595,745)	33,680	(564,089)	(606,061)
Net return for the financial year	(990,709)	(2,543,465)	-	(203,653)	(3,737,827)
Transfer from unrealised reserves to realised	(314,327)	314,327	-	-	-
Balance at 31 December 2008	(784,943)	(2,824,883)	33,680	(767,742)	(4,343,888)

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2008 £	31 December 2007 £
Loss for the financial year	(3,737,827)	(3,582,083)
Effect of share based payments in the year	-	33,680
Net reduction to shareholders funds	(3,737,827)	(3,548,403)
Opening shareholders' funds	3,781,183	7,329,586
Closing shareholders' funds	43,356	3,781,183

19 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.

20 SHARE OPTIONS

At 31 December 2008 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 2008 No.	Grants during year No.	Options exercised No.	31-Dec 2008 No.	31-Dec 2008 No. Exercisable
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

The share-based remuneration charge comprises:

	Year ended 31 December 2008	Year ended 31 December 2007
Share-based payments	£nil	£33,680

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

21 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 has, and may continue to, invest in companies which are unquoted or trading on the AIM Market of the London Stock Exchange 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. In addition, the Company is seeking to broaden its investment strategy as outlined in the Directors Report.

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 2008 the overall investment allocation was one investment in a quoted company and four investments in unquoted investments. Three of the unquoted companies in which the Company has an investment were in administration at the year end and remain so at the date of this document and the remaining unquoted investment was sold post the year end, leaving only one quoted investment in the portfolio with a year end valuation of approximately £0.15 million.

(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.

bi) 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 2008				
Assets				
Investments at fair value through profit or loss	251,239	-	-	251,637
Cash and cash equivalents	-	880	-	880
	-----	---	-	-----
Total financial assets	251,239	880	-	252,517
Liabilities				
Loan payable	115,000	-	-	115,000
Sundry creditors and accruals	93,763	-	-	93,763
	-----	-	-	-----
Total financial liabilities	208,763	-	-	208,763

The terms, including the interest rate, of the loan payable are disclosed in note 12.

	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 Company is not exposed to any significant interest rate risk.

bii) 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 2008 and 31 December 2007. The Company had and is expected to hold assets denominated in currencies other than pounds sterling, the functional currency. It is therefore likely to be 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:

Analysis of assets and liabilities in currencies other than sterling

Currency	31 December 2008		31 December 2007	
	Value £	% of net assets	Value £	% of net assets
Financial assets				
Euro - Unlisted investments	-	-	734,484	19.42%
Euro - Cash at bank	5	0.01%	765	0.02%
USD - Cash at bank	-	-	215	0.01%
Financial liabilities				
Euro - Loans payable	-	-	(421,269)	(11.14%)

biii) 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 2008		31 December 2007	
	Value £	% of Net Assets	Value £	% of Net Assets
Investment assets				
Equity investments:				
- Listed equities	151,239	348.83%	-	-
- Unlisted equities	100,000	230.65%	4,093,623	108.26%
	251,239		4,093,623	
Investment liabilities				

At the year end the equity investments held by the Company were both listed and unlisted. A 5% increase in the fair value of all investments at 31 December 2008 would have increased the net assets attributable to shareholders by £12,562 (2007: £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

	Less than 1 month £	1-3 months £	3 months to 1 year £	No stated maturity £
31 December 2008				
Financial liabilities				
Loans payable	115,000	-	-	-
Sundry creditors and accruals	93,763	-	-	-
	_____	_____	_____	_____
Total	208,763	-	-	-
	_____	_____	_____	_____
31 December 2007				
Financial liabilities				
Loans payable	496,269	-	-	-
Sundry creditors and accruals	73,824	-	-	-
	_____	_____	_____	_____
Total	570,093	-	-	-
	_____	_____	_____	_____

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

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.

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.

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

	31 December 2008 £	31 December 2007 £
Loans receivable	-	230,000
Other debtors	-	21,202
Cash and cash equivalents	880	6,651
Total	880	257,853

21 EMPHASIS OF MATTER

The Company's independent auditors, in forming their unqualified opinion on the Company's financial statements for the year ended 31 December 2008, considered the adequacy of disclosure made in note 1 (g) to the financial statements concerning the company's ability to continue as a going concern. As disclosed in note 1 (g) to the financial statements, the Company will require additional funding within the next 12 months. The Directors are

reviewing the various options available to the Company. However, as at the date of this report, no plans have been finalised. This indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The 2008 financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

22 POST BALANCE SHEET EVENTS

On 25 June 2009, the Company issued 19,018,392 new Ordinary Shares (the 'Issue'), of which 4,000,000 were issued pursuant to a subscription raising £0.04 million for the Company, and 15,018,392 were issued to certain creditors of the Company in final settlement. Following the Issue, the Company has, in aggregate, 32,255,627 Ordinary Shares in issue.

The Company's Report and Accounts for the year ended 31 December 2008 will be posted to shareholders today and the full report is available to view and download from the Company's website at www.equitypreipo.com.

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