

Regulatory Announcement

Company Equity Pre-IPO Investments Ltd
TIDM EIL
Headline Annual Report and Accounts
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Equity Pre-IPO Investments Limited

Annual Report

Equity Pre-IPO Investments Limited (the 'Company' or 'Pre IPO') is pleased to announce its results for the year ending 31 December 2006.

Directors' Report

We are delighted to present this annual report to shareholders for the year ended 31 December 2006 for Equity Pre-IPO Investments Limited ("Pre-IPO" or the "Company"). We have also included some unaudited information for the period from 31 December 2006 to 15 May 2007 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 ("NAV") per share since 1 January 2005.

Date				31 December 2004 (audited) 14.46p
NAV				
Date	31 March 2005	30 June 2005	30 September 2005	31 December 2005
NAV	(unaudited) 28.14p	(unaudited) 28.13p	(unaudited) 39.69p	(audited) 44.19p
Date	31 March 2006	30 June 2006	30 September 2006	31 December 2006
NAV	(unaudited) 44.68p	(unaudited) 42.27p	(unaudited) 42.73p	(audited) 55.37p
Date	31 March 2007	15 May 2007		
NAV	(unaudited) 55.54p	(unaudited) 55.56p		

This table shows that for the year to 31 December 2006 we achieved an increase in the NAV of the Company of approximately 25% (2005: 206%). Whilst the current increase in NAV is substantially less than that achieved in 2005 we are pleased with this performance. The

Company has now increased its NAV by approximately 283% from 31 December 2004 to 31 December 2006.

The calendar year of 2006 can be characterised by a concentration on our existing portfolio of investee companies in an effort to ensure that they were all progressing towards an exit by Pre-IPO. The stock market was volatile in terms of its attitude towards new companies coming to the market and over the year as a whole the AIM All Share index returned an absolute return of just 0.8%. This poor performance of the AIM market and the generally negative attitude of institutional investors towards many AIM flotations added a significant element of potential risk to the growth of companies. We therefore took the view that our investee companies should not seek to secure their financial requirements solely from a flotation as this would risk the continued financial well-being of a company on the highly changeable views of the market. The consequence of this is that whilst our NAV has progressed well over the year there have been less flotations of our investee companies than targeted at the beginning of the year.

The investment strategy of Pre-IPO is such that changes in the NAV tend to be sporadic, with re-valuations of portfolio companies driven by material events that happen occasionally. This is demonstrated by the large up-lifts that occurred in the NAV during 2005 being followed by little change during the first three quarters of 2006 and then by another material uplift in the final quarter of 2006. We believe that the Company's investment portfolio is well positioned to benefit from a number of further material re-valuations during the course of 2007 but these will continue to be sporadic events. We expect that the progress achieved since the incorporation of the Company in terms of increase in the NAV can be maintained during 2007.

Fund Raising

We have not raised any new funds during the course of 2006 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 2006 of £7,329,586 and is an increase on total gross equity funds invested of approximately 59%.

At the time of the Company's admission to trading on AIM in February 2005 we announced that we had signed an option agreement under the terms of which the Company had the opportunity to raise a total of £4.0 million for the issue of new shares in Pre-IPO. This option was exercisable in two parts, with half the total due to be exercised during the period 24 October 2005 to 23 November 2005 and the remaining half during the period 24 April 2006 to 23 May 2006. We announced in our annual report for the period to 31 December 2005 that we had decided not to exercise the first part of the option because the share price was so low that it would have been highly dilutive to our existing shareholders. Similarly, we did not exercise the second half of the option for the same reason and therefore the entire option has now lapsed.

We continue to operate Pre-IPO with limited levels of uninvested cash. This means that we often have to either turn down or scale back the investments made by Pre-IPO because there is little or no cash available for investment at the time. We therefore believe that it would be in the Company's and shareholders' best interests if we are able to raise further funds. During 2006 we made some limited use of debt finance but because, in general, our investments are in unquoted companies and, as a result, are not regarded as suitable debt security by banks, we do not believe that this method of raising funds is a viable and long term method of increasing funds available for investment. We have therefore concluded that we need to raise further equity capital for the Company in the near future and will continue to discuss this issue with the Company's advisors.

Investment Strategy

Pre-IPO's stated investment strategy is 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 eighteen 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;
- Whether or not there are satisfactory prospects for Pre-IPO to exit the investment once a flotation has been achieved.

In our annual report for the period to 31 December 2005 we stated that we had a total of nine investments, of which three had achieved a flotation and six remained unquoted. We set ourselves a target for 2006 of achieving the complete exit from at least two of our then held quoted companies and the flotation of at least three of our then held six unquoted companies. During the course of 2006 we in fact achieved an exit from all three of the quoted investments that we held at the beginning of 2006, which raised proceeds of £2,150,921 (2005: £960,948) and the flotation of one of our unquoted investments. In addition two of our unquoted investments have privately raised further equity funds at a materially higher valuation than that invested by Pre-IPO. We had planned for both these companies to be floated during 2006 but the brokers appointed concluded that the volatility of the market meant that it was safer to raise money privately rather than as a part of a flotation. The aggregate sums raised for these two private placings was approximately £15 million and so we are delighted that both these companies are now well financed. We will continue to assist these companies as needed and remain optimistic that they will achieve a flotation in the near future. We also participated in a small rights issue by another of our unquoted companies which was undertaken at the same valuation at which we originally invested.

The result of this activity is that we ended 2006 with a portfolio of one quoted investment and five unquoted investments. Since the year end we completed a new investment in January 2007 totalling approximately £480,000 and we also completed the exit from our one quoted investment. Therefore as of 15 May 2007 our investment portfolio was made up of six unquoted investments and no quoted investments.

The limitation on new investments made by Pre-IPO during 2006 is something that we believe has not yet been to the detriment of the investment portfolio as we have been able to focus on our existing investments and the management of our current portfolio. We believe however that it is essential that further new investments are made during 2007 in order that the portfolio of companies remains vibrant and that there is a constant flow of new

investments, flotations and exits. We do not believe, however, that we can only rely upon exiting from existing investments in order to generate funds for new investments – the timing of an exit from an investment will rarely coincide with an investment into a new company, with both often having a very unpredictable time line. We do therefore believe that it is important for the continued success of the Company for further funds to be made available for investment purposes.

Our focus for 2007 is the partial or complete exit from companies within our portfolio, the raising of additional finance for investment and, assuming that we are able to raise further capital, the subsequent increase in the number of portfolio companies. We have targeted the flotation of at least two companies from the portfolio during 2007 and would like to increase the number of investments within the portfolio to ten. We are currently holding detailed discussions with two unquoted companies regarding an investment by Pre-IPO. We very much hope that these discussions will be successful and that Pre-IPO will have sufficient funds to follow through with an investment into these companies. This will, however, depend upon the companies having a realistic view of their current valuation, confirmation of the companies' desire to float, completion of the due diligence exercise and Pre-IPO having raised additional capital or having exited from existing investments.

Investee Companies

The investment portfolio that we currently hold (as of 15 May 2007) 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 ("GSE's") with a range of decision support information services. Pinnacle's services are designed to help GSE's to manage their equipment assets more effectively, improve operational efficiency and reduce costs. Pinnacle provides a range of services which provide GSE's 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. (Web site address: www.pinnacle-air.com)

In our annual report for the period to 31 December 2005 we highlighted our investment into Pinnacle as an example of the investments made by Pre-IPO. We also stated that we hoped to be able achieve a flotation for this company during the course of 2006. Whilst the company has continued to win new long term contracts this process has taken longer than was expected. We therefore concluded that a flotation during 2006 would have been inappropriate. We remain confident about the prospects of this company and are confident that our investment in this company, which remains valued at cost, will show a material uplift in the future.

Altair Financial Services International PLC ("Altair")

Altair is a provider of global prepaid solutions, headquartered in London with subsidiary companies in USA and Antigua and banking and processing relationships in Europe, USA and throughout the Latin America and Caribbean regions. Altair was incorporated in 2005 to bring together the technology, business knowledge and investment of a group of people and companies based in Europe and the USA.

Altair is a company that provides mobile money and financial solutions utilising traditional and non traditional banking media. The company specialises in telephone cash management and movement, prepaid technologies and money share. Altair is a global provider of prepaid, stored value card solutions and closed loop systems with enhanced functionality.

Altair offers prepaid card programs to companies and individuals using MasterCard® and VISA™ products. To enhance these programs Altair utilises the Internet and mobile phone to provide an online and mobile e-wallet and payment system. The Altair system is able to store and manage value using mobile phones and a prepaid card can be attached to the account to allow ATM withdrawals. The provision of a prepaid card allows the account to be used in a 'traditional' retail environment. (Web site address: www.altair-financial.com)

Lorega Limited ("Lorega")

Originally established in 1983 as a claims consultancy service for businesses, Lorega has now grown in to a leading provider of products and services focused on making the claims process easier for private clients and commercial insurance customers. Today Lorega is best known as the pioneer of Loss Recovery Insurance, which is now sold by over 200 UK brokers. This unique class of insurance is designed to give the policyholder access to professional help without incurring the cost of expensive fees where the value of the claim exceeds £5,000. (Web site address: www.loreaga.com)

Combimeer N.V. ("Combimeer")

Combimeer provides a range of financial products to the Dutch retail market place that are based upon low cost structures, transparent products and flexibility. The Combimeer products are particularly suitable for the re-investment of, for example, single premium insurances, annuities and pensions; deferred single premium insurances, annuities and stamrecht (a Dutch financial construction for golden handshakes in the form of deferred life annuity insurance). (Website address: www.combimeer.nl)

Radioscape plc ("Radioscape")

Founded in 1996, RadioScape has become a world leader in software solutions for Digital Radio. The company's pioneering approach gives it the flexibility to add innovation and rapidly incorporate changes to suit evolving standards. The company has continued to enhance its broadcast system products, which has enabled it to address the emerging Mobile TV market based on the DMB standard. RadioScape uses its unique Software Defined Digital Radio approach to ensure that it can offer customers the latest features and greatest flexibility in its product offerings. It has leveraged its unique, end-to-end systems knowledge to become a world leader in Digital Radio broadcasting, advanced multi-standard Digital Radio modules, and Mobile TV. (Web site address: www.radioscape.com)

There is one further portfolio company that has asked us to keep our investment confidential at this stage.

The cost of our existing investments (as of 15 May 2007) was £4,233,137, (as of 31 December 2006, £5,419,539). This investment portfolio has been re-valued to £7,354,122 using the valuation principals 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. This uplift in the valuation of our current portfolio by 67% has occurred because we have re-valued three of our investments, all of which have been upwards. All three re-valuations are due to recent third party fund raisings at a value that is higher than our investment valuation. The other three companies within the portfolio remain valued at cost.

This uplift in the valuation of certain of our unquoted investee companies has resulted in over 60% of the Company's assets being accounted for by one third of the investee companies. The fact that these companies remain unquoted means that there is currently little opportunity to realise any of these investments at this stage. In addition there can be no assurance that the current valuations of the investee companies will be those that are achieved if any exit from these investments occurs in the future.

Share Price

Our share price began 2006 at 35 pence and rose to a high of 45.5 pence in June 2006. Unfortunately the price then slipped back to a new all time low of 25 pence and has since then recovered slightly to close the year at 29 pence. This share price performance and the low market liquidity of the shares has been a continual disappointment to us. We are currently discussing with our nominated advisor and broker how to increase liquidity and to try to encourage the market price of the shares to be more aligned to the net asset value of the Company. Previous marketing efforts that we have undertaken have had very limited success with institutional investors wanting to see a proven track record before investing. We are hopeful that we have now developed a sufficient track record and that this will result in an increasing interest in Pre-IPO and an increase in market liquidity.

Outlook

The Directors believe that Pre-IPO has made good progress in the increase in the NAV and the development of the portfolio of investments. We believe that further material rises in the NAV can be expected during the course of 2007. In addition the pipeline of potential new investments remains strong and therefore we remain confident about the future.

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 2006 and 15 May 2007, 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 not presently a requirement of the Company's Articles of Association that shareholders must notify the Company if they own shares representing 3% or more of the issued share capital, (a resolution to amend the Articles of Association to include such a provision will be prepared at the next Annual General Meeting). Furthermore, there is no authority for the Company to issue an equivalent to 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 2006, the following shareholders held 3% or more of the Company's share capital:

	Number of ordinary shares	Percentage of issued ordinary share capital
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Jon Olafsson	3,753,500	28.36%
Equity Special Situations Limited	2,968,052	22.42%
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. The Board formally adopted the terms of the Plan as were set out in the AIM Admission document on 16 May 2007 however no options have yet been awarded under the Plan.

Relationship with Shareholders

The Directors seek to build a mutual understanding of objectives between the Company and its shareholders. The Company reports formally to shareholders in its interim and annual reports setting out details of its activities. In addition, the Company keeps shareholders informed of events and progress during the year through the issue of press releases. The Directors meet with institutional shareholders following interim and final results, as required. The Company also maintains company information on its website - www.equitypreipo.com. Shareholders have the opportunity to meet the Board at the Annual General Meeting ("AGM"). The Board is also happy to respond to any written queries made by shareholders during the course of the year.

Where possible the Annual Report is sent to shareholders at least 20 working days before the AGM. Directors are required to attend AGMs of the Company unless unable to do so for personal reasons or due to pressing commercial commitments. Shareholders are given the opportunity to vote on each separate issue. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

Dividends

No dividends have been paid or are proposed.

Auditors

A resolution to reappoint BDO Novus Limited as auditors will be proposed at the next Annual General Meeting.

Directors' Service Contracts

The Company entered into an open ended services agreement with Fortis Fund Services (Guernsey) which include the provision of the services of M Shires and P M Schreiber as executive directors on a time-cost basis, with a 3 months notice period. A service agreement exists between the Company and Jonathan Freeman with a 3 month notice period.

The Company has also entered into a research and consultancy agreement with Combined Management Services Limited ("CMS") as disclosed in Note 14 of the accounts. J D Freeman

is a director of CMS and owns 50% of the shares of CMS. The above fees do not include reimbursed expenditure.

Directors' Remuneration

The emoluments of the individual Directors for the year were as follows:

Director	Salary or Fees
M Shires	nil
P M Schreibke	nil
J D Freeman	£20,000

The fees for the non-executive Director are determined in accordance with Article 99 of the Articles of Association of the Company. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.

No pension scheme contributions or other retirement benefit contributions were paid.

There are no share option contracts or long term incentive schemes held by the Directors.

No Director has any interest in any contract to which the Company is a party except for the contracts between the Company and Fortis Fund Services (Guernsey) Limited and the Company and Combined Management Services Limited, as disclosed elsewhere.

30 May 2007

STATEMENT OF TOTAL RETURN
FOR THE YEAR ENDING 31 DECEMBER 2006

	Note	For the year ended 31 December 2006			For the year ended 31 December 2005		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
GAINS ON INVESTMENTS							
Net realised gains		-	115,845	115,845	-	321,296	321,296
Net unrealised gains		-	1,759,775	1,759,775	-	1,590,650	1,590,650
		-	1,875,620	1,875,620	-	1,911,946	1,911,946
INCOME							
Investment Income	2	-	-	-	3,238	-	3,238
Loan interest received		432	-	432	-	-	-
Bank interest		1,477	-	1,477	25,050	-	25,052
		1,909	-	1,909	28,288	-	28,288
EXPENDITURE							
Directors' fees	2	20,000	-	20,000	16,666	-	16,666
Administration fees		49,498	-	49,498	44,650	-	44,650
Professional fees		42,832	14,609	57,441	-	72,932	72,932
AIM admission expenses		-	-	-	238,081	-	238,081
Consultancy fees	14	-	171,961	171,961	-	117,651	117,651
Audit fee		9,300	-	9,300	3,000	-	3,000
Bank charges and interest		2,074	-	2,074	2,550	-	2,550
Interest - other		2,124	-	2,124	-	-	-
Commissions paid		3,288	-	3,288	-	-	-
Sundry expenses		-	-	-	1,430	-	1,430
Regulatory and registration fees		18,046	-	18,046	13,767	-	13,767
		147,162	186,570	333,732	320,144	190,583	510,727
NET RETURN ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR							
		<u>(145,253)</u>	<u>1,689,050</u>	<u>1,543,797</u>	<u>(291,856)</u>	<u>1,721,363</u>	