

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 2005.

DIRECTORS' REPORT

We are delighted to present this first annual report to shareholders since the Company's admission to trading on AIM. The following pages show the financial performance of the Company from the 1 January 2005 to 31 December 2005. We have also included some unaudited information for the period from the 31 December 2005 to 15 February 2006 in order to ensure that shareholders are provided with as 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. It should be noted that Equity Pre-IPO Investments Limited achieved its flotation on 24 February 2005 and that this was the time that material funds were available to the Company for investments. The NAV per share on the 1 January 2005 was 14.46 pence per share and by the 30 June 2005, the date of our interim results, the NAV had risen to 28.13 pence per share. The NAV had risen to 39.69 pence per share by 30 September 2005 and on the 31 December 2005 the NAV stood at 44.19 pence per share. We are delighted to report that this growth in the NAV of Pre IPO has continued since the year end. As of 15 February 2006 the net asset value was 44.92 pence per share, representing an increase of approximately 211% for the period from 1 January 2005 to 15 February 2006.

Date	1 January 2005 (audited)	31 March 2005 (unaudited)	30 June 2005 (unaudited)	30 September 2005 (unaudited)	31 December 2005 (audited)	15 February 2006 (unaudited)
NAV	14.46 p	28.14 p	28.13 p	39.69 p	44.19 p	44.92 p

Fund Raising

Our first material fundraising occurred at the time of our admission to trading on AIM in February 2005 when £2.5 million (gross) was raised. In addition we successfully completed an

additional fundraising of approximately £1.45 million (gross) at 42 pence per share, the details of which were announced on 2 September 2005.

We also have an option agreement with Danemead Limited ("Danemead") under which it must procure the subscription of a total of £4.0 million for the issue of new shares in Pre IPO, with half the total due to be procured 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 expected that the funds raised at the time of Admission together with the option agreement with Danemead and the placing which we undertook in September 2005 would provide sufficient cash resources for Pre IPO on an on-going basis. However, the Directors have been very aware that, with the Company's share price being below the price at which the Company raised its funds in September 2005, (42 pence per share), it would be highly dilutive to our shareholders for the first part of the option to have been exercised. We therefore decided that it was in the best interests of our existing shareholders not to exercise this first option. We will continue to monitor the situation with regards to the exercise of the second part of the option. However, we are determined that we will not overly dilute our existing shareholders.

A consequence of us not exercising the first half of the Danemead option is that we are operating with £2 million of assets less than anticipated. This has resulted in the cash balances held by Pre IPO being very low, and, in general, we can only make investments when divestments have occurred. Therefore, our cost base as a percentage of assets managed is relatively high. We have constantly sought ways to reduce the costs of Pre IPO but believe that those costs that are incurred are necessary for the proper operation of an AIM-traded investment company.

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 where we believe that it will achieve a flotation on a Recognised Investments Exchange or Exchange Regulated Market in Europe up to eighteen months from the time of investment by the Company. Potential investments are evaluated from a wide variety of industry sectors which are based upon the recommendations of a separate Investment Advisory Panel ("IAP").

The IAP will normally prepare a written report for the Board on the proposed investee company together with its recommendations. It will base its recommendations upon its investment policy, which has been approved by the Board. This investment policy sets out a number of key factors which are taken into account, including:

- The size of the investment 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;
- Its opinion of the investee company's financial and other resources, future trading prospects, visibility of earnings, cash flow forecasts and ongoing working capital requirements;
- Whether or not it considers that there are satisfactory prospects for the investee company to achieve a quotation within a reasonable time frame;

- Whether or not it considers that there are satisfactory prospects for Pre IPO to exit the investment once a flotation has been achieved.

We stated at the time our interim accounts were published on 27 September 2005 that we had successfully invested and exited from two investments. We are delighted to be able to report that since this time a further two investments from the portfolio have floated. We have partially exited from one of these and expect to fully exit from both in the coming months. The funds received from the divestment of investments have been re-invested into other companies very quickly. Our cash as at 31 December 2005 was £101,668 which has increased to £142,822 by 15 February 2006. These levels of cash have been usual for Pre IPO during the second half of 2005 and are a direct consequence of us not exercising the Danemead option, as has been discussed in Fund Raising above.

As of 15 February 2006 we have a portfolio of 9 investments of which 3 are quoted and 6 unquoted. Three of our unquoted investments are valued at cost and the other three unquoted investments have been re-valued to the value of their latest third party funding. All three of these re-valuations are at a premium to the valuation we invested at. (Our quoted investments are valued at the mid-market closing price.) We have targeted the complete exit from at least two of our quoted companies and the flotation of at least 3 of our unquoted companies for this year. Achieving this will enable us to make a number of further new investments during the course of 2006.

In order to provide further information about the style of investment that we make we have set out below further information about our latest investment.

Pinnacle Plus Limited ("Pinnacle") has developed a specialised vehicle fleet management and information system that has been proven to significantly improve operational efficiency, safety and security for motorised airport ground support equipment. Pinnacle has won long term contracts from KLM, Air France, Martinair and Menzies. Further significant long term contracts are under negotiation. Pre IPO has become the "cornerstone investor" and has now invested (or syndicated the investment) in excess of £1 million. Follow on funding has also been agreed with Pinnacle, with some of the additional funds coming from Pre IPO and the remainder invested from the network of contacts that Pre IPO has developed. We have nominated a director to the board of Pinnacle and are now working with the company to ensure that an appropriate funding structure is in place and that a successful flotation of Pinnacle can be achieved during 2006.

In our Investment Update announcement of 10 June 2005 we discussed our analysis of the textile and fashion industry and the opportunities that we believe have come about from structural changes within it. We stated at the time that we expected to provide further information about these efforts in the very near future. Whilst we continue to believe that there is considerable opportunity for investment in this sector we have been unable to negotiate a satisfactory investment in the sector. We will continue to monitor the sector and to remain in contact with those companies with whom we have been in discussions but we do not expect any further progress on this in the very near future.

Share Price

We successfully completed a placing and an introduction to trading on AIM, with trading in the Company's shares commencing on 24 February 2005. The share price has however suffered during 2005, reaching a low of 35 pence per share. There has been some recovery of the share price but it has been disappointing, particularly given the progress achieved during the year. We are working to promote Pre IPO to a wider part of the investment community in the expectation that the share price tracks more closely the progress we make in the NAV.

Outlook

The Directors believe that Pre IPO has made good progress in the increase of our NAV and hope that the share price will start to reflect this. We continue to review a wide range of potential investments and are confident that those investments we have made will be exited in a profitable and timely manner. We therefore remain optimistic 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, loan 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 2005, the issued share capital of the Company was 13,237,235 ordinary shares of 1 pence each and the following shareholders were listed in the shareholder register as holding 3% or more of the Company's share capital:

	Number of ordinary shares	Percentage of issued ordinary share capital
C J Crabtree	1,091,460	8.2%
E*Trade Securities	3,022,535	22.8%
HSBC Global Custody Nominee (UK) Ltd a/c 741820	1,067,500	8.1%
HSBC Global Custody Nominee (UK) Ltd a/c 813259	867,391	6.6%
Pershing Keen Nominees Ltd	478,000	3.6%
Shepherd Investments Ltd	468,000	3.5%
Vidacos Nominees Ltd	2,875,000	21.7%

Corporate Governance

The Company continues to give careful consideration to the principles of corporate governance to ensure that it complies with current UK corporate governance requirements to the extent to which the Directors consider these to be appropriate for a company of its size and taking into account its wish to conserve cash for investments.

The Board meets regularly and has ultimate responsibility for the management of the Company. It also meets to review the remuneration of directors, the Investment Advisory Panel and consultants.

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. The Company also maintains investor relations pages on its website (www.equitypreipo.com).

Where possible the Annual Report is sent to shareholders at least 20 working days before the Annual General Meeting. Directors are required to attend Annual General Meetings 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.

Results and Dividends

The results of the Company for the year are set out below and on pages 11-19 of the Annual Report. No dividends have been paid or are proposed.

Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies (Guernsey) Law, 1994. In addition the Directors are responsible for ensuring that the annual report includes information required by the AIM Rules. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Company's website. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

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

Directors Remuneration

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

Director	Salary or Fees
M Shires	-
P M Schreibke	-
J D Freeman (non executive)	£16,666

The Company entered into a services agreement with BGL Reads Fund Management Limited, now called MPR Fund Management Limited, which included the provision of the services of M Shires and P M Schreibke as executive Directors on a time-cost basis. The non-executive Directors fees are governed by Article 99 of the Articles of Association of the Company.

The above fees do not include reimbursed expenditure.

Martin Shires
Paul Schreibke
Jonathan Freeman

9th March 2006

STATEMENT OF TOTAL RETURN
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note				For the period 15 September 2004 to 31 December 2004		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
GAINS ON INVESTMENTS							
Net realised gains		-	321,296	321,296	-	-	-
Net unrealised gains		-	1,590,650	1,590,650	-	51,500	51,500
		<u>-</u>	<u>1,911,946</u>	<u>1,911,946</u>	<u>-</u>	<u>51,500</u>	<u>51,500</u>
INCOME							
	1						
Investment income		3,238	-	3,238	-	-	-
Bank interest		25,050	-	25,050	-	-	-
		<u>28,288</u>	<u>-</u>	<u>28,288</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURE							
	1						
Directors' fees		16,666	-	16,666	-	-	-
Administration fees		44,650	-	44,650	8,750	-	8,750
Professional fees		-	72,932	72,932	4,306	-	4,306
AIM admission expenses		238,081	-	238,081	-	-	-
Consultancy fees		-	117,651	117,651	-	-	-
Audit fee		3,000	-	3,000	3,000	-	3,000
Bank charges and interest		2,550	-	2,550	37	-	37
Sundry expenses		1,430	-	1,430	100	-	100
Regulatory and registration fees		13,767	-	13,767	2,400	-	2,400
		<u>320,144</u>	<u>190,583</u>	<u>510,727</u>	<u>18,593</u>	<u>-</u>	<u>18,593</u>
NET RETURN ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR/PERIOD							
		<u>(291,856)</u>	<u>1,721,363</u>	<u>1,429,507</u>	<u>(18,593)</u>	<u>51,500</u>	<u>32,907</u>
Return per share - basic and diluted (pence)	5	(2.85)	16.81	13.96	(0.89)	2.47	1.58

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 12 to the financial statements.

The notes form an integral part of these financial statements.

BALANCE SHEET
31 DECEMBER 2005

	Note	31 December 2004	
FIXED ASSETS			
Quoted investments	3	2,054,118	55,500
Unquoted investments	4	<u>3,722,050</u>	<u>630,000</u>
		5,776,168	685,500
CURRENT ASSETS			
Cash at bank and broker		<u>101,668</u>	<u>11,657</u>
		101,668	11,657
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR			
Sundry creditors	7	<u>28,178</u>	<u>5,250</u>
		28,178	5,250
NET CURRENT ASSETS		73,490	6,407
TOTAL ASSETS LESS CURRENT LIABILITES		£ <u>5,849,658</u>	£ <u>691,907</u>
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	9	132,372	47,833
SHARE PREMIUM ACCOUNT	10	4,254,872	611,167
CAPITAL RESERVE			
REALISED	11	130,713	-
UNREALISED	11	1,642,150	51,500
REVENUE RESERVE	11	(310,449)	(18,593)
SHAREHOLDERS' FUNDS	12	£ <u>5,849,658</u>	£ <u>691,907</u>
Net asset value per share	5	44.19 p	14.46 p

The notes form an integral part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	For the period 15 September 2004 to 31 December 2004	
Net cash outflow from operating activities	8	<u>(459,511)</u>	<u>(13,343)</u>
Investing activities:			
Purchase of quoted investments		(451,999)	(4,000)
Purchase of unquoted investments		(2,796,893)	(630,000)
Proceeds from disposals of quoted investments		960,948	-
Net cash outflow from financial investment		<u>(2,287,944)</u>	<u>(634,000)</u>
Financing:			
Issue of own shares		2,859,860	659,000
Commission on new share issues		(22,394)	-
Net cash inflow from financing		<u>2,837,466</u>	<u>659,000</u>
Increase in cash resources for the year/period		£ <u>90,011</u>	£ <u>11,657</u>

RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS

Increase in cash resources for the year/period	90,011	11,657
Opening net funds	11,657	-
Closing net funds	£ <u>101,668</u>	£ <u>11,657</u>

The notes form an integral part of these financial statements.

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 accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" issued by The Association of Investment Trust Companies in January 2003. The principal accounting policies which the Directors have adopted within that convention are set out below.

(b) INCOME

Dividends receivable from quoted 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 on an accruals basis.

(c) FOREIGN CURRENCY TRANSLATION

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) VALUATION OF INVESTMENTS

Quoted investments are valued at middle market prices.

Unquoted investments are valued by the Board according to the valuation principles of the British Venture Capital Association, 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.

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.

(e) EXPENDITURE

All expenses are accounted for on an accruals basis. Expenses are charged through the Statement of Total Return except where the expense is incidental to the acquisition or disposal of an investment in which case the expense is added to the cost of the investment or deducted from the sale proceeds.

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 from capital gains there is no requirement to apportion these expenses between revenue and capital.

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. QUOTED INVESTMENTS

31 December 2004

At cost	£ <u>1,503,395</u>	£ <u>4,000</u>
At market value	£ <u>2,054,118</u>	£ <u>55,000</u>

4. UNQUOTED INVESTMENTS

At cost	£ <u>2,630,623</u>	£ <u>4,000</u>
At Directors' valuation	£ <u>3,722,050</u>	£ <u>630,000</u>

5. 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 10,238,759 (2004: 2,083,530) shares being the weighted average number of shares in issue during the year.

The calculation of diluted earnings per share is based on the net return on ordinary activities after tax for the year and on 10,238,759 (2004: 2,083,530) shares being the weighted average number of shares in issue during the year adjusted for any dilutive effect of the Option Agreement (see note 15). There is no dilutive effect at the year end.

6. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of £5,849,658 (2004: £691,907) and on the ordinary shares in issue of 13,237,235 (2004: 4,783,335) at the balance sheet date.

7. SUNDRY CREDITORS

Audit fees	3,000	3,000
Consultancy / Directors fees	14,717	-
Professional fees	1,520	-
Administration fees	8,941	2,250
	£ <u>28,178</u>	£ <u>5,250</u>

8. CASH FLOW NOTES

(i) Reconciliation of revenue return to operating cashflow

For the period
15 September 2004 to
31 December 2004

Net return on ordinary activities for the financial period before taxation	(291,856)	(18,593)
Expenses charged to capital	(190,583)	
Increase in creditors	22,928	5,250
Net cash outflow from operating activities	£ <u>(459,511)</u>	£ <u>(13,343)</u>

(ii) Material non-cash transactions

The Company received stock in an unquoted company amounting to £890,778 in satisfaction of an issue of ordinary shares.
The proceeds from issues of ordinary shares during the year were received net of commission amounting to £200,000.

9. CALLED UP SHARE CAPITAL

31 December 2004

Authorised
50,000,000 ordinary shares of £0.01 each

£ 500,000 £ 500,000

Allotted and fully paid
13,237,235 ordinary shares (2004: 4,783,335) of
£0.01 each

£ 132,372 £ 47,833

On 18 February 2005 1,280,000 ordinary shares of £0.01 each were issued at a premium of £0.49 each ranking pari passu with the existing shares in issue.

On 23 February 2005 3,720,000 ordinary shares of £0.01 each were issued at a premium of £0.49 each ranking pari passu with the existing shares in issue.

On 1 September 2005 3,453,900 ordinary shares of £0.01 each were issued at a premium of £0.41 each ranking pari passu with the existing shares in issue.

10. SHARE PREMIUM ACCOUNT

As at 1 January 2005

611,167

8,453,900 ordinary shares issued in the year, at an average
premium of 45.73p per share

3,866,099

Commission on new share issues

(222,394)

As at 31 December 2005

£ 4,254,872

11. RESERVES	Capital Reserve - Realised	Capital Reserve - Unrealised	Revenue Reserve	Total
Balance at 1 January 2005	-	51,500	(18,593)	32,907
Net return for the financial year	(190,583)	-	(291,856)	(482,439)
Net realised gains	321,296	-	-	321,296
Net unrealised gains	-	1,590,650	-	1,590,650
Balance at 31 December 2005	£ 130,713	1,642,150	(310,449)	1,462,414

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	For the period 15 September 2004 to 31 December 2004	
Net return for the financial year/period	1,429,507	32,907
Dividends paid (net)	-	-
	<u>1,429,507</u>	<u>32,907</u>
Net proceeds of new share capital subscriptions	3,728,244	659,000
Net addition to shareholders' funds	<u>5,157,751</u>	<u>691,907</u>
Balance brought forward	691,907	-
Closing shareholders' funds	£ <u>5,849,658</u>	£ <u>691,907</u>

13. RELATED PARTY TRANSACTIONS

On 9 February 2005 and as disclosed in the 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 £81,183 has been paid to CMS for the year to 31 December 2005. Jonathan Freeman owns 50% of CMS.

Jonathan Freeman was paid an amount of £35,000 during the year for work carried out by him on behalf of the Company in relation to its admission to trading on AIM.

14. FINANCIAL INSTRUMENTS

(i) Management of risk

The Company's financial instruments comprise:

- Equity shares that are held in accordance with the Company's investment objective as set out in the Director's Statement
- Cash and short term debtors and creditors that arise directly from the Company's operations.

The main risks arising from the Company's financial instruments are due to fluctuations in market prices, foreign exchange rates and interest rates. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained constant throughout the period under review.

Market price risk

Market price risk arises mainly from uncertainty about the future prices of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding market positions in the face of price movements and movements in exchange rates. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce risk arising from factors specific to a particular country or sector. The allocation of assets to international markets and stock selection are other factors which act to reduce market price risk. The Investment Advisory Panel monitor market prices throughout the year and report to the Board, which meets regularly to consider investment strategy.

Foreign currency risk

The Company's total return and net assets can be significantly affected by fluctuations in foreign currency exchange rates because a portion of the Company's assets and revenue are denominated in currencies other than sterling.

Liquidity risk

The Company's assets comprise mainly readily realisable securities which can be sold to meet funding commitments if necessary.

Credit risk

The Company places funds with authorised deposit takers from time to time and is therefore potentially at risk from the failure of any such institution of which it is a creditor. The Company expects to place any deposits on a short term basis and where possible with more than one institution to reduce its credit risk.

(ii) Interest rate risk of financial assets

The majority of the Company's financial assets are equity shares and other investments which neither pay interest nor have a stated maturity date.

(iii) Currency exposure

A portion of the financial assets of the Company are denominated in currencies other than sterling with the effect that the net assets and total return can be significantly affected by currency movements.

<i>Currency</i>	Investments	Cash at bank	Total
Euro	173,300	-	173,300
US Dollar	-	3,238	3,238
Euro	£ <u>173,300</u>	£ <u>3,238</u>	£ <u>176,538</u>

(iv) Fair values of financial assets

All of the financial assets of the Company are held at fair value, as shown in notes 3 and 4.

15. OPTION AGREEMENT

By an option agreement dated 9 February 2005 between the Company and Danemead Limited ("Danemead "), the Company will be entitled to call on Danemead to procure the subscription by third party investors of up to £2million for new Ordinary Shares during the 30 day period following eight months after Admission and of up to a further £2million for new Ordinary Shares during the 30 day period beginning fourteen months after Admission, failing which in each case it will itself be obliged to subscribe for such shares. The exercise price of the option will be equal to 90% of the average middle market quotations of the Ordinary Shares for the five dealing days prior to the relevant exercise date as shown by the Stock Exchange Alternative Trading Service of the London Stock Exchange, subject to a minimum of the nominal value of the shares. Danemead will be paid a cash commission of 10% of the gross funds subscribed for under the exercise of the option. Danemead has irrevocably directed the Company to apply the whole of such cash commission to the payment up and allotment to Danemead or to such other person or persons as Danemead may direct of new Ordinary Shares at the option price.

The first option was not exercised and has now expired.

16. REPORTED NET ASSET VALUE (NAV)

The NAV reported to the market shortly after 31 December 2005 was 45p. These financial statements are based on the Company's audited records, and reflect all known debtors and creditors as accrued. Such accruals are the reason for the difference in the estimated NAV reported, and the NAV reported in these audited financial statements.

Copies of the Annual Report for the year ended 31 December 2005 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.

For further information, please contact:

Martin Shires, Director

Tel: +44 (0) 1481 751 000

Paul Schreibke, Director

Tel: +44 (0) 1481 751 000

Jonathan Freeman, non-executive Director

Tel: +44 (0) 1600 750 432

