

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the FSMA, if you are in the UK, or, if not, from another appropriately authorised independent financial adviser. This document has been prepared for the purposes of paragraph 1.2.2R(2) of the Prospectus Rules. This document also comprises an AIM admission document prepared in accordance with the AIM Rules for Companies.**

This document is being sent to TAP Shareholders and Conygar Shareholders. If you sell or have sold or otherwise transferred all of your TAP Shares or Ordinary Shares, please forward this document, together with the accompanying documents, at once, to the purchaser or transferee or to the bank, stockbroker, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of TAP Shares or Ordinary Shares, you should retain these documents. However, such documents must not be forwarded or transmitted in or into a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction. The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with those restrictions may constitute a violation of the securities laws of any such jurisdiction.

**A copy of this document, which comprises a document equivalent to a prospectus relating to Conygar, in accordance with the Prospectus Rules, has been filed with the FSA in accordance with those rules.**

The whole of the text of this document should be read and, in particular, your attention is drawn to the section entitled "Risk Factors" on pages 8 to 16 (inclusive) of this document for a discussion of certain factors which should be taken into account in considering whether or not to accept the Offer and acquire Ordinary Shares and/or Conygar Preference Shares. The whole of this document should be read in light of those risk factors.

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## **The Conygar Investment Company PLC**

*(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 04907617)*

**Proposed issue of up to 20,299,460 Ordinary Shares  
and of up to 101,497,300 Conygar Preference Shares  
in connection with the offer**

**for**

**the whole of the issued and to be issued share capital of**

**The Advantage Property Income Trust Limited**

**and the**

**Admission of The Conygar Investment Company PLC to AIM**

**Oriel Securities Limited**

**Nominated Adviser, Financial Adviser and Broker to The Conygar Investment Company PLC**

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The following table shows the authorised and issued ordinary share capital of the Company immediately following Admission and assuming that resolution 3 to be proposed at the General Meeting is passed, all TAP Shareholders accept the Ordinary Share Offer in full, there is no variation of the Offer and no further TAP Shares (and /or Ordinary Shares) are issued prior to the Offer becoming unconditional in all respects:

<i>Authorised</i>			<i>Issued</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
140,000,000	£7,000,000	Ordinary Shares of 5 pence each	61,947,366	£3,097,368.30

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Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence in the Enlarged Share Capital on the Business Day immediately following the day on which the Offer becomes or is declared unconditional in all respects. Application will not be made for the Conygar Preference Shares to be admitted to trading on AIM. The Ordinary Shares and the Conygar Preference Shares are not and will not be dealt on any recognised investment exchange and no other applications have been or will be made for such shares to be traded on any other investment exchange.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.**

Oriel Securities is acting exclusively for Conygar and for no one else in connection with the matters described herein and will not be responsible to anyone else for providing the protections afforded to customers of Oriel Securities or for advising any other person on the contents of this document or any matter referred to herein. No representation or warranty, express or implied, is made by Oriel Securities as to any of the contents of this document.

Oriel Securities has been appointed to act as nominated adviser and broker to the Company in accordance with the AIM Rules for Companies. Oriel Securities' responsibilities as the nominated adviser to the Company are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person, whether in respect of any decisions to acquire Ordinary Shares or Conygar Preference Shares in reliance on any part of this document or otherwise.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, Ordinary Shares or Conygar Preference Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, the Republic of South Africa or Japan. The Ordinary Shares and Conygar Preference Shares have not been and will not be registered under the US Securities Act or under the securities legislation of a Restricted Jurisdiction or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares and the Conygar Preference Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly in or into a Restricted Jurisdiction or to any national, citizen or resident of a Restricted Jurisdiction.

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## SUMMARY

This summary should be read as an introduction only to, and in conjunction with, the full text of this document.

*Any decision to invest in the New Conygar Shares and/or the Conygar Preference Shares should be based on consideration of this document as a whole by the investor. If a claim relating to the information contained in this document is brought by an investor before a court, the investor bringing the claim might, under the national legislation of the EEA States, have to bear the costs of translating the document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of this document.*

### **Introduction**

The Board announced on 7 August 2009 the terms of an offer to be made by Conygar to acquire the entire issued and to be issued share capital of TAP not already owned by Conygar at the date of the Offer. This document relates to the issue of New Conygar Shares and Conygar Preference Shares pursuant to the Acquisition.

The size of TAP relative to Conygar means the Acquisition constitutes a reverse takeover under the AIM Rules for Companies. This means the Acquisition requires the approval of Conygar Shareholders and the Company is required to apply for admission to AIM of the Enlarged Group. A notice of General Meeting relating to the Acquisition is contained in the Circular sent to Conygar Shareholders with this document.

Admission is expected to take place on the Business Day immediately following the day on which the Offer becomes or is declared unconditional in all respects and, concurrently, the Company's current admission to AIM will be cancelled.

### **Background to and Reasons for the Offer**

The Board has been concerned at the pace at which it believes the financial concerns created by the current economic downturn have been dealt with by TAP. In particular it believes the following actions are required:

- an increased focus upon the need to conserve cash flow and repay high debt levels;
- more active asset management and an accelerated disposals programme;
- cutting property outgoings and other overheads, which stood at £3.9 million (including £1.7 million paid to TAP's property fund adviser) in the year ended 31 December 2008, to a more appropriate level; and
- a reduction in reliance upon external advisers for core strategic and financial matters.

The Board believes that:

- the above are core skills of Conygar's management and that in time, a properly financed and internally managed TAP business will produce significant positive cash flows and be well positioned for other expansion opportunities, for the benefit of all shareholders in the Enlarged Group.
- at present, TAP has limited surplus financial resources available and is having to deal with a difficult financial position. As part of the Enlarged Group, funds would be available to add value to existing assets and to pursue other opportunities.
- TAP shareholders would benefit from accepting the Offer rather than facing an uncertain future as TAP continues to address its debt position.

### **Strategy for the Enlarged Group**

The principal business and strategy of the Company, as holding company of the Enlarged Group upon

Admission, will remain unchanged. The Directors consider the acquisition of TAP as a continuation of the Company's strategy of identifying under-valued assets which the Directors believe would benefit from the Company's management and financial expertise. The Enlarged Group will continue to act as a property trading and development group dealing primarily in UK property. The Directors currently intend that Conygar's other activities will be unaffected by the Acquisition.

TAP is expected to continue as a separate operation within the Enlarged Group, retaining its own financing structure and remaining exempt for taxation purposes in Guernsey unless and until the Company decides otherwise.

### **The Offer**

Conygar is offering to acquire, on the terms and subject to the conditions set out in the Offer Documentation, all of the issued and to be issued TAP Shares not already held by Conygar at the date of the Offer.

Under the Offer, the consideration would comprise, at the option of TAP Shareholders:

- one New Conygar Share for every five TAP Shares (with any fractional entitlement being settled in cash at 15 pence per TAP Share that would otherwise give rise to a fractional entitlement); or
- one Conygar Preference Share for each TAP Share; or
- 15 pence in cash per TAP Share.

The Ordinary Share Offer values each TAP Share at 20.2 pence and the entire issued share capital of TAP at approximately £28.8 million, based on the Closing Price of 101 pence of an Ordinary Share on 6 August 2009 being the last Business Day prior to the date of this document, representing a premium of approximately 17.1 per cent. to the Closing Price of 17.25 pence per TAP Share on that day.

Conygar has received an irrevocable commitment and letters of intent to accept the Offer in respect of approximately 33.7 million TAP Shares, representing approximately 23.6 per cent. of the existing issued share capital of TAP. These shares, when aggregated with the TAP Shares already held by Conygar, represent approximately 52.5 per cent. of TAP's current issued share capital.

### **Information on TAP**

TAP is a Guernsey incorporated property investment company focused on investment in a portfolio of income-producing commercial property in the UK and the Channel Islands. It is listed on the Official List and CISX and admitted to trading on the main market of the London Stock Exchange.

TAP's stated investment objective is "to provide shareholders with an attractive level of income, together with the potential for income and capital growth derived from investment in TAP's diversified portfolio of commercial property in the United Kingdom and the Channel Islands".

TAP's accounts for the year ended 31 December 2008 showed net assets of £80.9 million and bank debt of £111.8 million, equivalent to 56.9 per cent. of gross property assets. The net loss for the year was £50.6 million.

The unaudited net asset value of TAP as at 31 March 2009 was £66.1 million, representing an 18.3 per cent. fall in the three months since 31 December 2008. Bank debt remained at £111.8 million, equivalent to 61.9 per cent. of gross property assets.

TAP recently renegotiated the terms of its revolving bank facility with the Bank of Scotland, which was reduced from £98.3 million to £78.0 million at revised margins and with the maximum loan to value covenant increased to 70 per cent.

As at 31 March 2009, the total value of all TAP's property assets was £180.6 million spread across 70 properties with an average lot size of £2.58 million, average lease length of 6.41 years and total void rate of 11.4 per cent. Annualised income return at 31 March 2009 amounted to 7.7 per cent. and net initial yield 8.02 per cent.

TAP has announced:

- on 19 May 2009, that the dividend would be temporarily suspended.
- on 3 June 2009, that it was in the process of completing a number of initiatives in respect of capital and income projects.
- on 7 July 2009, the disposal of six investment properties for a total of £10.7 million stating that the proceeds would be used to repay debt.

On 28 July 2009, the board of directors of TAP announced that the unaudited net asset value of TAP as at 30 June 2009 was £52.8 million or 37 pence per share, representing a decline of 20.1 per cent. in the three months since 31 March 2009 and a decline of 34.7 per cent. in the six months since 31 December 2008. The ten largest properties in the portfolio account for 43.49 per cent. of the portfolio by value and no single asset accounted for more than 5.65 per cent. of the total. The portfolio was broken down as offices 39.6 per cent., industrial 20.9 per cent., retail 34.7 per cent. and leisure 4.8 per cent. The largest tenant was Halfords Limited which accounted for 11.8 per cent. of TAP's rental income. No other tenant accounted for more than 5.2 per cent. of rental income.

### Information on Conygar

Conygar is a property trading and development group dealing primarily in UK property. Excluding its 28.9 per cent. shareholding in TAP, Conygar currently has the following principal interests:

- Buckingham Street portfolio
- Pembroke Dock Waterfront Development
- Fishguard Waterfront Development
- Holyhead Waterfront Development

Conygar's results for the six months ended 31 March 2009 showed unaudited net asset value per share of 161 pence of which 77 pence represented cash. Of the loss before taxation for that six month period of £2,331,000, £3,200,000 arose from a write-down of property inventory to net realisable value.

Conygar continues to seek to identify opportunities in the property and marina development sectors. Trading results continue in line with the Directors' expectations.

### Summary Financial Information

#### *Conygar*

The table below sets out summary financial information on Conygar, extracted without material adjustment from the unaudited interim statement as at and for the six months ended 31 March 2009 and the audited financial statements as at and for the years ended 30 September 2006, 2007 and 2008:

	<i>Year ended</i> <i>30 September</i>	<i>Year ended</i> <i>30 September</i>	<i>Year ended</i> <i>30 September</i>	<i>Six months</i> <i>ended</i> <i>31 March</i>
	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Revenue	10,056	74,095	9,375	687
Operating profit/(loss)	1,912	10,064	(2,336)	(2,777)
Finance (costs)/income	(875)	(1,891)	2,233	446
Profit/(loss) before taxation	1,037	8,173	(103)	(2,331)
Profit/(loss) for the period	684	5,616	(365)	(1,860)

	<i>Year ended</i> <i>30 September</i> <i>2006</i> <i>£'000</i>	<i>Year ended</i> <i>30 September</i> <i>2007</i> <i>£'000</i>	<i>Year ended</i> <i>30 September</i> <i>2008</i> <i>£'000</i>	<i>Six months</i> <i>ended</i> <i>31 March</i> <i>2009</i> <i>£'000</i>
Development and trading properties	49,988	30,848	22,895	20,023
Cash and cash equivalents	13,001	38,123	38,290	32,585
Total assets	66,977	72,303	70,577	68,134
Current liabilities	(3,180)	(7,335)	(2,367)	(1,251)
Non-current liabilities	(47,428)	–	–	–
Shareholders' funds	16,364	64,963	68,205	66,878

### **TAP**

The table below sets out summary financial information on TAP, extracted without material adjustment from the audited financial statements as at and for the years ended 31 December 2006, 2007 and 2008:

	<i>Year ended</i> <i>31 December</i> <i>2006</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2007</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2008</i> <i>£'000</i>
Revenue	14,579	16,091	16,005
Operating profit/(loss)	10,834	11,966	12,237
Gain/(loss) from investments	15,962	(23,477)	(51,102)
Finance costs	(2,983)	(6,951)	(11,683)
Profit/(loss) before taxation	23,813	(18,462)	(50,548)
Profit/(loss) for the period	23,548	(18,584)	(50,568)

	<i>Year ended</i> <i>31 December</i> <i>2006</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2007</i> <i>£'000</i>	<i>Year ended</i> <i>31 December</i> <i>2008</i> <i>£'000</i>
Investment properties	259,166	260,798	196,270
Cash and cash equivalents	5,083	4,922	2,331
Total assets	268,644	271,491	203,649
Current liabilities	(6,517)	(7,187)	(6,995)
Non-current liabilities	(94,698)	(124,704)	(115,740)
Shareholders' funds	167,429	139,600	80,913

### **Risk Factors**

An investment in the Ordinary Shares and/or the Conygar Preference Shares is subject to a number of risks, which should be considered carefully prior to making an investment decision. The Enlarged Group's business, financial condition, financial performance, results of operations and the value of an Ordinary Share and/or a Conygar Preference Share could be materially and adversely affected by a number of risks, including:

- The Company and its advisers have not had access to any information or documentation relating to, or been able to perform due diligence on TAP, other than information in the public domain, which has not been subject to comment or verification by the Company, the Directors, or TAP or its directors. Nothing in this risk factor limits or qualifies the Company's or the Directors' responsibility under paragraph 5.5 of the Prospectus Rules or Part 6 of FSMA;
- Global market turmoil, weakening economic conditions and the continued impact of the credit crisis may reduce the value of the Enlarged Group's property portfolio;

- Due to a lack of access to non-public information on TAP, it is not possible to ascertain the full extent of TAP's ability to: refinance its debt; to meet its financial obligations when they fall due; or to comply with applicable financial covenants;
- The Enlarged Group may not in the longer term be able to secure non-recourse financing on satisfactory terms;
- The Enlarged Group's property portfolio may expose it to environmental liabilities and costs;
- The Enlarged Group's development portfolio: depends upon the successful achievement of planning permission; could remain vacant after completion; may be subject to delays, disruptions and other risks resulting in increased costs and/or a decrease in value and/or damage to persons or property;
- The departure of key personnel or the failure to attract and retain skilled personnel;
- The Enlarged Group may suffer uninsured losses;
- The Company's ability to pay dividends depends, amongst other things, upon its ability to generate sufficient earnings;
- The Company may in the longer term issue new ordinary shares which may dilute Shareholders' equity, and such dilution will occur if the Offer is declared or becomes unconditional in all respects;
- The Enlarged Group may dispose of its assets when it may not be able to obtain the best value for them;
- The Enlarged Group may not be successful in implementing its investment objectives;
- The past or current performance of the Group is not a guarantee of the future performance of the Enlarged Group, which will depend on the successful management of its real estate assets, including the identification and retention of appropriate tenants on satisfactory terms;
- Costs associated with potential investments which do not proceed to completion will affect the Enlarged Group's performance;
- The Enlarged Group's property acquisition due diligence may not identify all risks and liabilities;
- The success of Conygar's joint venture with Stena Line Ports Limited depends upon the continued working relationship with such counterparty;
- An investment in shares admitted to trading on AIM may be less liquid and may carry a higher risk than an investment in shares listed on the Official List;
- The value of an investment in the Company may go down as well as up and may be subject to wide fluctuations not necessarily reflecting the underlying value of its investments;
- The Conygar Preference Shares will have limited transferability as they are unlisted securities for which there are no plans to seek a public quotation on any recognised investment exchange or other market and the Company may not have sufficient funds to redeem them;
- Ownership of shares in the Company, and the tax implications thereof, may be treated in different ways in different jurisdictions;
- The Enlarged Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or regulatory factors, tax residency or the treatment of intra-group arrangements;
- The benefits of the Acquisition anticipated by Conygar may not materialise or be as significant as estimated;
- There can be no guarantee that TAP will be successfully integrated into the Group;
- The existence of minority interests in TAP could restrict future corporate actions including its de-listing from the Official List.

## **RISK FACTORS**

**An investment in the Ordinary Shares and/or the Conygar Preference Shares involves certain risks. Investors should carefully consider the risks set forth below and all of the information set forth in this document prior to making any investment decision with respect to the Ordinary Shares and/or the Conygar Preference Shares. The risks described below could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations, future prospects and the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares and it is possible that investors could lose all or part of their investment in the Ordinary Shares and/or the Conygar Preference Shares. In addition, the risks below are not the only risks to which the Company and the Enlarged Group may be subject. The Directors may be unaware of certain risks or believe certain risks to be immaterial which later prove to be material.**

**None of the risk factors set out below shall be deemed to qualify the working capital statements given by the Directors in paragraph 18 of Part IV of this document.**

### **ACCESS TO INFORMATION RELATING TO TAP**

The Company and its advisers have not had access to, or been able to perform any due diligence on, any information or documentation relating to TAP, other than information in the public domain. The information in relation to TAP has been sourced from publicly available information and has not been subject to comment or verification by the Company, the Directors, or the directors of TAP. Nothing in this risk factor limits or qualifies the Company's or the Directors' responsibility under paragraph 5.5 of the Prospectus Rules or Part VI of FSMA and as specified in paragraph 1 of Part IV of this document.

### **RISKS RELATED TO THE BUSINESS OF CONYGAR AND THE ENLARGED GROUP**

**Global market turmoil, weakening economic conditions in the United Kingdom and Europe and the continued impact of the credit crisis have reduced and may continue to reduce the value of the Enlarged Group's property portfolio**

Global market turmoil, weakening economic conditions in the United Kingdom and Europe and, in particular, the continued impact of the credit crisis have reduced and may continue to reduce the value of the Enlarged Group's property portfolio and may reduce liquidity in the commercial real estate market. Such a lack of liquidity in commercial real estate may prevent TAP from taking advantage of trends in occupational demand and rental growth or disposing of lower growth or riskier assets, thereby adversely affecting TAP's net asset value. As a result, TAP may be unable to sell a particular property or, alternatively, might sell a property at less than the value at which it had previously been valued, which could have a material adverse effect on its business, financial condition, results of operations or future prospects or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

**The Enlarged Group's performance will depend on general property market conditions**

The Enlarged Group's performance will be affected by, amongst other things, general conditions affecting the rental market as a whole or specific to the Enlarged Group's investments. The Enlarged Group's ability to dispose of its Enlarged Group's properties, and the price realised by any such disposals, will also depend on the general conditions affecting the investment market at the time of the disposal. The Enlarged Group's results of operations may be adversely affected by a number of factors outside of its control, including but not limited to:

- a general property market contraction;
- a decline in rental values; and
- changes in laws and governmental regulations in relation to real estate, including those governing permitted and planning usage, taxes and government charges as well as health and safety and environmental compliance. Such changes may lead to an increase in unforeseen capital expenditure or running costs to ensure compliance which may not be recoverable from tenants. Rights related to



particular properties may also be restricted by legislative actions, such as revisions to existing laws or the enactment of new laws.

If general property market conditions negatively impact the price at which the Enlarged Group is able to dispose of its real estate assets, or if the Enlarged Group suffers a material increase in its operating costs, it could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or future prospects or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

**Market conditions may delay or prevent the Enlarged Group from making appropriate investments that generate acceptable returns**

Market conditions may have a negative impact on the Enlarged Group's ability to identify, and execute, investments in suitable assets that generate acceptable returns. There is no guarantee that the Enlarged Group will be successful in sourcing suitable assets for investment and there is also no guarantee that the Enlarged Group will make any investments in real estate assets at all.

**The global economic downturn and serious dislocation of the financial markets may expose TAP and, in the longer term, the Group to significant liquidity risks**

As a result of the recent global economic downturn, demand for commercial real estate has decreased significantly and may continue to decrease, in part due to a significant reduction in the availability of new financing.

Due to a lack of access to non-public information on TAP, it is not possible to ascertain whether the continuing global economic turmoil could inhibit TAP's ability to rollover its existing borrowings if TAP were unable to comply with applicable financial covenants or to meet its financial obligations when they fall due. Likewise, it is not possible to ascertain whether such turmoil could also affect the Enlarged Group's ability to refinance its obligations or obtain new financing. If the Enlarged Group is unable to refinance its obligations or obtain new financing when required, this could have a material adverse effect on TAP's and, in the longer term, the Group's business, financial condition, results of operations or future prospects or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

**Failure by TAP to comply with the financial covenants governing indebtedness could result in an event of default**

TAP has a substantial amount of outstanding secured indebtedness consisting primarily of bank loans previously advanced to TAP. Due to a lack of access to non-public information on TAP, it is not possible to ascertain the full extent of the terms of the financial covenants contained within the secured debt. If TAP is unable to comply with any applicable financial covenants, including as a result of events outside of its control, such as the current economic downturn proving to be more severe than the Enlarged Group expects or a change of control of the relevant borrower, it could lead to the acceleration of the related debt and the exercise of any cross-acceleration or cross-default provisions contained in TAP's financing agreements. If the debt owed by TAP were to be accelerated it could have a material adverse effect on its business, financial condition, results of operations or future prospects or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

**The Enlarged Group may not in the longer term be able to secure non-recourse financing on satisfactory terms**

The intention of the Directors is to limit any lender's recourse only to the assets of the entity making the acquisition in question with a view to ring-fencing the risks associated with those assets from the Enlarged Group's other assets. Although it is the Company's intention to fund acquisitions using non-recourse financing, if the Enlarged Group is not able to obtain non-recourse financing in the longer term, the assets of the Enlarged Group as a whole may be at risk and, although the Board does not presently intend to have cross-default provisions between ring-fenced portfolios, any cross-default provisions in the Enlarged Group's other loan facilities could magnify the effect of a default under a particular loan facility if such a provision were exercised.

**The Enlarged Group's performance will depend on the ability of each company within the Enlarged Group to manage its real estate assets successfully, including by identifying and retaining appropriate tenants on satisfactory terms**

The Enlarged Group's performance will be dependent on the ability of each company within the Enlarged Group to manage its real estate assets successfully, including by identifying and retaining appropriate tenants on satisfactory terms. Revenues earned from, and the capital value and disposal value of, properties held by each company within the Enlarged Group and the Enlarged Group's business may be adversely affected by a number of factors including, but not limited to:

- decreased tenant demand;
- a company within the Enlarged Group's inability to recover certain operating costs such as local taxes and service charges on vacant space;
- a company within the Enlarged Group's inability to collect rent and other contractual payments from tenants on a timely basis, including the risk of debtors defaulting on their obligations and seeking the protection of bankruptcy laws, which could result in delays in receipt of rental and other contractual payments, an inability to collect such payments at all or the termination of a tenant's lease;
- a material decline in rental values could affect the Enlarged Group's cash flows, income and capital values;
- a number of tenants with material rental obligations defaulting at and/or a material tenant defaulting at a specific property may hinder or delay the sale of such property; and
- the Enlarged Group's operating and other expenses or cash needs increasing without a corresponding increase in turnover or tenant reimbursements. Factors which could increase operating and other expenses include increases in the rate of inflation if it exceeds rental growth, property taxes, other statutory charges, insurance premiums, other void costs and unforeseen capital expenditure affecting the properties which cannot be recovered from tenants.

If the Enlarged Group's revenues earned from, and the value of its properties are negatively impacted by an inability to identify and retain appropriate tenants on satisfactory terms, it could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or future prospects or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

**If the Enlarged Group fails accurately to assess a development opportunity or tenant demand for a development decreases, a substantial proportion of the development could remain vacant after completion**

The Enlarged Group's development programme is likely to involve a higher degree of risk than is associated with its trading properties and will require the Enlarged Group to assess each development opportunity, including the return on investment, transport and other infrastructure attributes of the location, the quality of the specification, the configuration and the flexibility of accommodation and the timing and delivery of the completed property. Inaccurate assessment of a development opportunity or a decrease in tenant demand due to competition from other commercial real estate properties or adverse market conditions, could result in a substantial proportion of the development remaining vacant after completion and exert pressure on the Enlarged Group to provide rental incentives to tenants. Such vacancies and rental incentives would affect the level of rental income obtained, the amount of realised sales proceeds and the value of the development property all of which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or future prospects or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

**The Enlarged Group's performance in realising value from development opportunities relies upon the achievement of planning permission for such developments and the decision to proceed with the construction of any development will depend upon the Enlarged Group concluding that such development will provide a satisfactory return on investment.**

Paragraph 6 of Part I of this document describes in more detail Conygar's principal interests, which include its current development prospects.

In the event that planning applications for Conygar's development prospects are unsuccessful or are granted subject to constraints or conditions which Conygar regards as unacceptable or onerous (and which Conygar is unsuccessful, or concludes is unlikely to be successful, in removing), then Conygar may conclude that is not likely to realise anticipated value from such development opportunities and, accordingly, may decide not to proceed with, or to defer, construction.

In any event, the decision to proceed with construction of any development will depend upon Conygar's assessment that such development prospect is likely to provide a satisfactory return on investment having regard to such factors as the cost of construction, timing and delivery of completed property, planning and development constraints and conditions, and local and general market conditions. Conygar may defer or decide not to proceed with construction of any development that does not satisfactorily meet its assessment criteria.

The failure to obtain satisfactory planning permission or any decision to defer or not proceed with construction could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or future prospects or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

**The construction of the Enlarged Group's developments may be subject to delays or disruptions and is subject to other risks that are beyond its control, including risks related to the global economic downturn, which could result in increased construction-related costs and/or a decrease in the value of the development**

The Enlarged Group will depend on skilled third party contractors for the timely construction of its developments in accordance with international standards of quality and safety. The process of construction may be delayed or disrupted by a number of factors, such as inclement weather or acts of nature, industrial accidents and defective building methods or materials. Any of these factors, alone or in combination, could delay or disrupt the construction process by halting the construction process or damaging materials or the development itself. In addition, the costs of construction depend primarily on the costs of materials and labour, which may be subject to significant unforeseen increases.

The Enlarged Group may not be able to recover cost overruns under its insurance policies or from the responsible contractor or sub-contractor or may incur holding costs and the development may decrease in value, any of which could have a material adverse effect on its business, financial condition, results of operations or future prospects or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

**The Enlarged Group's development projects will be subject to the hazards and risks normally associated with the construction and development of commercial real estate, any of which could result in increased costs and/or damage to persons or property**

The Enlarged Group's development projects will be subject to the hazards and risks normally associated with the construction and development of commercial real estate, including personal injury and property damage. The occurrence of any of these events could result in significant increased operating costs, reputational damage, fines, legal fees, or criminal prosecution of the companies within the Enlarged Group, and their directors or management, all of which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or future prospects or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

**The departure of key personnel or the failure to attract and retain skilled personnel could adversely affect the Enlarged Group's business**

The Group's business model requires a relatively small number of key skilled professionals to manage relatively large property portfolios. The departure of key skilled professionals could cause disruption to the management structure and relationships, an increase in costs associated with staff replacement, lost business relationships or reputational damage, any or all of which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or future prospects or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

**If the Enlarged Group suffers losses for which it is uninsured, it may be forced to obtain additional financing to repair or rebuild the damaged asset or it could lose the value of the damaged asset altogether**

The Enlarged Group may not have insurance coverage for certain types of catastrophic losses which are not insurable or for which economically reasonable insurance is unavailable. In addition, there can be no guarantee that the Group's current insurance coverage will not be cancelled or become unavailable on economically reasonable terms in the future. If the Enlarged Group were to suffer damage to an asset for which it was uninsured, it may be forced to obtain additional financing, to repair or rebuild the damaged asset or lose the value of the damaged asset altogether, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or future prospects or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

**The Enlarged Group's property portfolio may expose the Company to environmental liabilities and costs**

In the ordinary course of business and in connection with future acquisitions, the companies within the Enlarged Group may become responsible for certain environmental clean-up liabilities or costs. As owners of real property, companies in the Enlarged Group are subject to environmental regulations that may impose liability for cleaning up contaminated land, watercourses or groundwater on the person causing or knowingly permitting the contamination. If a company in the Enlarged Group owns or acquires contaminated land, it could also be liable to third parties for harm caused to them or their property as a result of the contamination. If a company in the Enlarged Group is found to be in violation of environmental regulations, it could face reputational damage, regulatory compliance penalties, reduced letting income or reduced asset valuations, any or all of which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or future prospects or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

**The Enlarged Group may dispose of its assets at a time when it may not be able to obtain the best value for them**

There is no guarantee that at the time the Enlarged Group seeks to dispose of its real estate assets the real estate market conditions will be favourable or that the Enlarged Group will be able to maximise the returns on such disposed assets. As real estate assets are relatively illiquid, such illiquidity may affect the Enlarged Group's ability to dispose of or liquidate its portfolio in a timely fashion and at satisfactory prices. The above may mean that the realisation of such assets is deferred or delayed until market conditions recover. In addition, to the extent that market conditions are not favourable or deteriorate, the Enlarged Group may not be able to realise its real estate assets at satisfactory prices or at all. If TAP were to dispose of or liquidate an investment on unsatisfactory terms it may realise less than the value at which the investment was previously recorded, which could result in a decrease in TAP's and the Enlarged Group's net asset value. Any such reduction in the Enlarged Group's net asset value could have a material adverse effect on TAP's business, financial condition, results of operations or future prospects and/or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

**There can be no assurance that the Enlarged Group will be successful in implementing its investment objectives**

No assurance can be given that the implementation of the Enlarged Group's investment objectives will be successful under current or future market conditions or that the companies within the Enlarged Group will be successful in implementing the strategy set by the directors of those companies. The approach employed

by Enlarged Group may be modified and altered from time to time, so it is possible that the approach adopted by Enlarged Group to achieve the Enlarged Group's investment objective in the future may be different from those presently expected to be used and disclosed in this document.

**The past or current performance of the Group is not a guarantee of the future performance of the Enlarged Group**

There are differences between the operations of the Group and those entities and operations to be acquired pursuant to the Acquisition. Accordingly, the past or current performance of the Group should not be construed as an indication of the future performance of any investments of the companies within the Enlarged Group.

**The success of Conygar's joint venture with Stena is dependent upon the continued working relationship with Stena Line Ports Limited**

Conygar's ability to sell its interest in the Holyhead Development is subject to the terms of a joint venture agreement with Stena Line Ports Limited. If this relationship was to deteriorate, then the performance of the joint venture could be adversely impacted which, in turn, could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or future prospects or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

**Any costs associated with potential investments which do not proceed to completion will affect the Enlarged Group's performance**

The Enlarged Group expects to incur certain third party costs associated with the sourcing of suitable assets. The Enlarged Group can give no assurance as to the level of such costs, and given that there can be no guarantee that the Enlarged Group will be successful in its negotiations to acquire any given property, the greater the number of deals that do not reach completion, the greater the likely impact of such costs on the Enlarged Group's business, financial condition, results of operations or future prospects or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

**The Enlarged Group's acquisition due diligence may not identify all risks and liabilities**

Prior to entering into an agreement to acquire any property, the Enlarged Group will expect to perform due diligence on its proposed investment. In so doing, it would typically rely in part on third parties to conduct a significant portion of this due diligence (including legal reports on title and property valuations). To the extent that the Enlarged Group or other third parties underestimate or fail to identify risks and liabilities associated with the investment in question, the Enlarged Group may incur, directly or indirectly, unexpected liabilities, such as defects in title, an inability to obtain permits, or environmental, structural or operational defects requiring remediation. If there is a failure of due diligence, there may be a risk that properties are acquired which are not consistent with the Enlarged Group's investment strategy or that properties are acquired that fail to perform in accordance with projections.

In the event the Enlarged Group's due diligence does not uncover material defects or liabilities, including environmental liabilities, which are not covered by insurance proceeds, it could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or future prospects and/or the price and/or the value of the Ordinary Shares and/or the Conygar Preference Shares.

**RISKS RELATED TO THE MARKET FOR THE ENLARGED SHARE CAPITAL AND THE ORDINARY SHARES**

**AIM**

Following the Offer becoming or being declared unconditional in all respects, applications will be made for the Enlarged Share Capital to be admitted to trading on AIM. An investment in shares admitted to trading on AIM may be less liquid and may carry a higher risk than an investment in shares listed on the Official List. The rules of AIM are less demanding than those of the Official List. A prospective investor should be aware

of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Stock markets have from time to time experienced severe price and volume fluctuations, a recurrence of which could adversely affect the market price for the Ordinary Shares. Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares.

#### **Market for the Company's shares and volatility of share price**

Prospective investors should be aware that the value of an investment in the Company may go down as well as up. In addition, the Company can give no assurance that there will be an active trading market for its shares. If there is no active trading market, the liquidity and trading price of the Company's shares could be adversely affected. Furthermore, the trading price of the Company's shares may not reflect the underlying value of the investments held by the Company and may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, the timing of investments, changes in the regulatory environment and stock market sentiment towards investment companies divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Company's sector and other events and factors outside of the Company's control. The Ordinary Shares and the Conygar Preference Shares are intended to provide an opportunity for longer-term capital growth and therefore they may not be suitable as a short-term investment.

The Conygar Preference Shares are unlisted securities and there are no plans to seek a public quotation on any recognised investment exchange or other market for the Conygar Preference Shares and so these shares will have limited liquidity.

#### **The Company's ability to pay dividends will depend upon its ability to generate sufficient earnings and certain legal and regulatory restrictions**

All dividends and other distributions paid by the Company will be made at the discretion of the Board. The payment of any such dividend or other distributions will depend upon a number of factors, including the Company's ability to acquire suitable investments, operating results, financial conditions, current and anticipated cash needs, interest costs and net proceeds on sale of its investments, legal and regulatory restrictions and such other factors as the Board may deem relevant from time to time. The Company's ability to pay dividends will largely depend on the Enlarged Group's ability to generate realised profits and cash flow and its ability to pass such profits and cash flows to the Company on a timely basis.

#### **The Company may in the future issue new ordinary shares which may dilute Shareholders' equity**

The Company's capital requirements depend on a number of factors. If its capital requirements vary materially from its current estimates in the longer term, the Company may require further equity financing. If pre-emption rights are not exercised by Shareholders, any additional equity financing may be dilutive to them.

### **RISKS RELATED TO REGULATORY AND TAXATION MATTERS**

#### **Shareholders' taxation position**

Investors should take their own tax advice as to the consequences of owning shares in the Company as well as receiving returns from it. In particular, investors should be aware that ownership of shares in the Company may be treated in different ways in different jurisdictions.

#### **Regulatory and legal changes**

The Group's strategy has been formulated in the light of the current regulatory and legal environment and likely anticipated future changes. The regulatory and legal environment may change in the future and such changes may have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or future prospects or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

### **Economic, political, judicial, administrative, taxation or other regulatory factors**

The Enlarged Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or regulatory factors, as well as other unforeseen matters, in the UK (the jurisdiction in which the Company is registered) or in other jurisdictions in which the Enlarged Group may make investments.

### **Changes to the tax residency of TAP could adversely affect the Enlarged Group's financial and operating results**

TAP is incorporated in Guernsey and currently qualifies for exempt tax status in Guernsey. The composition of TAP's board of directors and the location(s) in which that board of directors makes decisions will be important in determining and maintaining the Guernsey tax residence status of TAP. A failure to satisfy the criteria for qualification for tax exempt status in Guernsey would lead to TAP losing such exempt status. TAP is required to conduct its operations in a manner that ensures that it is not treated as being tax resident in a jurisdiction other than Guernsey or as having a permanent establishment or as otherwise being engaged in a trade or business outside Guernsey, for example by ensuring that major decisions are not made outside Guernsey. Otherwise, TAP may be considered to be tax resident in another jurisdiction.

If TAP were to be considered a resident for taxation purposes in a jurisdiction other than Guernsey, income attributable to or effectively connected with such other jurisdiction may be subject to tax in that other jurisdiction which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or future prospects and/or the price and/or the value of the Ordinary Shares and/or the Conygar Preference Shares.

## **RISKS RELATED TO THE ACQUISITION**

### **Acquisition risk**

Conygar believes that the Acquisition offers benefits for the operations of TAP and, therefore, will be of benefit to Shareholders. However, there is a risk that such benefits may fail to materialise, or that they may not be as significant as has been estimated, which may have a significant impact on the Enlarged Group's business, financial condition, results of operations or future prospects or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

The process for the integration of TAP's operations is expected to commence immediately following completion of the Acquisition. Successful integration of TAP will require a significant amount of management time. If the integration process proves more difficult than anticipated, there is also a risk to the operations of the Enlarged Group. This integration may take longer than expected or difficulties relating to the integration, of which the Directors are not yet aware, may arise. In addition, there can be no assurance that the cost of the integration of TAP into the Group will not exceed the cost estimated by Conygar. Furthermore, Conygar may not be able to identify personnel with appropriate skills for the tasks associated with the integration of TAP. All of these risks could, in turn, have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or future prospects or the price and/or value of the Ordinary Shares and/or the Conygar Preference Shares.

### **There will be dilution in ownership of Existing Conygar Shares**

In the event that the Offer is declared or becomes unconditional, Existing Conygar Shareholders will suffer a reduction in their proportionate ownership and voting interest in the share capital of Conygar because acceptance of the Ordinary Share Offer (or acceptance of the Preference Share Alternative and subsequent election to convert those Conygar Preference Shares to Ordinary Shares) will result in the issue of additional Ordinary Shares to such TAP Shareholders without such shares first being offered to Existing Conygar Shareholders.

**If valid acceptances of the Offer are not received from the holders of at least 90 per cent. of the issued share capital of TAP to which the Offer relates the existence of minority interests may restrict future corporate actions**

The Offer is conditional, *inter alia*, upon Conygar receiving such number of valid acceptances which, together with any TAP Shares held or acquired by Conygar, represents over 50 per cent. of TAP's issued share capital. Unless valid acceptances are received from the holders of 90 per cent. or more of the issued and to be issued share capital of TAP to which the Offer relates, Conygar will not be able to take advantage of the provisions of sections 336 to 340 (inclusive) of the Companies (Guernsey) Law, 2008 (as amended) to compulsorily acquire any remaining TAP Shares and, therefore, TAP will not become a wholly-owned subsidiary of Conygar.

There are a number of corporate actions that would require the approval of at least 75 per cent. of the votes cast at a TAP Shareholders' meeting. If Conygar were to acquire a total of less than 75 per cent. of the issued TAP Shares, Conygar may need support from the remaining TAP Shareholders to carry out these actions. In particular, Conygar would not be able to independently procure the de-listing of TAP from the Official List if the remaining TAP Shareholders did not vote in favour of such de-listing and TAP would therefore continue to be subject to, amongst other things, the DTR and the Listing Rules. Other actions requiring 75 per cent. of votes to be cast in favour at a general meeting include amending the articles of association and authorisation for the purchase by TAP of its own shares.

Unless Conygar acquires all of the TAP Shares, following the Acquisition the directors of TAP will need to have regard to the interests of those TAP Shareholders who do not accept the Offer, as well as to the interests of Conygar.

**The Company may not have sufficient funds in order to redeem the Conygar Preference Shares**

The Conygar Preference Shares will be redeemable on 31 December 2011 by Conygar. There is a risk that owing to the Company's cash and other equivalents having been committed and/or utilised elsewhere that the Company has insufficient funds available at that time to meet the terms of redemption set out in respect of the Conygar Preference Shares. Although it is the intention of the Directors to ensure that sufficient funds are available, owing to factors beyond their control, this may not be the case.



## FORWARD-LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “anticipates”, “targets”, “expects”, “predicts”, “aims”, “continues”, “intends”, “may”, “will”, “would” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Directors’, Conygar’s, TAP’s or the Enlarged Group’s intentions, beliefs or current expectations concerning, among other things, Conygar’s, TAP’s or the Enlarged Group’s results of operations, financial condition, prospects, growth, strategies and the industries in which Conygar, TAP or the Enlarged Group operate or will operate. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances.

A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation: conditions in the markets, the market positions of Conygar, TAP or the Enlarged Group, earnings, financial position, cash flows, return on capital and operating margins, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this document. Forward-looking statements contained in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Except as required by the Prospectus Rules, the AIM Rules for Companies, the FSMA or applicable law or regulation, neither Conygar nor Oriel Securities undertakes any obligation to update or review any forward-looking statements, whether as a result of new information, future events or otherwise. TAP Shareholders who are considering whether to accept the Offer and Conygar Shareholders should not place undue reliance on forward-looking statements, which speak only as of the date of this document. None of the statements made in this section “Forward-looking statements” in any way obviates the requirements to comply with the Prospectus Rules, the AIM Rules for Companies, the FSMA or applicable law or regulation. The information in this document will be updated as required by the Prospectus Rules, the AIM Rules for Companies, the FSMA or applicable law or regulation.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Offer announced	7 August 2009
Publication of Offer Documentation, this document and the Circular	7 August 2009
Latest time and date for receipt of the Form of Proxy	11.00 a.m. on 24 August 2009
Conygar's General Meeting	11.00 a.m. on 26 August 2009
First Closing Date of the Offer	28 August 2009
Admission of Enlarged Share Capital to AIM to be effective by no later than 8.00 a.m. on <sup>(1)</sup>	1 September 2009
CREST accounts credited with New Conygar Shares	4 September 2009
Certificates for New Conygar Shares despatched by no later than <sup>(1)</sup>	11 September 2009
Certificates for Conygar Preference Shares despatched by no later than <sup>(1)</sup>	11 September 2009

(1) Subject to the Offer becoming or being declared unconditional in all respects on the First Closing Date.

Each of the dates in the above timetable is subject to change at the absolute discretion of the Company and Oriel Securities (subject to compliance with the City Code). All times are Greenwich Mean Time.

## STATISTICS

Number of Existing Conygar Shares	41,647,906
Maximum number of New Conygar Shares to be issued pursuant to the Offer <sup>(1)</sup>	20,299,460
Market capitalisation on Admission at 101 pence per Ordinary Share <sup>(1)</sup>	£62.6 million
Ordinary Share ISIN number	GB0033698720
Maximum number of Conygar Preference Shares to be issued pursuant to the Offer <sup>(2)</sup>	101,497,300

(1) Assumes that all TAP Shareholders accept the Ordinary Share Offer in full, there is no variation of the Offer and no further TAP Shares (and/or Ordinary Shares) are issued prior to the Offer becoming unconditional in all respects.

Conygar has received an irrevocable commitment from the holder of 28,705,743 TAP Shares to accept the Preference Share Alternative in full. The above figures do not take into account the terms of this irrevocable commitment and, instead, assume that the relevant TAP Shareholder elects to accept the Ordinary Share Offer in full. If this TAP Shareholder were, instead, to accept the Preference Share Alternative in full, then full acceptance of the Ordinary Share Offer by TAP Shareholders other than the party which provided such commitment, and assuming that such party does not exercise its right to convert the Conygar Preference Shares it receives pursuant to the Preference Share Alternative into Ordinary Shares, would result in the issue of 14,558,311 New Conygar Shares pursuant to the Offer.

(2) Assumes that all TAP Shareholders accept the Preference Share Alternative in full, there is no variation of the Offer and no further TAP Shares (and/or Ordinary Shares) are issued prior to the Offer becoming unconditional in all respects.

## **DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS**

### **Directors**

Nigel Hamway, *Non-Executive Chairman*  
Robert Ware, *Chief Executive*  
Peter Batchelor, *Finance Director*  
Steven Vaughan, *Property Director*  
Michael Wigley, *Non-Executive Director*

all of whose business address is:

Fourth Floor, Bond House  
19-20 Woodstock Street  
London W1C 2AN

### **Company Secretary**

Peter Batchelor

### **Registered Office and Principal Place of Business**

Fourth Floor, Bond House  
19-20 Woodstock Street  
London W1C 2AN

### **Website**

[www.conygar.com](http://www.conygar.com)

### **Nominated Adviser and Broker**

Oriel Securities Limited  
125 Wood Street  
London EC2V 7AN

### **Solicitors to the Company as to English Law**

Wragge & Co LLP  
55 Colmore Row  
Birmingham B3 2AS

### **Solicitors to the Company as to Guernsey Law**

Carey Olsen  
Carey House  
Les Banques  
St. Peter Port  
Guernsey GY1 4BZ

### **Auditor and Reporting Accountant**

Rees Pollock  
35 New Bridge Street  
London EC4V 6BW

### **Registrars and Receiving Agents**

Share Registrars Limited  
Suite E, First Floor  
9 Lion & Lamb Yard  
Farnham, Surrey GU9 7LL

## PART I

### INFORMATION ON THE OFFER AND THE ENLARGED GROUP

#### 1. Introduction

The Board announced on 7 August 2009 the terms of an offer to be made by Conygar to acquire the entire issued and to be issued share capital of TAP not already owned by Conygar at the date of the Offer. This document relates to the issue of up to 20,299,460 New Conygar Shares and up to 101,497,300 Conygar Preference Shares pursuant to the Acquisition. The issue of the New Conygar Shares and the Conygar Preference Shares is conditional upon the Offer becoming or being declared unconditional in all respects.

As a result of the size of TAP in relation to the size of Conygar, the Acquisition also constitutes a reverse takeover under the AIM Rules for Companies and, as such, requires the approval of Conygar Shareholders at the General Meeting. Notice of the General Meeting is contained in the Circular which has been sent to Conygar Shareholders (but not TAP Shareholders) with this document.

In addition, resolutions will be proposed at the General Meeting regarding several matters which are necessary, *inter alia*, in relation to the Acquisition, namely, to approve an increase in the authorised share capital of Conygar by the creation of a new class of shares (the Conygar Preference Shares) and the creation of an additional 40,000,000 Conygar Shares, to grant the Directors the power of allotment in respect of the increased authorised share capital, to disapply pre-emption rights in respect of such allotment and to adopt new articles of association which set out the rights attaching to the Conygar Preference Shares.

As a consequence of the Acquisition constituting a reverse takeover, the Company is required to apply for re-admission to AIM of the entire issued ordinary share capital of the Enlarged Group. It is expected that Admission will take place on the Business Day immediately following the day on which the Offer becomes or is declared unconditional in all respects and, concurrently, the Company's current admission to AIM will be cancelled.

#### 2. Background to and reasons for the Offer

The Board has been concerned at the pace at which it believes the financial concerns created by the current economic downturn have been dealt with by TAP in particular against the background of a 34.7 per cent. fall in TAP's net asset value between 31 December 2008 and 30 June 2009 and it has identified a number of areas where it believes the management expertise and financial strength of Conygar could add value to TAP's business for the benefit of all shareholders in the Enlarged Group. Since Conygar became the largest shareholder of TAP, the board of TAP has suspended its dividend and announced the disposal of properties for a total of £10.7 million, the proceeds of which have been applied towards repayment of debt. The Board believes that these actions should have been instigated with greater urgency some time ago.

In addition, the Board believes that Conygar's resources, industry expertise and active and direct management style will benefit shareholders in the Enlarged Group through:

- an increased focus upon the need to conserve cash flow and repay high debt levels;
- more active asset management and an accelerated disposals programme;
- cutting property outgoings and other overheads, which stood at £3.9 million (including £1.7 million paid to TAP's property fund adviser) in the year ended 31 December 2008, to a more appropriate level; and
- a reduction in reliance upon external advisers for core strategic and financial matters.

At present the Board believes that TAP has limited surplus financial resources available, with its focus principally on ensuring ongoing financial stability through the repayment of debt and property disposals in a difficult market. The Directors intend that, as part of the Enlarged Group, appropriate funds will be made available to add value to existing TAP assets and potentially, to pursue other acquisition opportunities.

In the longer term, the Board believes that a properly financed and internally managed TAP business managed by Conygar should produce significant positive cash flows and be well positioned to take advantage of other expansion opportunities not presently available, for the benefit of all shareholders in the Enlarged Group.

The Board believes that TAP Shareholders would benefit from accepting the Offer rather than facing an uncertain future as TAP continues to address its debt position during the uncertain times ahead for the commercial property market. In particular, as shareholders in the Enlarged Group, TAP Shareholders accepting the Ordinary Share Offer (or, in time, converting Conygar Preference Shares into Ordinary Shares) will have the opportunity to participate in all benefits currently expected by the Board to be created by the Acquisition.

### **3. Strategy for the Enlarged Group**

On Admission, the Company will be the holding company of the Enlarged Group. The principal business and strategy of the Company will remain unchanged as at Admission. The Directors consider the acquisition of TAP as a continuation of the Company's strategy of identifying under-valued assets which the Directors believe would benefit from the Company's management and financial expertise. The Directors envisage that the Enlarged Group will continue to act as a property trading and development group dealing primarily in UK property and will continue to invest in property assets and companies that own property assets where the Directors believe an opportunity to create value for Shareholders has been identified. The Directors currently intend that the other activities of the Enlarged Group, such as the marina development projects, will not be affected by the acquisition of TAP.

TAP is expected to continue as a separate legal entity within the Enlarged Group, and is expected to retain its own financing structure and remain exempt for taxation purposes in Guernsey until such time as the Company decides otherwise.

In the short term, having regard to the present difficult economic outlook, Conygar intends to take steps to conserve cash flow in TAP. In particular, it intends to review the scale of TAP's reliance on third party advisers and the associated costs and overheads are expected to be reduced. Conygar also intends to seek to accelerate the pace and quantum of asset disposals by TAP with a view to strengthening the balance sheet of TAP. The Directors intend that Conygar will make further funding available in order to develop TAP's business, for expansion and to take advantage of any development opportunities that may arise or already exist within TAP for the benefit of the Enlarged Group's shareholders.

### **4. The Offer**

Conygar is offering to acquire, subject to the conditions and on the further terms set out or referred to in the Offer Documentation, all of the issued and to be issued share capital of TAP not already owned by Conygar at the date of the Offer on the following basis:

At the option of TAP Shareholders:

- one New Conygar Share for every five TAP Shares held at the date of the Offer; or
- one Conygar Preference Share for each TAP Share held at the date of the Offer redeemable on 31 December 2011 at 25 pence and convertible at any stage into one Ordinary Share for every five Conygar Preference Shares; or
- 15 pence in cash per TAP Share held at the date of the Offer.

Fractional entitlements to New Conygar Shares will not be issued. However, TAP Shareholders will receive, in lieu of a fraction of a New Conygar Share, a cash payment equal to 15 pence per TAP Share that gives rise to a fractional entitlement.

The Ordinary Share Offer values each TAP Share at 20.2 pence and values the entire issued share capital of TAP at approximately £28.8 million, based on the Closing Price of 101 pence of an Ordinary Share on 6 August 2009, being the last Business Day prior to the date of this document, and represents:

- a premium of approximately 17.1 per cent. to the Closing Price of 17.25 pence per TAP Share on 6 August 2009, being the last Business Day prior to the date of this document;
- a premium of approximately 5.8 per cent. to the average closing price of 19.1 pence per TAP Share for the three month period to 6 August 2009;
- a premium of approximately 15.4 per cent. to the average closing price of 17.5 pence per TAP Share for the six month period to 6 August 2009; and
- a discount of approximately 1.5 per cent. to the Closing Price of 20.5 pence per TAP Share on 28 May 2009, being the last Business Day prior to the commencement of the Offer Period.

Conygar has received an irrevocable commitment and letters of intent to accept the Offer in respect of approximately 33.7 million TAP Shares, representing approximately 23.6 per cent. of the existing issued share capital of TAP. Further details of this irrevocable commitment and letters of intent are set out in the Offer Documentation. These shares, when taken together with the TAP Shares already held by Conygar, represent approximately 52.5 per cent. of TAP's current issued share capital.

New Conygar Shares issued pursuant to the Offer will each have the right to one vote per share and will rank *pari passu* with Existing Conygar Shares in respect of the right to any dividends declared, made or paid and the right to a return of capital on winding up.

Conygar Preference Shares issued pursuant to the Offer will have the rights attaching to them that are described in paragraph 6 of Part IV of this document.

## **5. Information on TAP**

*The information in this document concerning TAP has been extracted and sourced from publicly available information since Conygar has had no access to, or been able to perform any due diligence on TAP, its directors or any other information relating to TAP.*

TAP is a Guernsey incorporated property investment company focused on investment in a portfolio of income-producing commercial property in the UK and the Channel Islands. It was formed in June 2004 and its shares are listed on the Official List and CISX.

The investment objective of TAP is stated as being “to provide shareholders with an attractive level of income, together with the potential for income and capital growth derived from investment in TAP's diversified portfolio of commercial property in the United Kingdom and the Channel Islands”.

The full text of the annual reports of TAP, containing a description of the performance of TAP as at and for the three years to 31 December 2008, is incorporated by reference as described in Part III of this document.

TAP's accounts for the year ended 31 December 2008 showed net assets of £80.9 million and bank debt of £111.8 million, equivalent to 56.9 per cent. of gross property assets. The net loss for the year amounted to £50.6 million.

The unaudited net asset value of TAP as at 31 March 2009 was £66.1 million. This represented an 18.3 per cent. fall in the three months since 31 December 2008. Bank debt remained at £111.8 million, equivalent to 61.9 per cent. of gross property assets.

TAP recently renegotiated the terms of its revolving bank facility with the Bank of Scotland. The amendment provided for revised margins and the maximum loan to value covenant was increased to 70 per cent. As part of this renegotiation, the overall facility was reduced from £98.3 million to £78.0 million.

The total value of all TAP's property assets as at 31 March 2009 was £180.6 million spread across 70 properties with an average lot size of £2.58 million. Average lease length as at such date was 6.41 years and total void rate 11.4 per cent. Annualised income return at 31 March 2009 amounted to 7.7 per cent. and net initial yield 8.02 per cent.

On 19 May 2009, the board of directors of TAP announced that the dividend would be temporarily suspended having concluded that, in the prevailing economic and commercial climate, certainty of compliance with debt covenants had a more beneficial effect on investor sentiment than the absolute level of dividends paid in a single financial period.

On 3 June 2009, the board of directors of TAP announced that it was in the process of completing a number of initiatives in respect of capital and income projects upon which it expected to be able to report to shareholders shortly.

On 7 July 2009, the board of directors of TAP announced the disposal of six of its investment properties, comprising two industrial properties, three retail warehouses and one retail complex, for a total of £10.7 million at an average of 8.5% below the 31 March 2009 valuation, and stated that receipts from such disposals would be used towards the reduction of bank debt.

On 28 July 2009, the board of directors of TAP announced that the unaudited net asset value of TAP as at 30 June 2009 was £52.8 million or 37 pence per share, representing a decline of 20.1 per cent. in the three months since 31 March 2009 and a decline of 34.7 per cent. in the six months since 31 December 2008. The ten largest properties in the portfolio account for 43.49 per cent. of the portfolio by value and no single asset accounted for more than 5.65 per cent. of the total. The portfolio was broken down as offices 39.6 per cent., industrial 20.9 per cent., retail 34.7 per cent. and leisure 4.8 per cent. The largest tenant was Halfords Limited which accounted for 11.8 per cent. of TAP's rental income. No other tenant accounted for more than 5.2 per cent. of rental income.

## **6. Information on Conygar**

### ***Introduction***

Conygar is a property trading and development group dealing primarily in UK property. The Group aims to acquire property assets and companies that own significant property assets where it can add significant value using property management, development and transaction structuring skills. Conygar was formed in September 2003 by its current directors and its Ordinary Shares were admitted to trading on AIM in October 2003 raising approximately £4.4 million. Subsequent share placings have raised a further £55.7 million. Brief biographical details of the Directors are set out in paragraph 7 of this Part I.

### ***Principal Interests***

Excluding its 28.9 per cent. shareholding in TAP, Conygar currently has the following principal interests:

#### ***Buckingham Street portfolio***

The Company has four properties remaining in its Buckingham Street portfolio of which contracts were exchanged for the sale of two in April 2009 for a combined sale price of £4.25 million. Completion in respect of these disposals is expected to occur by 30 September 2009. The remaining two properties at Buckingham Street, London, WC2 continue to be marketed for sale, and in the meantime, they have a current annual rent roll of approximately £0.9 million before costs.

#### ***Pembroke Dock Waterfront Development***

In 2008, Conygar obtained approval for the planning application in respect of the Pembroke Waterfront development. This waterfront development is expected to create a 260 berth marina, 146 houses, 304 apartments with associated leisure and retail facilities. Originally a joint venture with local Welsh based developers and the construction group, Vinci, the Company acquired the minority interests in 2008 and now owns 100 per cent. of the development. Work is continuing on the various detailed legal and planning matters.

#### ***Fishguard Waterfront Development***

In December 2008, Conygar announced that it had acquired the rights to develop a marina at Fishguard Waterfront in West Wales. The Company is progressing plans, with agreement from the Crown Estate, for a 450 berth marina for which Pembrokeshire County Council has already resolved to grant planning consent. These proposals include a mixed use supporting development and a potential joint venture with Stena Line Ports to provide it with improved port facilities and the re-development of its surplus non-operational land. Negotiations and work on the detailed plans of this regeneration project are progressing.

### ***Holyhead Waterfront Development***

This is a joint venture with Stena Line Ports Limited to develop some half a mile of water frontage at Holyhead, Anglesey. The Company strategy is to develop a mixed use scheme incorporating residential, leisure, tourist and retail facilities together with a marina development with associated commercial and marine engineering elements. The joint venture has accumulated all of the land necessary for the development and work is progressing on designs and the planning application. This is a complex and large regeneration scheme which has the support of the various local government bodies and the Welsh Assembly Government.

### ***Results of Operations***

Conygar's audited consolidated results for the year ended 30 September 2008 showed net assets of £68.2 million, including cash of £38.3 million and no debt. Net asset value per share was 164 pence of which 92 pence was represented by cash. The consolidated loss before taxation for the year was £103,000, the results being adversely impacted by a £2,477,000 write-down of property inventory to net realisable value.

Conygar's consolidated results for the six months ended 31 March 2009 showed unaudited net assets of £66.9 million including cash of £32.6 million and no debt. Net asset value per share was 161 pence of which 77 pence represented cash. The consolidated loss before taxation for the six months was £2,331,000 of which £3,200,000 arose from a write-down of property inventory to net realisable value.

### ***Strategy***

The strategy for Conygar remains to:

1. seek further value opportunities in all the property sector including ports and marinas;
2. continue the realisation of the Buckingham Street trading assets; and
3. finalise legal and planning matters on Pembroke Dock Waterfront and submit planning applications for the Holyhead and Fishguard Waterfront developments.

The Directors do not currently intend to issue further equity securities in the Company, other than in respect of the Acquisition, or to incur or guarantee indebtedness as part of Conygar's investments. As a general policy, the Company's investments have been financed using non-recourse debt specific to a particular project. However, the Directors reserve the right to change this policy if they believe it to be in the best interests of the Company.

Further information on Conygar is set out in Part II of this document.

## **7. Directors**

Brief biographies of the Directors are set out below.

### **Nigel Hamway – Non-Executive Chairman**

Nigel Hamway, aged 53, qualified as a member of the Institute of Chartered Accountants in England and Wales with Peat Marwick after obtaining a degree from Cambridge University. He joined Dubilier plc as chief financial accountant, leaving to take up a position in international corporate finance at Charterhouse Bank in 1986, becoming a director in 1990. From 1991 to the present he has been a director of Charterhouse Development Capital. For several years he was responsible for Charterhouse's international investment business. He has had extensive board experience in many countries and businesses.

### **Robert Ware – Chief Executive**

Robert Ware, aged 54, served as a director of Development Securities plc between 1988 and 1994, filling the roles of joint managing director and finance director in the latter stage of his tenure. In 1994 he left to take up the position of managing director of Dunton Group plc where he stayed until November 1996. He joined MEPC plc in June 1997 serving first as corporate development director and then as deputy chief executive between June 1997 and June 2003. He is a non-executive director of Tarsus Group plc, Marwyn Value Investors, Gartmore Growth Opportunities plc and Terra Catalyst Fund. He is a Fellow of the Institute of Chartered Accountants in England and Wales.



### **Peter Batchelor – Finance Director**

Peter Batchelor, aged 46, joined MEPC plc as Head of Taxation in January 1999 and also served as Company Secretary from January 2002 until September 2003. His responsibilities included corporate finance, taxation and secretariat. Prior to joining MEPC, Peter was a senior manager in the London Office of Ernst & Young where he specialised in advising on tax and corporate finance matters. He is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of the Chartered Institute of Taxation.

### **Steven Vaughan – Property Director**

Steven Vaughan, aged 51, joined MEPC plc as Corporate Development Executive in 1997. Aside from managing various development projects, he was responsible for the Callaghan Square, Cardiff PFI development which was a part of the Cardiff urban regeneration scheme. Prior to joining MEPC, Steven worked for DeVere plc, Development Securities plc and Lambert Smith Hampton. He is a member of the Royal Institute of Chartered Surveyors.

### **Michael Wigley – Non-Executive Director**

Michael Wigley, aged 70, was a stockbroker in the City of London from 1964 until his retirement in 1999. The majority of that time was spent with the firm of Anderson where he was senior partner at the time of the takeover by Matheson Investment Limited in 1987. He was a director of the latter company until 1997. He was Chairman and latterly a non-executive director of Development Securities plc between 1990 and 2000. He was Deputy Chairman of the Legg Mason Investors International Utilities Trust plc and a non-executive director of BFS Income and Growth Trust plc.

## **8. Summary Financial Information**

### ***Conygar***

The table below sets out summary financial information on Conygar, extracted without material adjustment from the unaudited interim statement as at and for the six months ended 31 March 2009 and the audited financial statements as at and for the years ended 30 September 2006, 2007 and 2008:

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Six months</i>
	<i>31 March</i>	<i>30 September</i>	<i>30 September</i>	<i>ended</i>
	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Revenue	10,056	74,095	9,375	687
Operating profit/(loss)	1,912	10,064	(2,336)	(2,777)
Finance (costs)/income	(875)	(1,891)	2,233	446
Profit/(loss) before taxation	1,037	8,173	(103)	(2,331)
Profit/(loss) for the period	684	5,616	(365)	(1,860)

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Six months</i>
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>ended</i>
	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>31 March</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Development and trading properties	49,988	30,848	22,895	20,023
Cash and cash equivalents	13,001	38,123	38,290	32,585
Total assets	66,977	72,303	70,577	68,134
Current liabilities	(3,180)	(7,335)	(2,367)	(1,251)
Non-current liabilities	(47,428)	–	–	–
Shareholders' funds	16,364	64,963	68,205	66,878

Further financial information on Conygar is set out in Part II of this document.

## **TAP**

The table below sets out summary financial information on TAP, extracted without material adjustment from the audited financial statements as at and for the years ended 31 December 2006, 2007 and 2008:

	<i>Year ended 31 December 2006 £'000</i>	<i>Year ended 31 December 2007 £'000</i>	<i>Year ended 31 December 2008 £'000</i>
Revenue	14,579	16,091	16,005
Operating profit	10,834	11,966	12,237
Gain/(loss) from investment properties	15,962	(23,477)	(51,102)
Finance costs	(2,983)	(6,951)	(11,683)
Profit/(loss) before taxation	23,813	(18,462)	(50,548)
Profit/(loss) for the period	23,548	(18,584)	(50,568)

  

	<i>Year ended 31 December 2006 £'000</i>	<i>Year ended 31 December 2007 £'000</i>	<i>Year ended 31 December 2008 £'000</i>
Investment properties	259,166	260,798	196,270
Cash and cash equivalents	5,083	4,922	2,331
Total assets	268,644	271,491	203,649
Current liabilities	(6,517)	(7,187)	(6,995)
Non-current liabilities	(94,698)	(124,704)	(115,740)
Shareholders' funds	167,429	139,600	80,913

Further financial information on TAP is incorporated by reference in this document, as further described in Part III of this document.

### **9. Current Trading and Prospects of Conygar**

Conygar continues to seek to identify opportunities in the property and marina development sectors and will acquire property assets and companies that own significant property assets where it can add significant value or where the relevant assets are under-valued. Trading results continue in line with the Directors' expectations.

Conygar has exchanged contracts for the sale of two of its remaining four buildings in the Buckingham Street portfolio for a combined sales price of £4.25 million. Completion is expected to occur on or before 30 September 2009. The remaining two buildings continued to be marketed and, in the meantime, they continue to produce income of approximately £0.9 million per annum.

Progress is being made on the three waterfront development projects of Pembroke Dock, Holyhead and Fishguard. The aim of the Company is to achieve planning consents for all three projects with a potential for in excess of 1,000 marina berths, 1,200 waterside homes together with associated mixed use supporting development. The decision to commence actual development will be made in the light of the economic outlook at that time.

### **10. Effect of the Offer on Conygar**

On Admission, Conygar's principal activity will remain that of a property trading and development group dealing primarily in UK property. As a result of the Acquisition, Conygar's and TAP's profits and losses and assets and liabilities will be consolidated into the earnings and balance sheet of the Enlarged Group. The Directors intend that the Enlarged Group's consolidated financial statements will be prepared in accordance with IFRS as adopted by the EU and are of the view that the transaction be accounted for in accordance with IFRS 3 'Business Combinations' (as issued in 2004) under the purchase method of accounting. Consequently, the cost of the acquisition will be measured as the aggregate of the fair values obtained, at the

date of exchange, of cash given, liabilities assumed, and equity instruments issued by Conygar in exchange for control of TAP, plus any costs directly attributable to the Acquisition.

The identifiable assets, liabilities and contingent liabilities of TAP that meet the criteria for recognition under IFRS 3 will be recognised at their fair value at the acquisition date. This may result in the recognition of assets and liabilities not currently recorded in TAP's balance sheet.

Any excess of the cost of the combination over the Group's interest in the net fair values of TAP's identifiable assets, liabilities and contingent liabilities will be recognised as goodwill. If Conygar's interest in the net fair value of TAP's identifiable assets, liabilities and contingent liabilities exceeds the cost of the Acquisition then the excess will be recognised immediately in profit or loss. Any interest of minority shareholders in TAP will be recognised at the minority's proportion of the net fair value of the recognised assets, liabilities and contingent liabilities of TAP.

The results of TAP will be included in the Enlarged Group's consolidated results from the effective date of the acquisition and any minority interest in the results of TAP will be allocated against the minority's interest in TAP.

The cash resources of the Enlarged Group will be depleted by the expenses incurred by both Conygar and TAP in relation to the Offer. However, it is anticipated that the Acquisition will lead to an increase in the Group's net assets. It is not currently possible to quantify this increase, or to quantify the effect of the Acquisition on the Group's earnings, as Conygar does not have access to non-public information on TAP allowing it to make such assessments and such assessments will also be dependent on the levels of acceptance of the Ordinary Share Offer, the Preference Share Alternative and the Cash Alternative. Conygar's balance sheet as at 31 March 2009 is set out in Section 5 of Part II of this document and TAP's balance sheet as at 31 December 2008 is incorporated by reference in this document, as described in Section 1 of Part III of this document.

## **11. Dividend Policy**

In keeping with Conygar's current policy, the Directors do not currently envisage that the Enlarged Group will pay any dividends to Shareholders. All cash is retained in the business for future investment, as is considered appropriate at this stage of the Company's development.

The Directors will review this position as appropriate and, to the extent surplus cash is identified that is not required elsewhere, then a dividend may be proposed.

## **12. Accounting Policies**

The Enlarged Group will adopt Conygar's accounting policies. Further details of these accounting policies are set out in Part II of this document.

## **13. Corporate Governance and Internal Controls**

The Company is committed to high standards of corporate governance. The board is accountable to the Company's shareholders for good corporate governance. As the Company is an AIM quoted company it is not required to comply with the Combined Code; however, the Company complies with the provisions set out in Section 1 of the Combined Code to the extent appropriate for a company of its size and nature of business.

### ***Internal Controls***

The Directors acknowledge that they are responsible for the Company's systems of internal control and for reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failure to achieve the Company's strategic objectives, and can only provide reasonable not absolute assurance against material misstatement or loss.

The Company's legal risk management processes and system of internal control procedures include the following:

- management structure: authority to operate is delegated to executive management within limits set by the Board. The appointment of executives to the most senior positions within the Company requires the approval of the Board;
- identification and evaluation of business risks: the major financial, commercial, legal, regulatory and operating risks within the Company are identified through annual reporting procedures;
- information and financial reporting systems: the Company's planning and financial reporting procedures include detailed operational budgets for the year ahead. The Board reviews and approves them;
- investment appraisal: a budgetary process and authorisation levels regulate capital expenditure. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Board. Commercial, legal and financial due diligence work is carried out if a business is to be acquired; and
- audit committee: the audit committee monitors the controls which are in place and any perceived weakness in the control environment. The audit committee also considers and determines relevant action in respect of any control issues raised by external auditors.

### ***The Board***

The Board currently comprises the chief executive, the finance director, the property director and two independent non-executive directors, of whom one is chairman. These individuals demonstrate a range of experience and are of sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct which are vital to the success of the Company. The Board is responsible to Shareholders for the proper management of the Company.

The Board has a formal schedule of matters specifically reserved to it. The Directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, the company secretary ensures that the Directors receive appropriate training as necessary. The appointment and removal of the company secretary is a matter for the Board as a whole.

The Board meets approximately 10 times a year, reviewing trading performance, ensuring adequate funding, setting and monitoring strategy, examining major acquisition possibilities and reporting to Shareholders. The non-executive Directors have a particular major responsibility to ensure that the strategies proposed by the Executive Directors are fully considered. The chairman ensures that the Directors may take independent professional advice as required.

The following committees deal with specific aspects of the Company's affairs:

### ***Remuneration Committee***

The Company's remuneration committee is chaired by N J Hamway and its other member is M D Wigley. It is responsible for making recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost. The committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including performance related bonus schemes, pension rights and compensation payments. The Board itself determines the remuneration of the non-executive Directors. The non-executive Directors are not involved in any discussions or decision about their own remuneration.

### ***Audit Committee***

The audit committee is chaired by N J Hamway and its other member is M D Wigley. The audit committee meets not less than two times annually. The committee also provides a forum for reporting by the Company's external auditors. Meetings are also attended, by invitation, by the chief executive and the finance director.

#### **14. General Meeting**

A notice convening a General Meeting of the Company, to be held at the offices of Wragge & Co LLP, 3 Waterhouse Square, 142 Holborn, London EC1N 2SW at 11.00 a.m. on 26 August 2009, is set out in the Circular. At that meeting a resolution to approve the Acquisition will be put to Shareholders.

In addition, resolutions will be proposed at the General Meeting, which are necessary, *inter alia*, to give effect to the Acquisition, regarding several other matters, including to increase the authorised share capital of the Company by the creation of the Conygar Preference Shares and the creation of an additional 40,000,000 Ordinary Shares, to give the Directors' powers of allotment, to allow the Directors to allot shares on a non pre-emptive basis and to adopt the Articles.

#### **15. Admission to AIM**

The First Closing Date of the Offer is 1.00 p.m. on 28 August 2009. Upon the Offer becoming or being declared unconditional in all respects, applications will be made to the London Stock Exchange for the Existing Conygar Shares and New Conygar Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence in the Enlarged Share Capital, in accordance with the AIM Rules for Companies, on the Business Day immediately following the day on which the Offer becomes or is declared unconditional in all respects.

In addition, subject to the conditions of the Offer having been satisfied or (if capable of waiver) waived and subject to any applicable legal or regulatory requirements, Conygar intends to procure that TAP applies to the FSA for the cancellation of the admission of TAP Shares to listing on the Official List and to the London Stock Exchange for the cancellation of the admission to trading of TAP Shares on the London Stock Exchange's main market for listed securities and to CISX for the cancellation of the listing and admission to trading of TAP shares on CISX. It is anticipated that should such an application be made, cancellation of TAP's admission to trading will take effect either: (i) no earlier than 20 Business Days after Conygar announces that all conditions to the Offer have been satisfied or (if capable of waiver) waived and that it has, by virtue of its shareholdings in TAP and valid acceptances of the Offer, acquired or agreed to acquire issued share capital in TAP carrying at least 75 per cent. of the voting rights of TAP or (ii) no earlier than 20 Business Days after TAP Shareholders approve the cancellation in general meeting in the event that Conygar announces that all conditions to the Offer have been satisfied or (if capable of waiver) waived and procures a general meeting of TAP Shareholders to be held for the purpose of approving a resolution for such cancellation.

#### **16. CREST**

The Articles permit Ordinary Shares to be issued and transferred in uncertificated form in accordance with the Regulations. CREST is a computerised paperless share transfer and settlement system which allows shares and other securities, to be held in electronic rather than paper form and transferred otherwise than by written instrument.

The Existing Conygar Shares are already enabled for settlement in CREST. In addition, the New Conygar Shares will be enabled for settlement in CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within CREST if Shareholders so wish.

#### **17. Taxation**

Information regarding United Kingdom taxation is set out in paragraph 19 of Part IV of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are advised to consult their own independent financial adviser immediately.

#### **18. Further Information**

Your attention is drawn to the remaining parts of this document which contain further information on Conygar, TAP, the New Conygar Shares and the Conygar Preference Shares. In particular, your attention is drawn to the risk factors set out on pages 8 to 16 of this document.

## PART II

### FINANCIAL AND OPERATING INFORMATION ON CONYGAR

#### SECTION 1: FINANCIAL AND OPERATING REVIEW

The following discussion and analysis should be read in conjunction with the Company's financial statements as at and for the three years ended 30 September 2008, as set out in Section 4 of this Part II.

In addition, the following discussion and analysis contains certain forward-looking statements that reflect the plans, estimates and beliefs of the Company. The actual results of the Company may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document, including under the heading "Risk Factors".

#### **Overview of the Business**

The Company is a UK property trading and development company which was formed in September 2003. It aims to invest in property assets and companies that own significant property assets where it can add significant value using property management, development and transaction structuring skills. In addition to its 28.9 per cent. shareholding in TAP, the Company owns a portfolio of properties in Buckingham Street, London, WC2 which it holds as trading stock together with three marina development projects at Pembroke Dock, Fishguard and Holyhead.

The Company's strategy is to acquire property assets that are under-valued or where value can be added and to realise the assets as soon as practicable in order to repay any associated funding and to recycle the capital into other opportunities and to fund the development projects. The Company does not hold property assets for the long term nor hold them for their rental yield. The objective is to achieve capital appreciation in the Company's net asset value through active trading of property assets. Although the Company currently has £32 million of cash and no debt, it has in the past used debt finance to leverage investment returns and may do so again in the future should suitable opportunities arise. The trading strategy focuses upon debt repayment as a priority and this will continue to be the approach adopted in the future. The Company also seeks to minimise administrative overhead and utilises in-house expertise in property, development, corporate finance and taxation where possible.

At any point in time, the Company is evaluating a pipeline of opportunities most of which do not fulfil the Company's criteria for investment. As the majority of evaluation work is carried out in-house, abortive costs are kept to a minimum. Whilst the principal geographical focus is the UK, the Company will also consider overseas opportunities whether forming all or part of an overall transaction. The Company has no particular property sector focus having owned retail, industrial and office assets.

The Company will enter into joint venture arrangements where it is beneficial to do so. The Company's development at Pembroke Dock was a joint venture until the Company acquired the minority interests in 2008. The development at Holyhead is a joint venture with Stena Line Ports Limited.

#### **Key Factors Affecting Operating and Financial Results**

##### *Movements in Property Prices*

Property values are affected by a number of macroeconomic and specific factors, including, among others, GDP growth rates, demand for products and services, corporate profitability, government spending, the general availability and cost of credit and business and consumer confidence. The current economic climate demonstrates how asset values can be adversely impacted across both commercial real estate and residential property. The value of the Company's property assets and its operations have been adversely affected by the current economic climate.

Whilst the Company holds its properties as trading assets and does not revalue them upwards, it has provided against impairment to the net realisable value of those assets where it has fallen below the book carrying value of those assets. During the year ended 30 September 2008, the Company provided £2,477,000 against the carrying value of its property inventory reducing it from £25,372,000 to £22,895,000. During the six months ended 31 March 2009, a further provision of £3,200,000 was made bringing the total provision to £5,677,000 and reducing property inventory from £25,700,000 to £20,023,000 as at 31 March 2009.

#### ***Sales and Purchases of Trading Properties***

The Company's sales and purchases of property may have a significant effect on its financial and operating results. As a result of its trading strategy, the Company may engage in a number of purchase and sale transactions in any given financial period the results of which can be significant to that particular year's results. This is clearly impacted by market conditions prevailing at the time but also by management's assessment as to timing and asset allocation and the strategy of recycling capital and reducing debt or increasing cash during a period of restricted liquidity and credit availability. The Company may, in certain circumstances, find it beneficial to sell a property at a loss notwithstanding that this may have a negative effect on its income statement.

The Company property sales are summarised below:

Year ended 30 September 2006 – £9,225,000

Year ended 30 September 2007 – £70,603,000

Year ended 30 September 2008 – £8,150,000

Six months ended 31 March 2009 – £Nil

During April 2009, contracts were exchanged for the sale of two buildings for a combined consideration of £4,250,000.

#### ***Demand from Property Occupiers***

Whilst the primary focus of the Company is property trading and the properties are owned by the Company, where possible they are let out and rental income forms a significant element of the financial and operating results. Achieving good lettings on good financial terms is also an essential part of adding or maintaining the property asset value which has an impact upon realisations in terms of both amount and marketability.

Demand from property occupiers is affected by a number of macro-economic and sector-specific factors, including, among others, business and consumer confidence levels, demand for business products and services, levels of corporate profitability, the general availability of credit to consumers and businesses. The current economic crisis is having a significant impact upon businesses and their ability to pay rent and indeed their need for space as they contract or even get into difficulties. As a result, this crisis has had a detrimental effect on rental levels that can be achieved in respect of letting and also upon the ability of the Company to let out vacant space.

The Company's rental income is summarised below:

Year ended 30 September 2006 – £831,000

Year ended 30 September 2007 – £3,492,000

Year ended 30 September 2008 – £1,225,000

Six months ended 31 March 2009 – £687,000

#### ***Value of Trading Investments***

The value of the Company's current asset investment in TAP may have a significant effect upon its financial and operating results. TAP is quoted on the main market of the London Stock Exchange and as such its shares are subject to normal market conditions. There are risks inherent in any equity investment and shares may go down as well as up. The current economic crisis has seen significant falls in equity markets and considerable volatility. During the six months ended 31 March 2009, the Company acquired a 28.9 per cent.

stake in TAP for £5.8 million or an average price of 14 pence per share. To the extent that the actual share price for TAP varies from this, then the Company may make a gain or a loss.

## **Results of Operations**

### ***Six months ended 31 March 2009***

Despite a challenging market but the Company made steady progress on its projects and as detailed below made its first acquisition of undervalued assets. Property and other asset values continue to fall and whilst the Company is not immune from this, the cash position continued to shield the Company from the worst and positions the Company for the recovery when it arises.

The loss before taxation for the six months ended 31 March 2009 was £2,331,000 of which £3,200,000 arises from a write-down of property inventory to net realisable value. There was a significant fall in interest income as deposit rates have fallen below 2 per cent. Net asset value per share fell 2 per cent. to 161p as at 31 March 2009 from 164p at 30 September 2008.

In April 2009, the Company exchanged contracts for the sale of two buildings in the Buckingham Street portfolio for a combined sales price of £4.25 million. Whilst 3.4 per cent. lower than September 2008 valuation, it represents a good result in this market and in particular as one of the buildings was both vacant and required some refurbishment expenditure. Completion should occur by 30 September 2009 at the latest.

The Company is left with two properties in Buckingham Street, London WC2 with an annual rent roll of approximately £0.9 million. The Company continued to be extremely cautious as occupier businesses suffer and rents come under pressure.

Good progress is being made on the three waterfront projects of Pembroke Dock, Holyhead and Fishguard. The planning process for regeneration schemes of this type and scale is both complex and can be frustratingly slow, however the Company remains encouraged by the support given to it by the local government bodies and the Welsh Assembly Government. However, given the current state of the economy it is not viable to start any significant development straight away though with limited further expenditure on professional fees the Company should ultimately obtain planning consents for projects with a potential for in excess of 1000 marina berths, 1200 waterside homes together with associated mixed use supporting development. The decision to progress these projects can then be assessed in the light of the economic outlook at that time.

In January 2009, the Company acquired a 28.9 per cent. stake in a quoted property investment trust, The Advantage Property Income Trust Limited (“TAP”), for £5.8 million or an average price of 14p per share.

At 31 March 2009, the Company had cash of £32 million or 77p per share. The cash balance will increase by approximately £4 million once exchanged sales referred to above have completed.

### ***Year ended 30 September 2008***

Given the immense turmoil in financial and property markets it was a difficult year for the Company. The loss before taxation for the year ended 30 September 2008 was £103,000 compared with a profit of £8,173,000 in the previous year. Apart from a reduction in property disposals, the results were adversely impacted by a £2,477,000 write-down of property inventory to net realisable value. Despite this disappointing result, the underlying operations remain robust with net asset value per share increasing 1.2 per cent. to 164p as at 30 September 2008 from 162p the previous year.

As at 30 September 2008, the Company had cash of £38 million with no debt whatsoever which represented 92p of net asset value and which underpins the Company’s financial strength.

The Company acquired the rights to develop a marina at Fishguard Waterfront in West Wales. It is progressing plans with agreement from the Crown Estate for a 450 berth marina for which Pembrokeshire Council have already resolved to grant planning consent. These proposals may include a mixed use supporting development and a potential joint venture with Stena Line to provide them with improved port



facilities and the re-development of their surplus non-operational land. This is another exciting regeneration project which continued the Company's strategy of expansion into waterfront projects.

In February 2008, the Company obtained approval for the planning application in respect of the Pembroke Dock Waterfront development. This was the result of many years of hard work by the team and, whilst an ambitious project, it has benefited from constructive support from the client group comprising Pembrokeshire County Council, the Welsh Assembly Government, the Crown Estate and The Milford Haven Port Authority. Following this approval, the Company acquired the minority interests in Martello Quays Limited, the developer of Pembroke Dock Waterfront, so that it now owns 100 per cent. of the development. The project progressed to dealing with the various legal agreements and detailed planning matters in addition to costing the various construction and engineering solutions. The waterfront development is expected to create a 260 berth marina, 146 houses, 304 apartments with associated leisure and retail facilities.

The joint venture with Stena Line Ports Limited continued to progress and aims to develop some half a mile of water frontage at Holyhead, Anglesey. This regeneration project is potentially larger than the Pembroke Dock project.

The strategy is to develop a mixed use scheme incorporating residential, leisure, tourist and retail facilities together with a marina development with associated commercial and marine engineering elements. The joint venture has accumulated all of the land necessary for the development and work is progressing on designs and the planning application. As part of the joint venture with Stena Line Ports Limited to develop Holyhead Waterfront, the Company committed £7 million in funding of which £5.1 million had been spent to date leaving a commitment of £1.9 million.

In March 2008, the Company disposed of the last Bedford Square property at 13 per cent. over the September 2007 valuation. This was a significant achievement in the light of the downturn in the property market.

In June 2008, the Company sold one of the Buckingham Street properties for £2 million, being 11 per cent. ahead of the September 2007 valuation. This left four properties remaining at Buckingham Street, London WC2. Three of buildings were 86 per cent. let with an annual rent roll of £1.1 million and an estimated rental value of £1.4 million. The fourth Buckingham Street property was being refurbished prior to being either sold or re-let depending upon market conditions.

At 30 September 2008, the Company had cash of £38 million or 92p per share.

In March 2008, the Company issued 1,500,000 ordinary shares at 171.5p per share as part of the consideration to acquire the minority interests in Martello Quays Limited, the developer of Pembroke Dock Waterfront. The Company then owned 100 per cent. of this development which now has planning permission at a total cost to the Company of £3.67 million.

#### ***Year ended 30 September 2007***

Net asset value per share increased 84 per cent. to 162p as at 30 September 2007 from 88p the previous year. Profit before tax for the year ended 30 September 2007 increased to £8,173,000 from £1,037,000 the previous year.

In October 2007, the Company announced the creation of a joint venture, Conygar Stena Line Limited, with Stena Line Ports Limited ("Stena") in order to develop surplus land previously owned by Stena at Holyhead, Anglesey, Wales. It is intended that the land, which has in excess of half a mile of water frontage, will be redeveloped as a mixed use scheme incorporating residential, leisure, tourist and retail facilities together with an expanded marina development with associated commercial and marine engineering elements.

The Company has committed £7 million to the joint venture company comprising £4.9 million of additional and adjacent development land already acquired and £2.1 million in cash which will fund the planning application and other associated costs. Stena contributed its land in exchange for 50 per cent. of the joint venture.

In October 2006, the Company announced the acquisition of eight properties in Buckingham Street, London WC2 for £33.91 million. The Royal Bank of Scotland plc provided a non-recourse structured facility of

£29 million and the Company invested £3.46 million of the equity. The properties comprised approximately 54,000 square feet of freehold single and multi-let office accommodation. During the year ended 30 September 2007, three properties had been sold for a total consideration of £13.81 million.

With regard to Bedford Square, as at 30 September 2007, all but one of the properties had now been sold for a total of £66.97 million. All associated bank debt had been repaid.

The Pembroke Dock Waterfront marina scheme is a £100 million development of the Pembroke Dock Waterfront in West Wales. It was a partnership between Conygar, Welsh based developers and Vinci Project Development Limited (part of the Vinci Group). As at 30 September 2007, most of the planning issues had been successfully dealt with and the Company awaited a decision on the planning application.

In October 2006, the Company placed 1,000,000 ordinary shares at 140p per share raising £1.39 million after expenses and in January 2007, the Company placed 20,498,500 ordinary shares at 200p per share raising £40.88 million after expenses. These placings broadened the shareholder base, provided funding for Pembroke Dock Waterfront and enabled the Company to pursue other opportunities.

As at 30 September 2007, the Company had cash of £38.12 million and no indebtedness. The disposals during the year together with funds raised enabled the Company to repay £76.43 million of bank debt.

#### ***Year ended 30 September 2006***

Profit before tax increased 123 per cent. to £1,177,000 from £527,000 the previous year with undiluted earnings per share increasing 54 per cent. from 3.66p to 5.65p. Net asset value per share increased from 54p to 88p as at 30 September 2006.

In December 2005, Conygar acquired 50 per cent. of the share capital of Martello Quays Limited (“Martello”) for a nominal sum. Martello, which is a partnership between Conygar, Welsh based developers and Vinci Project Development Limited, a Vinci PLC subsidiary, had been appointed as preferred developer by a client group comprising Pembrokeshire County Council, the Welsh Assembly Government, the Crown Estate and The Milford Haven Port Authority to obtain planning permission and develop an area known as Pembroke Dock Waterfront. It was anticipated that the planning application would include 450 houses and apartments, 300 marina berths and associated car parking, a factory outlet, a pub, restaurant, shop, hotel and multiplex cinema. The Company committed to fund the planning application costs which would be approximately £350,000. Costs incurred as at 30 September 2006 amounted to £153,190.

During the year the Company acquired a terrace of fourteen office properties in Bedford Square, London WC1 for £58.3 million. The Royal Bank of Scotland plc provided a non-recourse structured finance facility of £52.75 million and the Company invested £5.4 million. The properties comprised approximately 95,516 square feet of freehold office accommodation and three of the buildings were vacant which presented refurbishment opportunities. The intention was to add value through active asset management and realise the value created within a two year period. As at 30 September 2006, two properties had been sold realising £9.22 million with a further property under exchange for £4.7 million. Shortly after 30 September 2006, a further two properties were exchanged for sale for £19.05 million.

In March 2006, the Company placed 8,927,405 new 5p ordinary shares at 116 pence per share which after expenses of some £42,000, raised just over £10.3 million.

## SECTION 2: CAPITAL RESOURCES

### Overview

As at 30 June 2009, the Company had £32.5 million of cash and no borrowings whatsoever. The Company seeks to conserve cash wherever possible. The Company's liquidity requirements arise primarily from its need to fund working capital and development expenditure. The Company finances its activities with a combination of bank loans, cash and short term deposits to meet the requirements of the business in terms of funding developments and potential acquisitions. The trading strategy of the Company is designed to realise sufficient cash to pay down debt as soon as possible in order to reduce financial risk and to provide funding for future projects. Surplus funds are invested with a broad range of institutions with range of maturities up to 180 days. At any point in time, at least half of the Company's cash is held on instant access or short term deposit.

Where possible all external funding is arranged on a project specific basis and non-recourse to the other operations of the Company.

### Cash Flow Analysis

The following table, which is derived from the Company's consolidated cash flow statements, shows the Company's cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities, for the periods presented.

	<i>Year ended</i> <i>30 September</i> <i>2006</i> <i>£'000</i>	<i>Year ended</i> <i>30 September</i> <i>2007</i> <i>£'000</i>	<i>Year ended</i> <i>30 September</i> <i>2008</i> <i>£'000</i>	<i>Six months</i> <i>ended</i> <i>31 March</i> <i>2009<sup>(1)</sup></i> <i>£'000</i>
Cash flows from operating activities	(49,485)	31,377	5,847	(5,698)
Cash flows from investing activities	(5)	(9)	(5,645)	(7)
Cash flows from financing activities	57,652	(6,246)	(35)	–
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8,162</b>	<b>25,122</b>	<b>167</b>	<b>(5,705)</b>
Opening cash and cash equivalents	4,839	13,001	38,123	38,290
<b>Closing cash and cash equivalents</b>	<b>13,001</b>	<b>38,123</b>	<b>38,290</b>	<b>32,585</b>

1. Unaudited

### Cash flows from operating activities

Cash flows from operating activities include the Company's operating profit or loss as adjusted for non-cash items and changes in working capital, finance costs or income, dividend income and tax paid.

In 2009, cash outflows from operating activities were £5.698 million largely as a result of the acquisition of a 28.9 per cent. shareholding in TAP as a current asset investment for £5.784 million. In 2008, cash inflows from operating activities were £5.847 million largely as a result of the sale of trading properties and finance income arising from increased cash balances. The cash outflows in 2008 were the result of tax paid and increased trade and other payables. In 2007, cash inflows from operating activities were £31.377 million largely as a result of the sale of trading properties. Significant cash outflows in 2007 were in respect of tax paid and finance costs. In 2006, cash outflows from operating activities amounted to £49.485 million largely as a result of the purchase of trading properties.

### Cash flows from investing activities

Cash flows from investing activities include the Company's capital expenditure on plant and equipment, investments in joint ventures and acquisition of the minority interest at Martello Quays Limited.

In 2009, the cash outflow from investing activities amounted to £0.007 million being a further investment in joint ventures and the purchase of plant and equipment. In 2008, the cash outflow from investing activities amounted to £5.645 million arising from a £5.043 million investment in joint venture, £0.600 million

acquisition of minority interest in Martello Quays Limited and £0.002 million in relation to the purchase of plant and equipment. In 2007 and 2006, the cash outflow from investing activities was £0.009 million and £0.005 million respectively being the purchase of plant and equipment.

### ***Cash flows from financing activities***

Cash flows from financing activities include raising capital via the issuance of equity, bank borrowings drawn down or repaid together with associated fees.

In 2009, the cash flow from financing activities was £nil. In 2008, the cash outflow from financing activities was £0.035 million being further issue costs of shares. In 2007, the cash outflow from financing activities was £6.246 million. The major cash outflow was £76.428 million in respect of the repayment of bank debt. The major cash inflows were £42.397 million arising from the issue of shares together with £29 million bank borrowing drawn down and which were subsequently repaid. In 2006, the cash inflow from financing activities was £57.652 million. The major cash inflows were £52.75 million bank borrowings drawn down and £10.355 million arising from the issue of shares. The major cash outflow was £4.94 million bank borrowings repaid.

### **Funding of Developments and Joint Ventures**

The Company's developments and joint ventures are funded using the Company's existing cash resources and this will continue for the foreseeable future. At present, the majority of development expenditure consists of fees incurred in obtaining planning consents and this is estimated to be less than £0.5 million, all of which will be funded out of existing cash resources.

The Company has a 50 per cent. shareholding in a joint venture with Stena Line Ports Limited in order to develop a waterfront area at Holyhead, Anglesey, Wales. The joint venture is funded by the two shareholders and has no external indebtedness. The Company has committed a total of £7 million funding to this joint venture of which £5.1 million has been spent to date leaving a commitment of £1.9 million as at 31 March 2009. All of this will be funded out of the Company's cash resources.

### **Capital Expenditure Commitments**

There are no material current or future capital expenditure commitments, that is for at least the next twelve months from the date of publication of this document.

### **Description of borrowings**

As at 30 June 2009, the Company has no external borrowings whatsoever. Aside from those borrowings to be acquired as part of TAP which totalled £111.8 million at 31 March 2009, there are no plans to enter into any borrowing arrangements.

### **Off-Balance Sheet Items**

The Company has not entered into and is not a party to any off-balance sheet arrangements.

### SECTION 3: CAPITALISATION AND INDEBTEDNESS

Set out below is an unaudited statement of capitalisation and indebtedness of the Group as at 31 March 2009.

	<i>Unaudited</i> <i>£'000</i>
Shareholders' equity:	
Share capital	2,082
Legal reserve	57,990
Other reserves	6,806
	<hr/>
Total	66,878
	<hr/>
	<i>Unaudited</i> <i>£'000</i>
Net indebtedness:	
A. Cash	5,510
B. Cash equivalent	27,075
C. Liquidity (A+B)	32,585
D. Current Financial Receivable	308
E. Other current financial debt	(928)
F. Net current liquidity (C+D+E)	31,965
G. Net liquidity	31,965

The above information has been extracted from the Group's unaudited interim results as at and for the six months ended 31 March 2009 as set out in Section 5 of this Part II of this document. This is the last period for which the Company has published financial information. No significant change to the Company's financial position, including its capitalisation and indebtedness, has occurred since the period ended 31 March 2009.

**SECTION 4: FINANCIAL INFORMATION AS AT AND FOR THE THREE YEARS ENDED  
30 SEPTEMBER 2008**

The Conygar Investment Company PLC  
4th Floor  
Bond House  
19-20 Woodstock Street  
London  
W1C 2AN

7 August 2009

and

Oriel Securities Securities Limited  
125 Wood Street  
London  
EC2V 7AN

Dear Sirs

**The Conygar Investment Company PLC**

We report on the financial information set out on pages 40 to 64 of the document dated 7 August 2009 which comprises a document equivalent to a prospectus relating to the Company, in accordance with the Prospectus Rules made by the Financial Services Authority (the 'Prospectus Rules') (the 'Equivalent Information Document'). This financial information has been prepared for inclusion in the Equivalent Information Document on the basis of the accounting policies set out in note 1c to the financial information. This report is required by Annex I Item 20.1 of the Prospectus Rules and Rule 14 of the AIM Rules for Companies (the 'AIM Rules') and is given for the purpose of complying with Annex I Item 20.1 of the Prospectus Rules and AIM Rule 14 and for no other purpose.

**Responsibilities**

As described in paragraph 1 of Part IV of the Equivalent Information Document, the Directors of the Company are responsible for preparing the financial information for inclusion in the Equivalent Information Document (the 'financial information') on the basis of preparation set out in note 1b to such financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view of the state of affairs of the Company as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended, and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Equivalent Information Document, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits and losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1b to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union and has been presented and prepared in a form that is consistent with the accounting policies which will be adopted in the Company's next published annual financial statements.

**Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f) and Paragraph a of Schedule Two of the AIM Rules, we are responsible for this report as part of the Equivalent Information Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Equivalent Information Document in compliance with item 1.2 of Annex 1 of the Prospectus Rules and Schedule Two of the AIM Rules.

Yours faithfully

Rees Pollock  
Chartered Accountants  
35 New Bridge Street,  
London EC4V 6BW

## CONSOLIDATED INCOME STATEMENT

		<i>Year ended</i> 30 September 2006 £'000	<i>Year ended</i> 30 September 2007 £'000	<i>Year ended</i> 30 September 2008 £'000
Sales of properties		9,225	70,603	8,150
Rental income		831	3,492	1,225
<b>Revenue</b>		<u>10,056</u>	<u>74,095</u>	<u>9,375</u>
Direct costs of:				
Sales of properties		7,664	60,747	4,963
Rental income		28	517	522
Write-down of property inventory		–	–	2,477
<b>Direct costs</b>		<u>7,692</u>	<u>61,264</u>	<u>7,962</u>
<b>Gross profit</b>		2,364	12,831	1,413
Income from trading investments		–	233	–
Share of results of joint ventures		13	12	3
Other gains and losses	20	–	137	(137)
Administrative expenses		(465)	(3,149)	(3,615)
<b>Operating profit/(loss)</b>	2	<u>1,912</u>	<u>10,064</u>	<u>(2,336)</u>
Finance costs	5	(1,232)	(3,613)	–
Finance income	5	357	1,722	2,233
<b>Profit/(loss) before taxation</b>		<u>1,037</u>	<u>8,173</u>	<u>(103)</u>
Taxation	6	(353)	(2,557)	(262)
<b>Profit/(loss) for the period</b>		<u>684</u>	<u>5,616</u>	<u>(365)</u>
Attributable to:				
– equity shareholders		684	5,616	(365)
– minority shareholders		–	–	–
Basic earnings/(loss) per share	7	4.72p	16.94p	(0.89)p
Diluted earnings/(loss) per share	7	4.50p	14.36p	(0.89)p

All of the activities of the Group are classed as continuing.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Attributable to the equity holders of the Company</i>				<i>Minority interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Share premium</i>	<i>Retained earnings</i>	<i>Total</i>		
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>		
At 1 October 2005	486	4,427	319	5,232	–	5,232
<b>Changes in equity for year ended 30 September 2006</b>						
Credit to equity for equity-settled share-based payment	–	–	135	135	–	135
Net income recognised directly in equity	–	–	135	135	–	135
Profit for the year	–	–	684	684	–	684
Total recognised income and expense for the year	–	–	819	819	–	819
Issue of share capital	446	9,909	–	10,355	–	10,355
Expenses of issue of equity shares	–	(42)	–	(42)	–	(42)
Other movements	–	–	–	–	5	5
<b>At 30 September 2006</b>	<b>932</b>	<b>14,294</b>	<b>1,138</b>	<b>16,364</b>	<b>5</b>	<b>16,369</b>
<b>Changes in equity for year ended 30 September 2007</b>						
Credit to equity for equity-settled share-based payment	–	–	710	710	–	710
Net income recognised directly in equity	–	–	710	710	–	710
Profit for the year	–	–	5,616	5,616	–	5,616
Total recognised income and expense for the year	–	–	6,326	6,326	–	6,326
Issue of share capital	1,075	41,322	–	42,397	–	42,397
Expenses of issue of equity shares	–	(124)	–	(124)	–	(124)
<b>At 30 September 2007</b>	<b>2,007</b>	<b>55,492</b>	<b>7,464</b>	<b>64,963</b>	<b>5</b>	<b>64,968</b>
<b>Changes in equity for year ended 30 September 2008</b>						
Credit to equity for equity-settled share-based payment	–	–	1,069	1,069	–	1,069
Net income recognised directly in equity	–	–	1,069	1,069	–	1,069
Loss for the year	–	–	(365)	(365)	–	(365)
Total recognised income and expense for the year	–	–	704	704	–	704
Issue of share capital	75	2,498	–	2,573	–	2,573
Expenses of issue of equity shares	–	–	(35)	(35)	–	(35)
<b>At 30 September 2008</b>	<b>2,082</b>	<b>57,990</b>	<b>8,133</b>	<b>68,205</b>	<b>5</b>	<b>68,210</b>

## CONSOLIDATED BALANCE SHEET

		30 September 2006 £'000	30 September 2007 £'000	30 September 2008 £'000
	<i>Note</i>			
<b>Non-current assets</b>				
Property, plant and equipment	8	7	11	8
Investment in joint ventures	9	445	91	5,047
Goodwill	11	–	–	3,173
Deferred tax assets	18	–	243	304
		<u>452</u>	<u>345</u>	<u>8,532</u>
<b>Current assets</b>				
Development and trading properties	12	49,988	30,848	22,895
Trade and other receivables	13	3,536	2,850	726
Tax receivable		–	–	134
Derivative financial instruments		–	137	–
Cash and cash equivalents		13,001	38,123	38,290
		<u>66,525</u>	<u>71,958</u>	<u>62,045</u>
<b>Current liabilities</b>				
Trade payables and other payables	14	2,827	5,535	2,367
Tax liabilities		353	1,800	–
		<u>3,180</u>	<u>7,335</u>	<u>2,367</u>
<b>Non-current liabilities</b>				
Borrowings	15	47,428	–	–
		<u>50,608</u>	<u>7,335</u>	<u>2,367</u>
<b>Total liabilities</b>				
		<u>16,369</u>	<u>64,968</u>	<u>68,210</u>
<b>Net assets</b>				
<b>Equity</b>				
Called up share capital	16	932	2,007	2,082
Share premium account		14,294	55,492	57,990
Retained earnings		1,138	7,464	8,133
		<u>16,364</u>	<u>64,963</u>	<u>68,205</u>
<b>Equity attributable to equity holders</b>				
Minority interests		5	5	5
		<u>16,369</u>	<u>64,968</u>	<u>68,210</u>
<b>Total equity</b>				
		<u>16,369</u>	<u>64,968</u>	<u>68,210</u>
<b>Net assets per share</b>				
		88p	162p	164p

## CONSOLIDATED CASH FLOW STATEMENT

	<i>Year ended</i> <i>30 September</i> 2006 £'000	<i>Year ended</i> <i>30 September</i> 2007 £'000	<i>Year ended</i> <i>30 September</i> 2008 £'000
<b>Operating activities</b>			
Operating profit/(loss)	1,912	10,064	(2,336)
Depreciation	2	5	5
Share of results of joint ventures	(13)	(12)	(3)
Other gains and losses	–	(137)	137
Share based payment charge	135	710	1,069
<b>Cash flows from/(used in) operations before changes in working capital</b>	<u>2,036</u>	<u>10,630</u>	<u>(1,128)</u>
Change in trade and other receivables	(3,640)	549	2,150
Change in land, developments and trading properties	(49,988)	19,140	7,953
Change in trade and other payables	2,002	3,398	(3,168)
<b>Cash (used in)/from operations</b>	<u>(49,590)</u>	<u>33,717</u>	<u>5,807</u>
Finance costs	(452)	(2,897)	–
Finance income	357	1,709	2,207
Dividends from joint ventures	200	200	90
Tax paid	–	(1,352)	(2,257)
<b>Cash flows (used in)/from operating activities</b>	<u>(49,485)</u>	<u>31,377</u>	<u>5,847</u>
<b>Investing activities</b>			
Investment in joint venture	–	–	(5,043)
Acquisition of minority interest	–	–	(600)
Purchase of plant and equipment	(5)	(9)	(2)
<b>Cash flows used in investing activities</b>	<u>(5)</u>	<u>(9)</u>	<u>(5,645)</u>
<b>Financing activities</b>			
Issue of shares	10,355	42,397	–
Issue cost of shares	(42)	(124)	(35)
Borrowings drawn down	52,750	29,000	–
Issue costs of borrowings	(471)	(205)	–
Borrowings repaid	(4,940)	(76,428)	–
Exit fees paid	–	(886)	–
<b>Cash flows from/(used in) financing activities</b>	<u>57,652</u>	<u>(6,246)</u>	<u>(35)</u>
Net increase in cash and cash equivalents	8,162	25,122	167
Cash and cash equivalents at 1 October	4,839	13,001	38,123
<b>Cash and cash equivalents at 30 September</b>	<u>13,001</u>	<u>38,123</u>	<u>38,290</u>

## **1. ACCOUNTING POLICIES AND GENERAL INFORMATION**

### **1a General information**

The Conygar Investment Company PLC (“the Company”) is a company incorporated and domiciled in England and Wales and registered at Companies House under registration number 4907617.

The Company’s subsidiaries are shown in note 10. The Company and its subsidiaries are collectively referred to below as “the Group”.

The Company’s principal activity is property trading, acquiring property assets with development and investment potential, and investing in companies with significant property assets.

### **1b Basis of preparation**

The Company has prepared the consolidated financial information for the years ended 30 September 2006, 30 September 2007 and 30 September 2008 on the basis of all applicable IFRS, including all International Accounting Standards (IAS), the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) as adopted by the European Union with effective dates for accounting periods beginning on or after 1 October 2008, together with those parts of the Companies Act 1985 applicable to companies reporting under IFRS, and in accordance with the Prospectus Rules.

The consolidated financial information has been prepared on the historical cost basis except for derivatives, which are accounted for at fair value.

### **1c Summary of significant accounting policies**

The principal accounting policies of the Group are set out below. These policies have been consistently applied to all of the periods presented unless otherwise stated.

#### ***Interpretations and amendments to published standards effective in the accounts***

For the purposes of the preparation of the accounts, the Group has applied all standards and interpretations that will be effective for the first financial statements published after admission.

The following standards and interpretations will be effective for the first financial statements published after admission and have therefore been adopted in preparing the financial information:

- IFRIC 12 “Service concession arrangements” (effective for accounting periods beginning on or after 1 January 2008);
- IFRIC 13 “Customer loyalty programmes” (effective for accounting periods beginning on or after 1 July 2008);
- IFRIC 14 “IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction” (effective for accounting periods beginning on or after 1 January 2008);
- IFRIC 16 “Hedges of a net investment in a foreign operation” (effective for accounting periods beginning on or after 1 October 2008);
- Amendments to IAS 39 “Financial instrument: recognition and measurement” and IFRIC 9 “Reassessment of embedded derivatives”.
- Management has assessed the impact of these standards and interpretation on the Group and concluded they are not applicable to the Group’s circumstances and do not require amendment of the Group’s accounting policies.

### ***Standards, interpretations and amendments to published standards that are not yet effective***

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 October 2009 or later periods but which the Group has not adopted early as follows:

- IFRS 8 "Operating segments" (effective for accounting periods beginning on or after 1 January 2009);
- Revised IFRS 3 "Business combinations" (effective for acquisitions occurring on or after 1 October 2009)\*;
- Revised IFRS 1 "First-time Adoption of International Financial Reporting Standards" (effective for accounting periods beginning on or after 1 July 2009)\*;
- Amendment to IAS 23 "Borrowing costs" (effective for accounting periods beginning on or after 1 January 2009);
- Amendment to IAS 1 "Presentation of financial statements" (effective for accounting periods beginning on or after 1 January 2009);
- Amendment to IAS 27 "Consolidated and separate financial statements" (effective for accounting periods beginning on or after 1 July 2009)\*;
- Amendment to IFRS 2 "Share based payments" – vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009);
- Amendments to IAS 32 "Financial instruments: presentation" and IAS 1 – puttable financial instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009);
- Amendments to IFRS 1 and IAS 27 – Cost of an investment in a subsidiary, jointly controlled entity or associate (effective for accounting periods beginning on or after 1 January 2009);
- Amendment to IAS 39 – eligible hedged items (effective for accounting periods beginning on or after 1 July 2009)\*;
- Amendment to IFRS 7 – improving disclosures about financial instruments (effective for accounting periods starting on or after 1 January 2009)\*;
- IFRIC 15 "Agreements for the construction of real estate" (effective for accounting periods beginning on or after 1 January 2009)\*;
- IFRIC 17 "Distributions of non-cash assets to owners" (effective for accounting periods beginning on or after 1 July 2009)\*;
- IFRIC 18 "Transfers of assets from customers" (effective prospectively to such transfer after 1 July 2009)\*;

\* Yet to be endorsed by the EU

The Group's primary segment is property trading. Unless this position changes, management do not consider that IFRS 8 will alter the Group's segment reporting.

The amendment to IAS 23 will remove the option to expense interest costs that are directly attributable to construction of fixed assets. No retrospective application is required. As the Group is currently debt-free, it is not possible to assess the impact that this change may have in future periods. However, the effect may be considerable and management continue to monitor the position in this respect.

The amendment to IAS 1 will lead to some changes in the presentation of the group's financial statements for the year ended 30 September 2010. These will include the replacement of the income statement with a statement of comprehensive income.

Management do not believe that the other amendments and interpretations listed above will have a material effect on the group's financial reporting.

**Basis of consolidation:** The Group accounts consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 September each year. Subsidiary undertakings are those entities over which the Group has the ability to govern the financial and operating policies through the exercise of voting rights.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of these interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

All intra group balances, transactions, income and expenses and profit and losses on transactions between the Company and its subsidiaries and between subsidiaries are eliminated.

**Joint ventures:** A joint venture is an entity in which the Group has an interest. The joint venture operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of that entity.

The Group's interests in jointly controlled entities are incorporated in the financial information using the equity method of accounting. Investments in joint ventures are carried in the balance sheet at cost as adjusted by post acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the individual investments. The Group's share of the net profit or loss of the joint venture is shown as a single line item in the consolidated income statement.

Where the Group transacts with a joint venture any profit or loss arising is eliminated to the extent of the Group's interest in the relevant joint venture.

**Goodwill:** Goodwill, representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently where there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset of the unit. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the cash generating unit. An impairment loss is recognised immediately in profit and loss and is not subsequently reversed.

**Property, plant and equipment:** Property, plant and equipment is stated at cost less accumulated depreciation.

**Depreciation:** Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight line method, on the following basis:

Plant and equipment – 25 per cent. per annum

**Development and trading properties:** Development and trading properties held for sale are inventory and are included in the Balance Sheet at the lower of cost and net realisable value. Cost comprises the original purchase price of the property together with directly attributable acquisition costs. Where multiple properties are acquired as part of a single transaction the purchase price and directly attributable costs are allocated to the individual units based on independent valuations. Net realisable value represents the estimated selling price less all estimated costs of completion.

**Trade receivables:** Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and

the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition.

**Cash and cash equivalents:** Cash and cash equivalents are carried in the Balance Sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks and other short term liquid investments with original maturities of three months or less, net of bank overdrafts.

**Financial liabilities and equity:** Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

**Equity instruments:** Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

**Derivative financial instruments:** Derivative financial assets and financial liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. Derivatives are initially recorded at fair value and are subsequently remeasured to fair value based on market prices, estimated future cash flows and forward rates as appropriate.

**Trade payables:** Trade payables are recognised initially at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

**Borrowing and borrowing costs:** Interest bearing bank loans and overdrafts are initially recorded at the proceeds received, net of direct issue costs. Finance charges including direct issue costs are accounted for on an accruals basis in profit or loss using the effective interest rate method and written off to the Income Statement over the length of the associated borrowings.

**Leasing:** Leases where the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

**Revenue recognition:** Property revenue consists of gross rental income on an accruals basis, together with sales of trading and development properties. Rental income receivable in the period from lease commencement to the earlier of lease expiry and any tenant's option to break is spread evenly over that period. Any incentive for lessees to enter into a lease agreement and any costs associated with entering into the lease are spread over the same period.

A property is regarded as sold when the significant risks and returns have been transferred to the buyer. For conditional exchanges, sales are recognised when the conditions are satisfied.

Revenue in respect of investment and other income represents investment income, fees and commissions earned on an accruals basis and profits or losses recognised on investments held for the short term. Dividends are recognised when the shareholders' right to receive payment has been established. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

**Pension costs:** Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

**Share based payments:** The Group provides equity-settled share-based payments in the form of share options. In accordance with its transitional provisions, IFRS 2 "Share-based payment" is applied to all share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 October 2005. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the date of grant is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares which will eventually vest and adjusted for the effect of non market-based vesting conditions. The Group uses an appropriate valuation model utilising a Monte Carlo simulation in order to arrive at a fair value at the date share options are granted.

**Operating profit:** Operating profit is stated after charging income from trading investments and after the share of results of joint ventures but before finance costs and finance income.

**Taxation:** The taxation charge represents the sum of tax currently payable and deferred tax. The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or subsequently by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. It is recognised in the Income Statement except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

**Segmental Reporting:** The Group's primary source of income is property trading income. In addition the Group has rental income which is ancillary to the property trading income. None of the secondary business segments meet the criteria under IAS 14 for separate disclosure. The aggregate of these secondary segments is also not reportable. As such the "unallocated" element of any segmental disclosure will not be material and the Group does not, therefore, present numerical segmental data.

**Use of estimates and judgements:** To be able to prepare accounts according to generally accepted accounting principles, management must make estimates and assumptions that affect the asset and liability items and revenue and expense amounts recorded in the accounts. These estimates are based on historical experience and various other assumptions that management and the board of directors believe are reasonable under the circumstances. The results of these considerations form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the following:

#### *Investment in joint ventures*

The net realisable value of properties held for development within the joint ventures requires an assessment of fair value of the underlying assets using property appraisal techniques and other valuation methods. Such estimates are inherently subjective and in particular during the early stages of the development process.

#### *Deferred tax asset*

The calculation and assessment of recoverability of the deferred tax asset involves various assumptions regarding the tax deductibility of the vested share options and the recoverability of that deduction.

#### *Properties held for resale*

The net realisable value of properties held for resale is calculated using a third party valuation provided by an external valuer. However, such estimates are inherently subjective and actual values can only be determined in a sales transaction.

#### *Share based payments*

The estimation of share based payment costs, which require the use of an appropriate valuation model, including estimations for inputs into the valuation model covering vesting period, expected life, the number of awards that will ultimately vest and judgements relating to the probability of meeting non-market



performance conditions and the continuing participation of employees. Further details on share based payments are given in note 17.

### *Properties held for development*

The net realisable value of properties held for development requires an assessment of fair value of the underlying assets using property appraisal techniques and other valuation methods. Such estimates are inherently subjective and actual values can only be determined in a sales transaction.

## **2. OPERATING PROFIT/(LOSS)**

Operating profit/(loss) is stated after charging:

	<i>Year ended 30 September 2006 £'000</i>	<i>Year ended 30 September 2007 £'000</i>	<i>Year ended 30 September 2008 £'000</i>
Audit services – fees payable to the parent Company Auditor for the audit of the Company and the consolidated financial statements	11	16	13
Non-audit services – fees payable to the Company Auditor for the audit of the Company’s subsidiaries pursuant to legislation.	4	12	14
Non-audit services – fees payable to the Company Auditor for tax services	3	11	12
Depreciation of owned assets	2	5	5
Operating lease rentals – land and buildings	6	76	76
Share based payments charge	135	710	1,069
	<hr/>	<hr/>	<hr/>

## **3. PARTICULARS OF EMPLOYEES**

The average number of persons, including executive directors, employed by the Group was as follows:

	<i>Year ended 30 September 2006 £'000</i>	<i>Year ended 30 September 2007 £'000</i>	<i>Year ended 30 September 2008 £'000</i>
Head office	4	5	5
	<hr/>	<hr/>	<hr/>

The aggregate payroll costs of the above were:

	<i>Year ended 30 September 2006 £'000</i>	<i>Year ended 30 September 2007 £'000</i>	<i>Year ended 30 September 2008 £'000</i>
Wages and salaries (including directors)	148	1,723	1,286
Social security costs	15	216	160
Pension costs	–	–	530
	<hr/>	<hr/>	<hr/>
	163	1,939	1,976
	<hr/>	<hr/>	<hr/>

#### 4. DIRECTORS' EMOLUMENTS AND COMPENSATION OF KEY MANAGEMENT PERSONNEL

	<i>Year ended</i> <i>30 September</i> 2006 £'000	<i>Year ended</i> <i>30 September</i> 2007 £'000	<i>Year ended</i> <i>30 September</i> 2008 £'000
Emoluments	115	1,659	1,218
Pension contributions	–	–	530
Emoluments of highest paid director	45	675	408
Pension contributions of highest paid director	–	–	25

Included within emoluments were the following charges under the Group's profit sharing plan:

	<i>2006</i> £'000	<i>2007</i> £'000	<i>2008</i> £'000
	–	1,200	1,040

Such payments are based on salary years ending 31 March 2006, 31 March 2007 and 31 March 2008.

The board of directors comprise the only persons having authority and responsibility for planning, directing and controlling the activities of the Group. Accordingly, directors' emoluments equate to the compensation of key management personnel as defined by IAS 24 "Related Party Disclosures".

#### 5. FINANCE INCOME/COSTS

	<i>Year ended</i> <i>30 September</i> 2006 £'000	<i>Year ended</i> <i>30 September</i> 2007 £'000	<i>Year ended</i> <i>30 September</i> 2008 £'000
<b>Finance income</b>			
Bank interest	343	1,598	2,048
Other interest	14	124	185
	<u>357</u>	<u>1,722</u>	<u>2,233</u>
<b>Finance costs</b>			
Bank loans and overdrafts repayable within 5 years	<u>1,232</u>	<u>3,613</u>	<u>–</u>

#### 6. TAXATION ON ORDINARY ACTIVITIES

##### (a) *Analysis of charge in the year*

	<i>Year ended</i> <i>30 September</i> 2006 £'000	<i>Year ended</i> <i>30 September</i> 2007 £'000	<i>Year ended</i> <i>30 September</i> 2008 £'000
UK Corporation tax based on the results for the period	353	2,703	323
Under provision in prior periods	–	96	–
Deferred tax	–	(242)	(61)
	<u>353</u>	<u>2,557</u>	<u>262</u>

(b) **Factors affecting tax charge**

The tax assessed on the profit/(loss) for the year differs from the standard rate of corporation tax in the UK of:

<i>Year ended</i> <i>30 September</i>	<i>Year ended</i> <i>30 September</i>	<i>Year ended</i> <i>30 September</i>
2006	2007	2008
30%	30%	28%

The differences are reconciled as follows:

	<i>Year ended</i> <i>30 September</i>	<i>Year ended</i> <i>30 September</i>	<i>Year ended</i> <i>30 September</i>
	2006	2007	2008
	£'000	£'000	£'000
Profit/(loss) before taxation	1,037	8,173	(103)
Profit/(loss) multiplied by standard rate of tax	311	2,452	(29)
Effects of:			
Expense not deductible for tax purposes	46	9	72
Under provision in prior periods	–	96	–
Share based payment not deductible for tax purposes	–	–	219
Marginal rate of relief	(4)	–	–
Tax charge for the year	353	2,557	262

## 7. EARNINGS/(LOSS) PER SHARE

### **Basic**

The calculation of basic earnings/(loss) per ordinary share is calculated as follows:

	<i>Year ended</i> <i>30 September</i>	<i>Year ended</i> <i>30 September</i>	<i>Year ended</i> <i>30 September</i>
	2006	2007	2008
	£'000	£'000	£'000
Profit/(loss) after taxation	684	5,616	(365)
	<i>No.</i>	<i>No.</i>	<i>No.</i>
Weighted average number of shares in issue during the year	14,491,437	33,152,521	40,899,961
	<i>Pence</i>	<i>Pence</i>	<i>Pence</i>
Earnings/(loss) per share	4.72	16.94	(0.89)

### **Diluted**

There are no adjustments to the profit/(loss) after taxation in the calculation of diluted earnings/(loss) per share in any period presented. The weighted average number of shares is adjusted for the purposes of calculating diluted earnings/(loss) per share to assume conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares relate to share options. For these options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Group's shares) based on the monetary value of the subscription rights attached to outstanding share options. No adjustment is made for anti-dilutive share options. The effect on the weighted average number of shares in issue on a dilutive basis is as follows:

	<i>Year ended 30 September 2006 £'000</i>	<i>Year ended 30 September 2007 £'000</i>	<i>Year ended 30 September 2008 £'000</i>
Weighted average number of shares in issue during the year – basic	14,491,437	33,152,521	40,899,961
Effective of dilutive share issues:			
Employee share options	<u>712,458</u>	<u>5,956,177</u>	<u>–</u>
Weighted average number of shares in issue during the year – diluted	<u>15,203,895</u>	<u>39,108,698</u>	<u>40,899,961</u>
Diluted earnings/(loss) per share	<u>4.50</u>	<u>14.36</u>	<u>(0.89)</u>

## 8. TANGIBLE FIXED ASSETS

	<i>Office equipment £'000</i>
<b>Cost</b>	
At 1 October 2005	4
Additions	<u>5</u>
At 30 September 2006	9
Additions	<u>9</u>
At 30 September 2007	18
Additions	<u>2</u>
At 30 September 2008	<u>20</u>
<b>Depreciation</b>	
At 1 October 2005	–
Provided during the year	<u>2</u>
At 30 September 2006	2
Provided during the year	<u>5</u>
At 30 September 2007	7
Provided during the year	<u>5</u>
At 30 September 2008	<u>12</u>
<b>Net book value</b>	
At 30 September 2006	<u>7</u>
At 30 September 2007	<u>11</u>
At 30 September 2008	<u>8</u>

## 9. JOINT VENTURES

	<i>Share of net assets £'000</i>	<i>Loans £'000</i>	<i>Total £'000</i>
At 1 October 2005	464	–	464
Share of profit for the year	13	–	13
Dividends received	(200)	–	(200)
Movement on loan balance with joint venture	–	168	168
At 30 September 2006	<u>277</u>	<u>168</u>	<u>445</u>
Share of profit for the year	12	–	12
Dividends received	(200)	–	(200)
Adjustment on conversion to subsidiary	2	(168)	(166)
At 30 September 2007	<u>91</u>	<u>–</u>	<u>91</u>
Investment in joint venture	2,962	–	2,962
Share of profit for the year	3	–	3
Dividends received	(90)	–	(90)
Movement on loan balance with joint venture	–	2,081	2,081
	<u>2,966</u>	<u>2,081</u>	<u>5,047</u>

The following amounts represent the group's 50 per cent. share of the assets and liabilities, and results of the joint ventures:

	<i>Year ended 30 September 2006 £'000</i>	<i>Year ended 30 September 2007 £'000</i>	<i>Year ended 30 September 2008 £'000</i>
<b>Assets</b>			
Current assets	<u>380</u>	<u>117</u>	<u>2,980</u>
	<u>380</u>	<u>117</u>	<u>2,980</u>
<b>Liabilities</b>			
Current liabilities	<u>(103)</u>	<u>(26)</u>	<u>(14)</u>
	<u>(103)</u>	<u>(26)</u>	<u>(14)</u>
<b>Net Assets</b>	<u>277</u>	<u>91</u>	<u>2,966</u>
Operating loss	(7)	(1)	(1)
Finance income	25	15	5
Profit before tax	18	14	4
Tax	(5)	(2)	(1)
<b>Profit after tax</b>	<u>13</u>	<u>12</u>	<u>3</u>

There are no contingent liabilities relating to the Group's interest in the joint ventures, and no contingent liabilities of the ventures themselves.

On 1 October 2005 the Group's joint ventures comprised CM Sheffield Limited ("CMS"), and Martello Quays Limited ("MQL"). The Group owned 50 per cent. of the ordinary share capital of each of these entities, both of which are registered in England and Wales.

On 1 October 2007 the terms of the contractual arrangement under which MQL was established and operated was varied such that the Group attained control of MQL. Accordingly, MQL was treated as a subsidiary from this date. The Group subsequently acquired the 50 per cent. minority interest in MQL as disclosed in note 11.

On 5 December 2007, the Group entered into contractual arrangements with Stena Line Ports Limited (“Stena”) which established a joint venture relationship over Conygar Stena Line Limited (formerly Ingleby (1740) Limited) (“CSSL”), a company incorporated in England and Wales which had formerly been a dormant wholly-owned subsidiary of the Group. Pursuant to this arrangement, Stena Line took a 50 per cent. holding in the issued ordinary capital of CSSL. The share of net assets acquired relates to development land introduced into CSSL.

## 10. SUBSIDIARIES

The principal companies in which the Company’s interest is more than 10 per cent. are as follows:

<i>Company name</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>% of Equity held</i>
Conygar Holdings Ltd	Holding Company	England	100%
Martello Quays Limited	Property trading and development	England	100%
Conygar Wales PLC	Holding Company	England	60%*
Conygar Bedford Square Ltd	Property trading and development	England	100%*
Conygar Properties Ltd	Property trading and development	England	100%*
Conygar Developments Ltd	Property trading and development	England	100%*
Conygar Strand Ltd	Property trading and development	England	100%*
Conygar Hanover Street Ltd	Property trading and development	England	100%*

\* Indirectly owned through 100% owned intermediary company.

Conygar Hanover Street Limited was incorporated on 2 November 2007.

## 11. GOODWILL

	<i>£’000</i>
At 1 October 2005, 30 September 2006 and 30 September 2007	–
Additions	3,173
At 30 September 2008	<u>3,173</u>

As described in note 9, Martello Quays Limited (“MQL”) became a subsidiary of the Group with effect from 1 October 2007 as a result of the Group acquiring on additional 25 per cent. stake in MQL. The following is an analysis of the resulting business combination:

	<i>Book value</i>	<i>Group’s share before acquisition</i>	<i>Group’s share after acquisition</i>
	<i>£’000</i>	<i>£’000</i>	<i>£’000</i>
Stock	153	77	153
Liabilities	(153)	(77)	(153)
	<u>–</u>	<u>–</u>	<u>–</u>

No adjustment was required to the fair value of stock due to the early stage of the property development and the lack of planning permission at the date of acquisition. The purchase price for the Shares acquired was £20, together with contingent consideration of £150,000. This contingent consideration was not recognised as the directors considered the possibility of payment to be remote. No net assets were attributable to the 50 per cent. minority interest in MQL arising on the combination.

On 31 March 2008 the Group issued 1,500,000 ordinary shares and paid £600,000 in cash to acquire the remaining 25 per cent. of the issued share capital of MQL. The market price of the Group’s ordinary shares at this date was 171.5 pence. Costs associated with this acquisition, which were written off to the income statement, were £28,000 and the aggregate consideration was £3,172,500.

As MQL was already a subsidiary at the date of this acquisition, the transaction is not treated as a business combination and the fair value of MQL's assets and liabilities were not re-assessed at the date of the transaction.

The Group has adopted the parent company model in accounting for this transaction with minority interests. As minority interests associated with MQL at the date of the transaction were £nil, the entirety of the purchase consideration represents goodwill associated with the potential future profitability of MQL's marina development. Accordingly, the goodwill has been allocated in full to this development.

In accordance with IAS 36, goodwill is reviewed at least annually for impairment. At 30 September 2008, the only reporting date at which goodwill was recognised, management had prepared budgets based on the expected costs of completing MQL's marina development, and the expected revenues from the realisation of that development. While the timing of these cash flows is uncertain, management have adopted a prudent approach in assessing both the expected realisation dates and the discount rate applied, and carried out sensitivity analysis on these assumptions both in terms of timing and quantum. Based on a realisation profile over the next five years, and a discount rate of 20 per cent., the expected value in use of the MQL development project exceeds its carrying value with significant headroom.

## 12. PROPERTY INVENTORIES

	<i>30 September</i> 2006 £'000	<i>30 September</i> 2007 £'000	<i>30 September</i> 2008 £'000
Properties held for resale or development	49,988	30,848	25,372
Write-down of property inventory	–	–	(2,477)
	<u>49,988</u>	<u>30,848</u>	<u>22,895</u>

The cost of stock recognised as an expense was as follows:

	<i>Year ended</i> <i>30 September</i> 2006 £'000	<i>Year ended</i> <i>30 September</i> 2007 £'000	<i>Year ended</i> <i>30 September</i> 2008 £'000
	7,285	57,097	4,729
	<u>7,285</u>	<u>57,097</u>	<u>4,729</u>

## 13. TRADE AND OTHER RECEIVABLES

	<i>30 September</i> 2006 £'000	<i>30 September</i> 2007 £'000	<i>30 September</i> 2008 £'000
Trade receivables	–	167	250
Other receivables	3,524	2,627	347
Prepayments and accrued income	12	56	129
	<u>3,536</u>	<u>2,850</u>	<u>726</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value at each reporting date presented.

#### 14. TRADE PAYABLES AND OTHER PAYABLES

	<i>30 September</i> 2006 £'000	<i>30 September</i> 2007 £'000	<i>30 September</i> 2008 £'000
Trade payables	–	51	112
Social security and payroll taxes	896	1	32
Other payables	618	4,940	1,821
Accruals and deferred income	1,313	543	402
	<u>2,827</u>	<u>5,535</u>	<u>2,367</u>

#### 15. BORROWINGS

	<i>30 September</i> 2006 £'000	<i>30 September</i> 2007 £'000	<i>30 September</i> 2008 £'000
Bank loans	47,428	–	–

#### Amounts payable

	<i>30 September</i> 2006 £'000	<i>30 September</i> 2007 £'000	<i>30 September</i> 2008 £'000
In more than one year but not more than two years	39,560	–	–
In more than two years but not more than five years	8,250	–	–
	<u>47,810</u>	<u>–</u>	<u>–</u>
Unamortised loan issue expenses	(382)	–	–
	<u>47,428</u>	<u>–</u>	<u>–</u>

Bank loans during the reporting period and the amounts outstanding at each reporting date comprised the following facilities:

	<i>30 September</i> 2006 £'000	<i>30 September</i> 2007 £'000	<i>30 September</i> 2008 £'000
The CBS facilities	47,428	–	–
The CSL facilities	–	–	–
	<u>47,428</u>	<u>–</u>	<u>–</u>

#### *The CBS facilities*

On 15 May 2006 the Group entered into a two year facility agreement with The Royal Bank of Scotland (“RBS”) in connection with the purchase of the Bedford Square properties (“the CBS agreement”). The CBS agreement comprised the following facilities.

	<i>Interest rate</i>	<i>£'000</i>
Tranche A	LIBOR + 1%	44,500
Tranche B	LIBOR + 1.25%	3,250
Tranche C	LIBOR + 3%	5,000
Aggregate facilities		<u>52,750</u>

The facilities were capped such that tranche A could not exceed 65 per cent. of the total value ascribed to the associated properties by an independent valuer, the aggregate of tranche A and tranche B could not exceed 70 per cent. of that value and the aggregate of all tranches could not exceed 77 per cent. of that valuation.

All facilities were repayable in full on the second anniversary of the date of the facilities agreement subject to the following covenants and mandatory early payment requirements:



**Loan to value cap**

– utilisation date to six months thereafter	80 per cent.
– thereafter until one year from utilisation	75 per cent.
– thereafter until eighteen months from utilisation	70 per cent.
– thereafter until the termination date	65 per cent.

**Interest rate cover**

– tranche A	120 per cent.
– tranche B	115 per cent.
– tranche C	105 per cent.

*£'000*

**Minimum capital reductions**

– within twelve months	10,000
– between one year and two years	15,000

Proceeds from disposals were required to be used first to reduce the aggregate advances under the facilities.

Under the terms of the loan agreement, Conygar Bedford Square Limited was unable to pay any dividends on its ordinary shares, except with the prior permission of RBS's agent.

The facilities were secured by a fixed charge over the Bedford Square properties, and all rentals due to the Group from those properties were required to be paid into a deposit account operated by RBS's agent to act as collateral. RBS also had a right of offset over the Group's operating accounts in respect of the Bedford Square properties. The Group was also required to pay deposits against interest charges into bank accounts controlled by RBS's agent. Details of restrictions on cash at each reporting date are provided in note 21.

The aggregate facilities were drawn down in full on 15 May 2006. The facilities were repaid in full by 30 September 2007 as proceeds from the disposal of the Bedford Square properties at that date had repaid the advances in full.

***The CSL facilities***

On 4 October 2006 the Group entered into a two-year facility agreement with The Royal Bank of Scotland plc ("RBS") in connection with the purchase of the Strand properties ("the CSL agreement"). The CSL agreement comprised the following facilities:

	<i>Interest rate</i>	<i>£'000</i>
Tranche A	LIBOR + 1%	22,150
Tranche B	LIBOR + 1.25%	3,700
Tranche C	LIBOR + 3%	3,150
Aggregate facilities		29,000

The facilities were capped such that the aggregate draw down under the facility could not exceed 78.5 per cent. of the independently certified property valuation.

All facilities were repayable in full on the second anniversary of the date of the facilities agreement subject to the following covenants and mandatory early payment requirements:

**Loan to value cap**

– utilisation date to six months thereafter	80 per cent.
– thereafter until one year from utilisation	75 per cent.
– thereafter until eighteen months from the utilisation date	70 per cent.
– thereafter until the termination date	65 per cent.

**Interest rate cover**

– tranche A	125 per cent.
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– tranche B	115 per cent.
– tranche C	110 per cent.

£'000

#### Minimum capital reductions

– within twelve months	10,000
– between one year and two years	15,000

Proceeds from disposals were required to be used first to reduce the aggregate advances under the facilities.

Under the terms of the loan agreement, Conygar Strand Limited was unable to pay any dividends on its ordinary shares, except with the prior permission of RBS's agent.

The facilities were secured in full over the Strand properties, and all rentals due to the Group from those properties were required to be paid into a deposit account operated by RBS's agent ("the agent") to act as collateral. Additionally, the Group had to deposit certain monies into a separate account operated by the agent as collateral against future interest payments. RBS also retained a right of offset against the Group's operating bank accounts in respect of the Strand properties. Details of restrictions on cash at each reporting date are provided in note 21.

The aggregate facilities were drawn down in full on 17 October 2006 and had been repaid in full by 30 September 2007 as proceeds on the disposal of Strand properties by that date had been sufficient to repay all borrowings drawn down.

## 16. SHARE CAPITAL

### Authorised share capital

	30 September 2006	30 September 2007	30 September 2008
Number of ordinary shares of £0.05 each	40,000,000	100,000,000	100,000,000
	£'000	£'000	£'000
Nominal value of ordinary shares of £0.05 each	2,000	5,000	5,000

The Group's authorised share capital was increased from 40,000,000 ordinary shares of £0.05 each to 100,000,000 ordinary shares of £0.05 each by a special resolution dated 11 January 2007.

### Allotted and called up

	Price £	£	£
At 1 October 2005		9,722,001	486,100
Share issue – 14 March 2006	1.16	8,927,405	446,370
At 30 September 2006		18,649,406	932,470
Share issue – 2 November 2006	1.40	1,000,000	50,000
Share issue – 1 February 1 February 2007	2.00	20,498,500	1,024,925
At 30 September 2007		40,147,906	2,007,395
Share issue – 31 March 2008	1.715	1,500,000	75,000
At 30 September 2008		41,647,906	2,082,397

On 14 March 2006 the Group issued 8,927,405 shares of £0.05 for aggregate consideration of £10,355,000 pursuant to a share placing. Costs associated with the issue totalled £42,000.

On 2 November 2006 the Group issued 1,000,000 ordinary shares of £0.05 and issued a further 20,498,500 ordinary shares of £0.05 on 1 February 2007. The aggregate consideration received from these issues was £42,397,000 and associated costs totalled £124,000.

On 31 March 2008 the Group issued a further 1,500,000 ordinary shares of £0.05 for aggregate consideration of £2,573,000. Costs associated with this issue were £35,000.

## 17. SHARE-BASED PAYMENTS

### Equity-settled share option scheme

The Group has a share option scheme for the benefit of its directors. Details of options outstanding during the reporting period were as follows:

	<i>Number of share option</i>	<i>Weighted average exercise price (pence)</i>
At 1 October 2005	1,380,000	58.07
Granted during the year	1,400,000	118.50
At 30 September 2006	2,780,000	88.50
Granted during the year	3,220,000	200.00
At 30 September 2007 and 30 September 2008	<u>6,000,000</u>	<u>148.34</u>

The number of options exercisable at each reporting date was as follows:

	<i>2006</i>	<i>2007</i>	<i>2008</i>
	<u>1,067,500</u>	<u>1,380,000</u>	<u>2,780,000</u>

A summary of the terms of the outstanding options is as follows:

	<i>No of options</i>	<i>Exercise price £</i>	<i>Exercise period</i>
24 October 2003	937,500	0.500	23 October 2005 – 23 October 2013
11 March 2004	130,000	0.900	10 March 2006 – 10 March 2014
18 December 2005	312,500	0.690	17 December 2006 – 17 December 2014
16 March 2006	1,400,000	1.185	15 March 2008 – 15 March 2016
20 March 2007	3,220,000	2.000	19 February 2009 – 19 February 2017

The Group recognised an expense in respect of the equity-settled share option scheme as follows:

	<i>Year ended 30 September 2006 £'000</i>	<i>Year ended 30 September 2007 £'000</i>	<i>Year ended 30 September 2008 £'000</i>
Equity-settled share-based payment	<u>135</u>	<u>710</u>	<u>1,069</u>

The recognised expense is based on inputs into a Monte Carlo simulation as follows:

<i>Date of Grant</i>	<i>24 October 2003</i>	<i>11 March 2004</i>	<i>18 December 2005</i>	<i>16 March 2006</i>	<i>20 February 2007</i>
Share price at grant	50p	90p	69p	118.5p	230p
Exercise price	50p	90p	69p	118.5p	200p
Expected volatility	15.14%	15.38%	15.11%	24.22%	26.99%
Expected life	5 years	5 years	5 years	5 years	5 years
Risk free rate	4.98%	4.59%	4.52%	4.42%	5.21%
Fair value	4.15p	7.20p	5.18p	32.54p	88.06p

Fair values are spread over the vesting period of the awards. The expected vesting period is calculated using a Monte Carlo simulation where the performance conditions are met.

## 18. DEFERRED TAX ASSET

Deferred tax assets recognised in the accounts are as follows:

	<i>30 September 2006 £'000</i>	<i>30 September 2007 £'000</i>	<i>30 September 2008 £'000</i>
Short term timing differences	–	30	–
Share-based payments	–	213	304
	<u>–</u>	<u>243</u>	<u>304</u>

Movements on the recognised assets are as follows:

	<i>Share based payments £'000</i>	<i>Other timing differences £'000</i>	<i>Total £'000</i>
At 1 October 2005 and 30 September 2006	–	–	–
Credit to profit and loss account	213	30	243
At 30 September 2007	213	30	243
Credit/(debit) to profit and loss account	91	(30)	61
At 30 September 2008	<u>304</u>	<u>–</u>	<u>304</u>

Assets in relation to share-based payments will crystallise where options are exercised below the market value of the Group's ordinary shares prevailing on the date of exercise and will reverse against taxable trading profits in the period of exercise. Where the tax deduction in the period of exercise is greater than the taxable trading profits in that period, the resultant losses will be carried forward against future trading profits of the same trade. Other timing differences arise from accrued defined contribution pension costs which are deductible for tax purposes when paid. They will reverse against trading profits in the period in which they are paid.

In addition to the above, the Group has unrecognised deferred tax assets as follows

	<i>30 September 2006</i>	<i>30 September 2007</i>	<i>30 September 2008</i>
Share-based payments	40	898	–

These assets have not been recognised due to uncertainties over the timing and quantum of the potential future tax deductions in accordance with IAS 19.

## 19. COMMITMENTS

At 30 September 2008 the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<i>Year ended 30 September 2006 £'000</i>	<i>Year ended 30 September 2007 £'000</i>	<i>Year ended 30 September 2008 £'000</i>
Within one year	72	77	77
In the second to fifth years inclusive	292	215	138
	<u>364</u>	<u>292</u>	<u>215</u>

## 20. FINANCIAL INSTRUMENTS

### Treasury policies

The objective of the Group's treasury policies is to manage the Group's financial risk, secure cost effective funding for the Group's operations and to minimise the adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on the cash flows of the Group.

The Group finances its activities with a combination of bank loans, cash and short term deposits. Other financial assets and liabilities, such as trade receivables and trade payables, arise directly from the Group's operations. The Group may also enter into derivative transactions, principally interest rate caps, to manage the interest rate risk arising from the Group's operations and its sources of finance. The Group does not trade in financial instruments. The main risks associated with the Group's financial assets and liabilities are set out below, together with the policies currently applied by the board for their management. Derivative instruments may be used to change the economic characteristics of financial instruments in accordance with the Group's treasury policies.

The management of cash and similar instruments is monitored daily with summary cash statements produced on a fortnightly basis and discussed regularly in management and Board meetings. The approach is to provide sufficient liquidity to meet the requirements of the business in terms of funding developments and potential acquisitions whilst also earning a return sufficient to cover operating overheads. Surplus funds are invested with a broad range of institutions with a range of maturities up to 180 days. At any point in time, at least half of the Group's cash is held on instant access or short term deposit of less than 30 days.

### Interest rate risk

The Group's policy is to manage the cost of borrowing using variable rate debt secured against trading stock. Whilst floating rate borrowings are not exposed to changes in fair value, the Group is exposed to cash flow risk as costs increase if market rates rise. The Group's policy is to use derivative financial instruments to mitigate at least 50 per cent. of this risk in order to achieve a sensible and appropriate level of interest rate protection whilst maintaining flexibility to match the commercial trading strategy.

The fair value of the Group's hedging instruments at each reporting date was as follows:

	<i>30 September 2006</i>	<i>30 September 2007</i>	<i>30 September 2008</i>
Interest rate swap assets	<u>–</u>	<u>137</u>	<u>–</u>

### Credit Risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in connection with property leases, the investment of surplus cash and transactions where the Group sells properties with an element of deferred consideration.

Tenant rent payments are monitored regularly and appropriate action is taken to recover monies owed or if necessary to terminate the lease. Deferred consideration terms are only agreed with counterparties approved by the board or where some additional security is available.

The Group policy has been to invest funds with a broad range of institutions having investment grade low risk credit ratings and a strong or superior ability to repay short term debt obligations.

The Group had the following concentrations of credit risk at each reporting date:

	<i>30 September</i> 2006 £'000	<i>30 September</i> 2007 £'000	<i>30 September</i> 2008 £'000
Notice deposit	–	–	522
Deferred consideration on property sale	–	500	–
	<u>–</u>	<u>500</u>	<u>522</u>

Unprecedented credit and market disruption during the year ended 30 September 2008 led to a significant impact on the ability of financial institutions to honour their credit commitments. At 30 September 2008 the Group had a single balance of £522,000 where the counter party had failed to honour a notice deposit. Based on the objective evidence at the date of approval of the 30 September 2008, management was of the opinion that the balance would be recoverable in full and no provision for impairment was recognised at 30 September 2008. This balance has yet to be recovered, but management remains confident of its ultimate recovery as disclosed in note 22.

At 30 September 2007, the Group had advanced a loan to a purchaser of one of the Bedford Square properties. The loan was secured against the underlying property, and was recovered in full subsequent to 30 September 2007 and in advance of the agreed repayment date of the loan.

There were no concentrations of credit risk at 30 September 2006.

There are no other receivables which are past due but not impaired at any reporting date.

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans secured on the Group's properties.

The Group's net (debt)/cash position at each reporting date was as follows:

	<i>30 September</i> 2006 £'000	<i>30 September</i> 2007 £'000	<i>30 September</i> 2008 £'000
Cash and cash equivalents	13,001	38,123	38,290
Borrowings	(47,428)	–	–
	<u>(34,427)</u>	<u>38,123</u>	<u>38,290</u>

The maturity profile of the Group's financial liabilities was as follows:

	<i>30 September</i> 2006 £'000	<i>30 September</i> 2007 £'000	<i>30 September</i> 2008 £'000
In one year or less or on demand	–	–	–
In more than one year but not more than two years	39,178	–	–
In more than two years but not more than five years	8,250	–	–
	<u>47,428</u>	<u>–</u>	<u>–</u>

## Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

While the Group does not have a formally approved gearing ratio, the objective above is actively managed through the direct linkage of borrowings to specific trading property. The Group seeks to ensure that borrowings are non-recourse to the rest of the Group where possible and ensure that the level of borrowing can be serviced by the asset to which it relates.

## Price risk

The Group's exposure to changing market prices on the value of financial instruments may have an impact on the carrying value of financial instruments and would arise principally as a result of entering into swaps or similar transactions to fix interest rates on the Group's borrowings. The Group's policy for managing this risk is to control the levels of fixed rate debt as set out under interest rate risk above.

## Market risk

The Group is exposed to market risk primarily related to interest rates. These exposures are actively monitored.

As the Group's assets and liabilities are all denominated in Pounds Sterling there is currently no exposure to currency risk.

The interest rate profile of the Group's financial liabilities at the balance sheet date was as follows:

	<i>30 September 2006 £'000</i>	<i>30 September 2007 £'000</i>	<i>30 September 2008 £'000</i>
Floating rate borrowings	47,428	–	–
Less: cash balances	(13,001)	(38,123)	(38,290)
Net (cash)/borrowings	<u>34,427</u>	<u>(38,123)</u>	<u>(38,290)</u>

The interest rate profile of the Group's financial assets at the balance sheet date was as follows:

	<i>30 September 2006 £'000</i>	<i>30 September 2007 £'000</i>	<i>30 September 2008 £'000</i>
Fixed rate	–	1,796	12,346
Floating rate	13,001	36,327	25,422
Non-interest bearing	–	137	522
	<u>13,001</u>	<u>38,260</u>	<u>38,290</u>

Floating rate financial assets comprise cash and short term deposits at call and money market rates for up to thirty days and institutional cash funds.

## Fair value

The fair value of the Group's trade debtors and other receivables and trade creditors and other payables is not considered to vary from historic cost due to the short term nature of these financial assets and liabilities. As such, they are excluded from the disclosure above.

There are no differences between the book values and fair values of the Group's financial assets and liabilities.

## **21. POST BALANCE SHEET EVENTS**

In January 2009, the Group acquired at 28.9 per cent. shareholding in The Advantage Property Income Trust Limited. The investment has been classified as a current asset investment held for trading (and is therefore carried at fair value with changes to fair value being recorded in the income statement) as in the opinion of the Directors it does not meet the requirements of IAS 28 “Investments in Associates”.



## **SECTION 5: UNAUDITED INTERIM RESULTS AS AT AND FOR THE SIX MONTHS ENDED 31 MARCH 2009**

The full text of the unaudited interim results announcement for the six months to 31 March 2009, which was released on 14 May 2009, is set out below (without material adjustment).

### **The Conygar Investment Company PLC**

#### **Interim Results for the six months ended 31 March 2009**

The Conygar Investment Company PLC, the property company, announces its interim results for the six months to 31 March 2009.

#### **HIGHLIGHTS**

- Triple net asset value increased by 2 per cent. to 167p per share from 164p at 30 September 2008. Net asset value decreased by 2 per cent. to 161p per share
- Group has £32 million of cash at 31 March 2009 representing 77p per share
- Acquisition of 28.9 per cent. stake in The Advantage Property Income Trust Limited for £5.8 million
- £12 million of uncharged property assets which can be used to secure additional funding

#### **Analysis of Triple Net Asset Value – 167p**

Cash	77p
Properties	39p
Marina Developments	31p
Quoted Investments	20p
Total	<hr/> 167p

### **The Conygar Investment Company PLC**

#### **Interim Results for the six months ended 31 March 2009**

#### **Chairman's and Chief Executive's Statement**

##### ***Progress and Results***

It continues to be a challenging market but the Group has made steady progress on its projects and as detailed below made its first acquisition of undervalued assets. Property and other asset values continue to fall and whilst we are not immune from this, our cash position continues to shield us from the worst and enables us to position the Group for the recovery when it arises.

The loss before taxation for the six months ended 31 March 2009 was £2,331,000 (2008: £576,000 profit) of which £3,200,000 arises from a write-down of property inventory to net realisable value. We have also seen a significant fall in our interest income as deposit rates have fallen below 2 per cent. Our net asset value per share fell 2 per cent. to 161p as at 31 March 2009 from 164p at 30 September 2008. However, our triple net asset value is 2 per cent. higher at 167p. These are good results compared with our more indebted peers and given the perilous state of the market.

As at 31 March 2009, the Group had cash of £32 million and no debt which represents 77p of our net asset value and which continues to underpin our financial strength.

We are pleased to announce that in April 2009 we exchanged contracts for the sale of two buildings in the Buckingham Street portfolio for a combined sales price of £4.25 million. Whilst 3.4 per cent. lower than our September 2008 valuation, it represents a good result in this market and in particular as one of the buildings was both vacant and required some refurbishment expenditure. Completion should occur by 30 September 2009 at the latest.

We are now left with two properties in Buckingham Street, London WC2 valued at £12 million. The buildings have an annual rent roll of £0.9 million. Our valuers continue to be extremely cautious as occupier businesses suffer and rents come under pressure. That said our smaller units remain in demand and as they continue to produce income there remains no pressure to accept poor offers.

We continue to make good progress on our three waterfront projects of Pembroke Dock, Holyhead and Fishguard. The planning process for regeneration schemes of this type and scale is both complex and can be frustratingly slow, however we remain encouraged by the support given to us by the local government bodies and the Welsh Assembly Government. We are confident that all three are exciting projects that will enhance the areas and be profitable for Conygar. It is clear that given the current state of the economy it is not viable to start any significant development straight away. However, with limited further expenditure on professional fees the Group should ultimately obtain planning consents for projects with a potential for in excess of 1000 marina berths, 1200 waterside homes together with associated mixed use supporting development. The decision to progress these projects can then be assessed in the light of the economic outlook at that time.

### ***Acquisition in Period***

In January 2009, we acquired a 28.9 per cent. stake in a quoted property investment trust, The Advantage Property Income Trust Limited (“TAP”), for £5.8 million or an average price of 14p per share. TAP has approximately £180 million of UK property assets with an annual rental income of £13 million. TAP has been addressing its gearing issues and whilst according to the company it has secured its financing position with its banks, we believe there is more to be done to further improve the position and to realise additional value.

### ***Financing***

At 31 March 2009, the Group had cash of £32 million or 77p per share. Our cash balance will increase by approximately £4 million once exchanged sales have completed. In addition we have £12 million of uncharged property assets which can be used to secure additional funding if required. This enables us to fully fund our existing commitments and to pursue other opportunities.

### ***Triple Net Asset Value***

In order to show a clearer position of our value we calculate a triple net asset value (“NNNAV”) using an external valuation of our properties less any tax arising from those revaluations. As we have accounted for the net realisable value adjustment arising from this valuation, there is no further adjustment to the 161p per the balance sheet. Our three development projects remain at cost as it is not possible to appraise them with any certainty at this early stage. If our investment in TAP is valued at the closing mid-market share price on 7 May 2009 of 22p then NNNAV would increase to 167p.

### ***Strategy and The Future***

Our strategy remains:

1. To seek further opportunities in all the property sectors including ports and marinas.
2. Finalise legal and planning matters on Pembroke Dock Waterfront, and to submit planning applications for the Holyhead and Fishguard Waterfront developments.
3. To continue the realisation of the Buckingham Street trading assets where appropriate.

### ***Prospects***

The Board continues to remain confident about the future prospects of the Group. With cash and no debt, the Group should be able to weather the financial and economic crisis. We continue to make progress on our pipeline of future projects so that we shall be in an excellent position as and when the economy improves. We continue to assess various further opportunities although we are content to conserve cash should the economy remain uncertain. As ever, we shall keep shareholders informed of progress and details can be found at [www.conygar.com](http://www.conygar.com).

**N J Hamway**  
*Chairman*

**R T E Ware**  
*Chief Executive*

13 May 2009

## The Conygar Investment Company PLC

### Consolidated Income Statement

For the six months ended 31 March 2009

	<i>Six months ended</i>		<i>Year ended</i>
	<i>31 March</i>	<i>31 March</i>	<i>30 September</i>
	<i>2009</i>	<i>2008</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Sales of properties	–	6,150	8,150
Rental income	687	663	1,225
<b>Revenue</b>	<b>687</b>	<b>6,813</b>	<b>9,375</b>
Direct costs of:			
Sales of properties	–	4,289	4,963
Rental income	(676)	225	522
Write-down of property inventory	3,200	–	2,477
<b>Direct Costs</b>	<b>2,524</b>	<b>4,514</b>	<b>7,962</b>
<b>Gross (Loss)/Profit</b>	<b>(1,837)</b>	<b>2,299</b>	<b>1,413</b>
Income from trading investments	335	–	–
Share of results of joint ventures	(11)	(13)	3
Other gains and losses	–	(97)	(137)
Administrative expenses	(1,264)	(2,689)	(3,615)
<b>Operating Loss</b>	<b>(2,777)</b>	<b>(500)</b>	<b>(2,336)</b>
Finance income	446	1,076	2,233
<b>(Loss)/Profit Before Taxation</b>	<b>(2,331)</b>	<b>576</b>	<b>(103)</b>
Taxation	471	(208)	(262)
<b>(Loss)/Profit for the Period</b>	<b>(1,860)</b>	<b>368</b>	<b>(365)</b>
Attributable to:			
– equity shareholders	(1,860)	368	(365)
– minority interests	–	–	–
Basic (loss)/earnings per share	(4.47)p	0.92p	(0.89)p
Diluted (loss)/earnings per share	(4.47)p	0.88p	(0.89)p

All of the activities of the Group are classed as continuing.

**The Conygar Investment Company PLC**  
**Consolidated Statement of Changes in Equity**

*For the six months ended 31 March 2009*

	<i>Share Capital £'000</i>	<i>Share Premium £'000</i>	<i>Retained Earnings £'000</i>	<i>Total £'000</i>	<i>Minority Interests £'000</i>	<i>Total Equity £'000</i>
At 1 October 2007	2,007	55,492	7,464	64,963	5	64,968
Profit for the period	–	–	368	368	–	368
Share based payment	–	–	533	533	–	533
Issue of share capital	75	2,498	–	2,573	–	2,573
Share issue costs	–	–	8	8	–	8
<b>At 31 March 2008</b>	<b>2,082</b>	<b>57,990</b>	<b>8,373</b>	<b>68,445</b>	<b>5</b>	<b>68,450</b>
At 1 October 2007	2,007	55,492	7,464	64,963	5	64,968
Loss for the period	–	–	(365)	(365)	–	(365)
Share based payment	–	–	1,069	1,069	–	1,069
Issue of share capital	75	2,498	–	2,573	–	2,573
Share issue costs	–	–	(35)	(35)	–	(35)
<b>At 30 September 2008</b>	<b>2,082</b>	<b>57,990</b>	<b>8,133</b>	<b>68,205</b>	<b>5</b>	<b>68,210</b>
At 1 October 2008	2,082	57,990	8,133	68,205	5	68,210
Loss for the period	–	–	(1,860)	(1,860)	–	(1,860)
Share based payment	–	–	533	533	–	533
<b>At 31 March 2009</b>	<b>2,082</b>	<b>57,990</b>	<b>6,806</b>	<b>66,878</b>	<b>5</b>	<b>66,883</b>

## The Conygar Investment Company PLC

### Consolidated Balance Sheet

As at 31 March 2009

	Note	Six months ended		Year ended
		31 March 2009 £'000	31 March 2008 £'000 (Re-stated)	30 September 2008 £'000
<b>Non-Current Assets</b>				
Property, plant and equipment		7	10	8
Investment in joint ventures	3	5,042	4,681	5,047
Goodwill		3,173	3,173	3,173
Deferred tax assets		272	392	304
		<u>8,494</u>	<u>8,256</u>	<u>8,532</u>
<b>Current Assets</b>				
Development and trading properties	4	20,023	26,163	22,895
Trading investments	5	5,784	–	–
Trade and other receivables		308	361	726
Tax receivable		940	–	134
Derivative financial instruments		–	40	–
Cash and cash equivalents		32,585	41,163	38,290
		<u>59,640</u>	<u>67,727</u>	<u>62,045</u>
<b>Total Assets</b>		<u>68,134</u>	<u>75,983</u>	<u>70,577</u>
<b>Current Liabilities</b>				
Trade payables and other payables		1,251	6,020	2,367
Tax liabilities		–	1,513	–
		<u>1,251</u>	<u>7,533</u>	<u>2,367</u>
<b>Total Liabilities</b>		<u>1,251</u>	<u>7,533</u>	<u>2,367</u>
<b>Net Assets</b>		<u>66,883</u>	<u>68,450</u>	<u>68,210</u>
<b>Equity</b>				
Called up share capital		2,082	2,082	2,082
Share premium account		57,990	57,990	57,990
Retained earnings		6,806	8,373	8,133
<b>Equity Attributable to Equity Holders</b>		<u>66,878</u>	<u>68,445</u>	<u>68,205</u>
Minority interests		5	5	5
<b>Total Equity</b>		<u>66,883</u>	<u>68,450</u>	<u>68,210</u>
<b>Net Assets Per Share</b>		161p	164p	164p

**The Conygar Investment Company PLC**

**Consolidated Cash Flow Statement**

*For the six months ended 31 March 2009*

	<i>Six months ended</i>		<i>Year ended</i>
	<i>31 March</i>	<i>31 March</i>	<i>30 September</i>
	<i>2009</i>	<i>2008</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Cash Flows From Operating Activities</b>			
Operating loss	(2,777)	(500)	(2,336)
Depreciation	3	2	5
Share of results of joint ventures	11	13	(3)
Other gains and losses	–	–	137
Share based payment charge	533	533	1,069
	<hr/>	<hr/>	<hr/>
<b>Cash Flows From Operations Before Changes In Working Capital</b>	(2,230)	48	(1,128)
Change in trade and other receivables	418	2,489	2,150
Change in land, developments and trading properties	2,872	4,685	7,953
Change in trading investments	(5,784)	–	–
Change in trade and other payables	(1,116)	485	(3,168)
	<hr/>	<hr/>	<hr/>
<b>Cash (Used In)/Generated From Operations</b>	(5,840)	7,707	5,807
Finance income	446	1,076	2,207
Dividends from joint ventures	10	–	90
Tax paid	(314)	(644)	(2,257)
	<hr/>	<hr/>	<hr/>
<b>Cash Flows (Used In)/From Operating Activities</b>	(5,698)	8,139	5,847
	<hr/>	<hr/>	<hr/>
<b>Cash Flows From Investing Activities</b>			
Investment in joint venture	(5)	(4,498)	(5,043)
Acquisition of minority interest	–	(600)	(600)
Purchase of plant and equipment	(2)	(1)	(2)
	<hr/>	<hr/>	<hr/>
<b>Cash Flows Used In Investing Activities</b>	(7)	(5,099)	(5,645)
	<hr/>	<hr/>	<hr/>
<b>Cash Flows From Financing Activities</b>			
Issue costs of shares	–	–	(35)
	<hr/>	<hr/>	<hr/>
<b>Cash Flows Used In Financing Activities</b>	–	–	(35)
	<hr/>	<hr/>	<hr/>
Net (decrease) /increase in cash and cash equivalents	(5,705)	3,040	167
Cash and cash equivalents at 1 October	38,290	38,123	38,123
	<hr/>	<hr/>	<hr/>
<b>Cash and Cash Equivalents at 31 March 2009</b>	32,585	41,163	38,290
	<hr/>	<hr/>	<hr/>

## **The Conygar Investment Company PLC**

### **Notes to the Interim Results**

*For the six months ended 31 March 2009*

#### **1. Basis of Preparation**

The interim results for the period ended 31 March 2009 have been prepared using the recognition and measurement principles of IFRS including IAS 34 'Interim Financial Reporting' as adopted by the European Union and are unaudited. The accounting policies adopted are consistent with those in the financial statements for the year ended 30 September 2008, as described in those financial statements. The condensed half-yearly financial statements should be read in conjunction with those annual financial statements. The condensed half-yearly financial statements do not comprise full financial statements within the meaning of the Companies Act 2006.

The comparatives for the period ended 31 March 2008 have been re-stated to reclassify an item previously shown within development and trading properties as goodwill in line with the financial statements for the year ended 30 September 2008. There is no impact upon net assets or income.

The comparative figures for the year ended 30 September 2008 are derived from the company's statutory accounts for that financial period. The accounts have been reported upon by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

The board of directors approved the above results on 13 May 2009.

Copies of the interim report may be obtained from the Company Secretary, The Conygar Investment Company PLC, Fourth Floor, Bond House, 19-20 Woodstock Street, London W1C 2AN.

#### **2. Earnings per Share**

The calculation of earnings per ordinary share is based on the loss after tax of £1,860,000 (March 2008: £368,000 profit; September 2008: £365,000 loss) and on the number of shares in issue being the weighted average number of shares in issue during the period of 41,647,906 (March 2008: 40,147,906; September 2008: 40,899,961). The weighted average number of shares on a fully diluted basis was 41,647,906 (March 2008: 41,793,515; September 2008: 40,899,961). No adjustment has been made in respect of the exercise of options which were anti-dilutive throughout the period. The total number of ordinary shares in issue at the date of this report was 41,647,906.

### 3. Investment in Joint Ventures

The group has a 50 per cent. interest in a joint venture, Conygar Stena Line Limited, which is a property development company. It also has a 50 per cent. interest in a joint venture, CM Sheffield Limited, which is a property trading company.

The following amounts represent the group's 50 per cent. share of the assets and liabilities, and results of the joint ventures. They are included in the balance sheet and income statement:

	<i>Six months ended</i>		<i>Year ended</i>
	<i>31 March 2009 £'000</i>	<i>31 March 2008 £'000</i>	<i>30 September 2008 £'000</i>
<b>Assets</b>			
Current assets	5,059	4,702	5,061
	<u>5,059</u>	<u>4,702</u>	<u>5,061</u>
<b>Liabilities</b>			
Current liabilities	(17)	(21)	(14)
	<u>(17)</u>	<u>(21)</u>	<u>(14)</u>
<b>Net assets</b>	<u>5,042</u>	<u>4,681</u>	<u>5,047</u>
Operating loss	(11)	(15)	(1)
Finance income	–	3	5
(Loss)/profit before tax	(11)	(12)	4
Tax	–	(1)	(1)
<b>Loss)/profit after tax</b>	<u>(11)</u>	<u>(13)</u>	<u>3</u>

### 4. Development and Trading Properties

	<i>Six months ended</i>		<i>Year ended</i>
	<i>31 March 2009 £'000</i>	<i>31 March 2008 £'000 (Re-stated)</i>	<i>30 September 2008 £'000</i>
Properties held for resale or development	25,700	26,163	25,372
Write-down of property inventory	(5,677)	–	(2,477)
	<u>20,023</u>	<u>26,163</u>	<u>22,895</u>

### 5. Trading Investments

	<i>Six months ended</i>		<i>Year Ended</i>
	<i>31 March 2009 £'000</i>	<i>31 March 2008 £'000</i>	<i>30 September 2008 £'000</i>
Quoted Investments	5,784	–	–
	<u>5,784</u>	<u>–</u>	<u>–</u>

During the period ended 31 March 2009, the Group acquired a 28.9 per cent. shareholding in The Advantage Property Income Trust Limited. The investment has been classified as a current asset investment held for trading (and is therefore carried at fair value with changes to fair value being recorded in the income statement) as in the opinion of the Directors it does not meet the requirements of IAS 28 'Investments in Associates'.



## **Independent Review Report to The Conygar Investment Company PLC**

### **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2009 which comprises the consolidated income statement, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and the related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### **Directors' Responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies issued by the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

### **Our Responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2009 is not prepared, in all material aspects, in accordance with International Accounting Standard 34 as adopted by the European Union and AIM Rules for Companies issued by the London Stock Exchange.

Rees Pollock  
Chartered Accountants and Registered Auditors

13 May 2009

### **Notes:**

- (a) The maintenance and integrity of The Conygar Investment Company PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.
- (b) Legislation in the United Kingdom governing the presentation and dissemination of financial information may differ from legislation in other jurisdictions.

## PART III

### FINANCIAL AND OTHER INFORMATION ON TAP

Certain financial and operating information is incorporated in this document by reference (the “Incorporated Information”). The Incorporated Information is contained in TAP’s Annual Reports for the years ended 31 December 2006, 2007 and 2008 and certain regulatory announcements by TAP in the period from 1 April to 28 July 2009. It has not been possible to prepare an Operating and Financial Review, Capital Resources statement or Capitalisation and Indebtedness statement in respect of TAP due to a lack of access to any information or documentation relating to TAP, other than information in the public domain. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, applicable legal and regulatory requirements of Guernsey law and the Listing Rules of the UK Listing Authority and the Channel Islands Stock Exchange. All Incorporated Information is available online at: [www.tapincome.com](http://www.tapincome.com)

Investors should read the whole of this document and should not just rely on the information referred to in this Part III.

Unless explicitly stated otherwise, other documents, notes and information referred to within the Incorporated Information is not incorporated in this document by reference.

#### Section 1. Audited Financial Information on TAP

The following pages are incorporated by reference from the Annual Report of TAP for the year ended 31 December 2006: the auditors’ report on pages 21 and 22, the consolidated balance sheet on page 24, the consolidated income statement on page 23, the consolidated statements of cash flows on page 26, the consolidated statement of changes in equity on page 25, the notes to the consolidated financial statements on pages 27 to 37 inclusive, the Property Fund Adviser’s report on pages 6 to 9 inclusive, and the Schedule of properties held on pages 38 to 42 inclusive.

The following pages are incorporated by reference from the Annual Report of TAP for the year ended 31 December 2007: the auditors’ report on page 22, the consolidated balance sheets on page 24, the consolidated income statement on page 23, the consolidated statements of cash flows on page 26, the consolidated statement of changes in equity on page 25, the notes to the consolidated financial statements on pages 27 to 39 inclusive, the Property Fund Adviser’s report on pages 6 to 8 inclusive, and the Schedule of properties held on pages 40 to 45 inclusive.

The following pages are incorporated by reference from the Annual Report of TAP for the year ended 31 December 2008: the auditors’ report on page 24, the consolidated balance sheets on page 26, the consolidated income statement on page 25, the consolidated statements of cash flows on page 28, the consolidated statement of changes in equity on page 27, the notes to the consolidated financial statements on pages 29 to 40 inclusive, the Property Fund Adviser’s report on pages 6 to 10 inclusive, and the Schedule of properties held on pages 41 to 46 inclusive.

#### Section 2. Other Information

The following announcements released by TAP through RNS are incorporated by reference:

- Interim Management Statement (unaudited) as at and for the three month period ended 31 March 2009, which includes a valuation and further details of TAP’s property portfolio as at that date, announced on 30 April 2009;
- Statement of Net Asset Value as at 31 March 2009, announced on 30 April 2009;
- Announcement on 19 May 2009 regarding Covenant Compliance and Temporary Suspension of Dividend;
- Statement released at the Annual General Meeting on 3 June 2009;
- Announcement on 7 July 2009 regarding Asset Disposals and Debt Repayment; and
- Statement of Net Asset Value as at 30 June 2009, which includes details of TAP’s Property Portfolio as at that date, announced on 28 July 2009.

## PART IV

### ADDITIONAL INFORMATION

#### 1. Responsibility Statement

The Company and the Directors, whose names appear on page 19 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

#### 2. The Company

- 2.1 The Company was incorporated under the 1985 Act and trades under the name The Conygar Investment Company PLC.
- 2.2 The Company is domiciled in the United Kingdom and was incorporated and registered in England and Wales on 22 September 2003 as a public limited company with the name The Conygar Investment Company PLC and registered number 04907617. On 23 September 2003, the Company obtained a trading certificate pursuant to section 117 of the 1985 Act. The liability of its members is limited.
- 2.3 The Company is governed by and its securities issued to date were created under the 1985 Act. The New Conygar Shares and the Conygar Preference Shares will be created under the 1985 Act and the 2006 Act.
- 2.4 The Company's registered office and principal place of business is located at Fourth Floor, Bond House, 19-20 Woodstock Street, London, W1C 2AN. The telephone number of the Company's registered address and principal place of business is 0207 408 2322.
- 2.5 The Company has no administrative, management or supervisory bodies other than the Board, the remuneration committee, and the audit committee; all of whose members are Directors. Details of the remuneration committee and the audit committee are set out in paragraph 13 of Part I of this document.
- 2.6 The Company's auditors during the period covered by the historical financial information of the Company (as set out in Part II of this document) were Rees Pollock, 35 New Bridge Street, London EC4V 6BW, which is regulated by the Institute of Chartered Accountants in England and Wales.

#### 3. Securities being offered/admitted

- 3.1 The New Conygar Shares are ordinary shares of 5 pence each in the capital of the Company, their ISIN Number is GB0033698720 and they will be issued in British Pounds Sterling.
- 3.2 The New Conygar Shares may be held in certificated form or in uncertificated form. The Company's registrars, Share Registrars Limited, are responsible for keeping and maintaining the Company's register of members.
- 3.3 The dividend and voting rights attaching to the New Conygar Shares are set out in paragraph 6 of this Part IV.
- 3.4 The New Conygar Shares have no right to share in the profits of the Company other than through a dividend, distribution or return of capital, further details of which are set out in paragraph 6 of this Part IV.
- 3.5 Each New Conygar Share is entitled on a *pari passu* basis with all other issued Ordinary Shares to share in any surplus on a liquidation of the Company.
- 3.6 The New Conygar Shares have no redemption or conversion provisions.

- 3.7 The Conygar Preference Shares are unlisted zero coupon preference shares of 1 pence each in the capital of the Company and will be issued in British Pounds Sterling.
- 3.8 The Conygar Preference Shares are unlisted securities and there are no plans to seek a public quotation on any recognised investment exchange or other market for the Conygar Preference Shares. The Conygar Preference Shares will be redeemed on 31 December 2011.
- 3.9 The Conygar Preference Shares will not have dividend or voting rights.
- 3.10 The holders of the Conygar Preference Shares may at any time convert the maximum number of Conygar Preference Shares held by such holder as is exactly divisible by five into Ordinary Shares on the basis of one Ordinary Share for every five Conygar Preference Shares held.
- 3.11 Section 89 of the 1985 Act gives Shareholders pre-emption rights on any issue of shares by the Company to the extent not disapplied by a special resolution passed pursuant to section 95 of the 1985 Act. Details of the current authorities to allot shares are set out in paragraph 3.12 of this Part IV.
- 3.12 On 6 February 2009, at an annual general meeting of the Company, the Directors were authorised to issue and allot Ordinary Shares for cash on a non-pre-emptive basis in aggregate nominal amount up to the unissued authorised share capital of the Company as at that date.
- 3.13 On 26 August 2009, at the General Meeting, the following resolutions will be put to Shareholders:
- (a) an ordinary resolution to approve the Acquisition, the Offer, and any revision or modification thereof provided that no material change can be made to the Offer without the approval of holders of Ordinary Shares in a general meeting of the Company;
  - (b) an ordinary resolution to increase the authorised share capital of the Company from £5,000,000 to £6,500,000 by the creation of 150,000,000 Conygar Preference Shares of 1 pence each;
  - (c) an ordinary resolution to increase the authorised share capital of the Company from £6,500,000 to £8,500,000 by the creation of 40,000,000 Ordinary Shares of 5 pence each;
  - (d) an ordinary resolution to authorise the Directors to allot relevant securities (as defined in the 1985 Act) up to an aggregate nominal value of £4,417,604.70 or, if the resolution referred to in paragraph 3.13(c) is passed, up to £6,417,604.70;
  - (e) a special resolution to authorise the Directors to allot equity securities (as defined in the 1985 Act) on a non-pre-emptive basis up to an aggregate nominal value of £4,417,604.70 or, if the resolution referred to in paragraph 3.13(c) is passed, up to £6,417,604.70; and
  - (f) a special resolution to adopt the Articles which will include the rights attaching to the Conygar Preference Shares.
- 3.14 It is expected that the New Conygar Shares and the Conygar Preference Shares will be issued on the date of Admission, and that Admission will occur on the Business Day immediately following the day on which the Offer becomes or is declared unconditional in all respects.
- 3.15 The New Conygar Shares and the Conygar Preference Shares are freely transferable provided they are fully paid, the Company has no lien over such shares and the instrument of transfer relating thereto is duly stamped, is in favour of not more than four joint transferees and is in respect of only one class of shares.
- 3.16 The Ordinary Shares are subject to the City Code. Under Rule 9 of the City Code (“Rule 9”), any person who acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, or any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights

in which he is interested, is normally required by the Panel to make a general offer in cash to acquire the remaining shares in the company to all its shareholders at not less than the highest price paid by him or any persons acting in concert with him within the preceding 12 months. Rule 9 is subject to a number of dispensations.

In addition, in the event an offeror acquires at least nine-tenths in value of the issued share capital of the Company to which the offer relates the offeror may in accordance with the procedure set out in section 979 of the 2006 Act require the holders of any shares he has not acquired to sell them subject to the terms of the offer, and such Shareholders may in turn require the offeror to purchase such shares on the same terms.

- 3.17 No person has made a public takeover bid for the Company's issued share capital in the financial period to 30 September 2008 or in the current financial period.
- 3.18 A Shareholder is required pursuant to DTR 5 to notify the Company when it acquires or disposes of a major proportion of the voting rights of the Company equal to or in excess of 3 per cent. of the nominal value of the Company's issued share capital. At the date of this document, the Directors have been notified of the interests in Ordinary Shares referred to in paragraph 7.2 of this Part IV.

#### 4. Share Capital of the Company

- 4.1 The authorised and issued ordinary share capital of the Company as at 30 September 2008 was as follows:

<i>Authorised share capital</i>	<i>Number</i>	<i>Issued and fully paid up share capital</i>	<i>Issued and not fully paid up share capital</i>	<i>Number</i>
£		£	£	
5,000,000	100,000,000	2,082,395.30	Nil	41,647,906

- 4.2 As at 30 September 2008, the Company had no other class of share capital. The following table shows the authorised and issued ordinary share capital of the Company immediately following Admission, assuming that Resolution 3 to be proposed at the General Meeting is passed, all TAP Shareholders accept the Ordinary Share Offer in full, there is no variation of the Offer and no further TAP Shares and/or Ordinary Shares are issued prior to the Offer becoming unconditional in all respects:

<i>Authorised share capital</i>	<i>Number</i>	<i>Issued and fully paid up share capital</i>	<i>Number</i>
£		£	
7,000,000	140,000,000	3,097,368.30	61,947,366

- 4.3 Immediately following Admission, Conygar may also have issued up to 101,497,300 Conygar Preference Shares (as contemplated by paragraph 4.5 of this Part IV). During the period from 30 September 2008 to the date of this document, the Company has not allotted and issued any Ordinary Shares or Conygar Preference Shares.
- 4.4 The Offer will result in the allotment and issue of up to 20,299,460 New Conygar Shares, assuming that all TAP Shareholders accept the Ordinary Share Offer in full, that there is no variation of the Offer, and no further TAP Shares and/or Ordinary Shares are issued prior to the Offer becoming unconditional in all respects, diluting existing holders of Ordinary Shares to 67.23 per cent. of the Enlarged Share Capital.
- 4.5 The Offer will, alternatively, result in the allotment and issue of up to 101,497,300 Conygar Preference Shares, assuming that all TAP Shareholders accept the Preference Share Alternative in full, that there is no variation of the Offer and no further TAP Shares are issued prior to the Offer becoming or being declared unconditional in all respects. Please also see Note 1 to the section of this document entitled "Statistics" (page 18) for further details of an irrevocable commitment in respect of 28,705,743 TAP Shares which has been received by Conygar and the potential effect of this irrevocable commitment on paragraphs 4.2 to this 4.5 (inclusive) of this Part IV.

- 4.6 The par value of each Ordinary Share is 5 pence.
- 4.7 The Company has no issued Ordinary Shares that are not fully paid up.
- 4.8 At the date of incorporation, the authorised share capital of the Company was £1,000,000 divided into 20,000,000 ordinary shares of 5 pence each. 1,000,001 Ordinary Shares were issued to the subscribers to the Company's memorandum of association, being Robert Ware and Peter Batchelor.
- 4.9 The following alterations in the share capital of the Company have taken place since 22 September 2003:
- (a) 8,200,000 Ordinary Shares issued on 23 October 2003;
  - (b) 522,000 Ordinary Shares issued on 26 February 2004;
  - (c) 8,927,405 Ordinary Shares issued on 14 March 2006;
  - (d) 1,000,000 Ordinary Shares issued on 2 November 2006;
  - (e) authorised share capital increased from £2,000,000 to £5,000,000 by the creation of 60,000,000 Ordinary Shares on 11 January 2007;
  - (f) 20,498,500 Ordinary Shares issued on 1 February 2007; and
  - (g) 1,500,000 Ordinary Shares issued on 31 March 2008.
- 4.10 Save as described above, the Company has made no further allotments of Ordinary Shares since the date of incorporation.
- 4.11 Save as disclosed in paragraphs 4, 7 and 9 of this Part IV:
- (a) no share or loan capital of the Company has been issued or is proposed to be issued;
  - (b) there are currently no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company;
  - (c) there are no shares in the Company not representing capital;
  - (d) there are no shares in the Company held by or on behalf of the Company itself or by subsidiaries of the Company;
  - (e) there are no acquisition rights and/or obligations over authorised but unissued share capital of the Company and the Company has made no undertaking to increase its share capital;
  - (f) no person has any preferential or subscription rights for any share capital of the Company; and
  - (g) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

## **5. Memorandum of Association**

The Memorandum of Association of the Company provides that its principal object and purpose is to carry on business as a general commercial company. Its obligation and purposes are set out in full in Clause 4 of the Memorandum of Association.

## **6. Articles of Association**

The Articles include provisions to the following effect:

### ***Allotment of Share Capital***

Subject to the provisions of the Acts and to any relevant authority of the Company in general meeting required by the Acts, unissued shares at the date of adoption of the Articles and any shares thereafter created

shall be at the disposal of the Board, which may allot (with or without conferring rights of renunciation), grant options over, offer or otherwise deal with or dispose of them or rights to subscribe for or convert any security into shares to such persons (including the Directors themselves), at such times and generally on such terms and conditions as the Board may decide, provided that no share shall be issued at a discount.

### ***Transfer of Shares***

Each member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the register of members of the Company in respect of it.

The Board may, in its absolute discretion and without giving any reason, refuse to register any share transfer unless:

- (a) it is in respect of a share which is fully paid up;
- (b) it is in respect of a share on which the Company has no lien;
- (c) it is in respect of only one class of share;
- (d) it is in favour of a single transferee or not more than four joint transferees;
- (e) it is duly stamped (if so required); and
- (f) it is delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so;

provided that the Board shall not refuse to register any transfer or renunciation of partly paid shares which are traded on the London Stock Exchange on the grounds that they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

Subject to the Articles, a member may transfer all or any of his uncertificated shares by means of the relevant system or in any other manner which is permitted by the Statutes and is from time to time approved by the Directors and the Company shall register such transfer in accordance with the Statutes.

The Directors may, in their absolute discretion and without giving any reason, refuse to register any transfer of an uncertificated share where permitted by the Regulations.

### ***Alteration of Share Capital***

The Company in general meeting may from time to time by ordinary resolution:

- (a) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;
- (b) consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares;
- (c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (d) subject to the provisions of the Acts, sub-divide its shares or any of them into shares of smaller amount, and may by such resolution determine that, as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred,

deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares.

Subject to the provisions of the Acts to any rights for the time being attached to any shares (a) the Company may by special resolution reduce its share capital or any capital redemption reserve or share premium account in any manner; and (b) purchase any of its own shares of any class (including redeemable shares).

### ***Variation of Class Rights***

If at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the Articles (but not otherwise).

Subject to the terms on which any shares may be issued, the rights or privileges attached to any class of shares shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the purchase or redemption by the Company of its own shares in accordance with the provisions of the Acts and the Articles.

### ***Annual General Meetings and General Meetings***

An annual general meeting shall be convened on not less than 21 clear days' notice in writing. An annual general meeting may be convened on shorter notice provided that all of the members entitled to attend and vote at the meeting agree.

A general meeting shall be convened on not less than 14 clear days' notice in writing.

Each notice shall specify whether the meeting is a general meeting or an annual general meeting, the place, time and day of the meeting, the text of any special resolution that is being considered and specifying also, in the case of special business, the general nature of that business and shall be given to those members that are entitled to receive notices. In every notice there shall appear a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, speak and vote instead of him; a holder of more than one ordinary share may appoint different proxies in relation to each or any of those ordinary shares; and that a proxy need not be a member. The right of a member to participate in the business of any general meeting shall include without limitation the right to speak, vote on a show of hands, vote on a poll, be represented by a proxy and have access to all documents which are required by the Acts or the Articles to be made available at the meeting.

The accidental omission to send a notice of meeting or, in cases where it is intended that it be sent out with the notice, an instrument of proxy to, or the non-receipt of either by, any person entitled to receive the same shall not invalidate the proceedings at that meeting.

### ***Voting***

Subject to the provisions of the Acts, to any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights pursuant to the Articles, at any general meeting every member who is present in person or by proxy shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is the holder, save that, if a member appoints more than one proxy, the proxies appointed by that member shall have only one vote between them.

If two or more persons are joint holders of a share, then in voting on any question the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.



No member shall, unless the Board otherwise determines, be entitled to vote at a general meeting or at any separate meeting of the holders of any class of shares, either in person or by proxy, in respect of any share held by him or to exercise any right as a member unless all calls or other sums presently payable by him in respect of that share in the Company have been paid to the Company.

### ***Directors***

Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall be not more than ten or less than two.

The Company may by ordinary resolution appoint a person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board, but the total number of Directors shall not exceed any maximum number fixed in accordance with the Articles.

Without prejudice to the power of the Company to appoint any person to be a Director pursuant to these Articles, the Board shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board, but the total number of Directors shall not exceed any maximum number fixed in accordance with the Articles. Any Director so appointed shall retire at the annual general meeting of the Company next following such appointment and shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

Subject to the provisions of the Acts, the Board may from time to time appoint one or more of its body to hold any employment or executive office (including that of Managing Director) for such term (subject to the provisions of the Acts) and subject to such other conditions as the Board thinks fit in accordance with Article 116. The Board may revoke or terminate any such appointment without prejudice to any claim for damages for breach of contract between the Director and the Company.

No person, other than a Director retiring (by rotation or otherwise), shall be appointed or re-appointed a Director at any general meeting unless:

- (a) he is recommended by the Board; or
- (b) not less than seven nor more than 42 clear days before the date appointed for the meeting, notice duly executed by a member (other than the person to be proposed) qualified to vote at the meeting has been given to the Company of the intention to propose that person for appointment or re-appointment, stating the particulars which would, if he were so appointed or re-appointed, be required to be included in the Company's register of Directors, together with notice executed by that person of his willingness to be appointed or re-appointed, is lodged at the registered office of the Company.

A Director shall not be required to hold any shares of the Company.

The Directors may, from time to time, appoint any person to be President of the Company for such period and on such terms as they may think fit.

The remuneration of the Directors for their services in the office of director shall in the aggregate not exceed £100,000 per annum and such remuneration shall be divided amongst the Directors as they shall agree or, in default of agreement, equally. The Directors may also be paid by way of additional remuneration such further sums as the Company in general meeting may from time to time determine, and any such additional remuneration shall be divided among the Directors as they shall agree or, in default of agreement, equally.

Each Director shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as a Director, including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company.

If by arrangement with the Board any Director shall perform or render any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration in addition to any additional remuneration to which he

is entitled under Article 109.1 (whether by way of salary, commission, participation in profits or otherwise) as the Board may from time to time determine.

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for, or to institute and maintain any institution, association, society, club, trust, other establishment or profit-sharing, share incentive, share purchase or employees' share scheme calculated to advance the interests of the Company or to benefit, any person who is or has at any time been a Director of the Company or any company which is a holding company or a subsidiary undertaking of or allied to or associated with the Company or any such holding company or subsidiary undertaking or any predecessor in business of the Company or of any such holding company or subsidiary undertaking, and for any member of his family (including a spouse or former spouse) and any person who is or was dependent on him. For such purpose the Board may establish, maintain, subscribe and contribute to any scheme, institution, association, club, trust or fund and pay premiums.

### ***Retirement of Directors***

At each annual general meeting of the Company, one-third of the Directors or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third shall retire from office. If there are fewer than three Directors, one Director shall retire from office. A Director who retires at an annual general meeting (whether by rotation or otherwise) may, if willing to act, be re-appointed. If he is not re-appointed or deemed to have been re-appointed, he shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.

Subject to the provisions of the Articles, all the Directors shall be subject to retirement by rotation in accordance with Article 97 and the Directors to retire at a particular annual general meeting shall include, so far as necessary to obtain the number required, first, any Director who wishes to retire and not offer himself for re-election and secondly, those Directors who have been longest in office since their last appointment or re-appointment. As between two or more Directors who have been in office an equal length of time, the Director to retire shall, in default of agreement between them, be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the Board at the start of business on the date of the notice convening the annual general meeting notwithstanding any change in the number or identity of the Directors after that time but before the close of the meeting.

Without prejudice to the provisions for retirement (by rotation or otherwise) contained in the Articles, the office of a Director shall be vacated if the Director resigns his office by written notice; if he ceases to be a Director by virtue of the Acts; is removed from office pursuant to the Articles or becomes prohibited by law from being a Director; if he becomes insolvent, suspends payment or compounds with his creditors; if he is convicted of an indictable offence; he becomes of unsound mind or incapable; both he and his alternate Director shall have absented themselves from meetings of the Board for a consecutive period of six months and the Board resolves that the office shall be vacated; or he is requested to resign by all the other Directors by notice in writing.

### ***Directors' Interests***

Subject to the provisions of the Acts and the Articles, a Director, notwithstanding his office:

- (a) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, either in regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise;
- (b) may hold any other office or place of profit under the Company (except that of auditor or of auditor of a subsidiary of the Company) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange, either in addition to or in lieu of any remuneration provided for by any other Article;

- (c) may be a Director or other officer, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and
- (d) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal;

and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

Unless the circumstances referred to in sections 177(5), 177(6), 182(5) or 182(6) of the 2006 Act apply (in which case no disclosure is required), a Director who, to his knowledge, is in any way (directly or indirectly) interested in any contract, arrangement, transaction or proposal with the Company shall declare the nature and extent of his interest by:

- (a) notice in writing under section 184 of the 2006 Act;
- (b) general notice under section 185 of the 2006 Act; or
- (c) at the meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first considered, if he knows his interest then exists or, in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

Save as provided in this Article, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any proposal whatsoever to which the Company is or is to be a party and in which he has an interest which (together with any interest of any person connected with him within the meaning of section 252 of the 2006 Act) is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company, unless the resolution concerns any of the following matters:

- (a) the giving to him of any guarantee, security or indemnity in respect of money lent to or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (d) any contract, arrangement, transaction or proposal concerning any other body corporate in which he (together with persons connected with him within the meaning of section 252 of the 2006 Act) does not to his knowledge have an interest in one per cent or more of the issued equity share capital of any class of such body corporate or of the voting rights available to members of such body corporate;
- (e) any contract, arrangement, transaction or proposal relating in any way to a retirement benefits scheme which has been approved by or is subject to and conditional on approval by the Inland Revenue for taxation purposes;
- (f) any contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (g) any contract, arrangement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy pursuant to Article 178.

A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested. Where proposals are under consideration concerning the appointment (including

fixing or varying the terms of appointment or its termination) of two or more Directors to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not otherwise debarred from voting under the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

### ***Borrowing Powers***

Subject to the provisions of the Articles, the Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge all or any part of its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as security (principal or collateral) for any debt, liability or obligation of the Company or any third party.

The aggregate amount owing by the Company and all its subsidiary undertakings in respect of moneys borrowed by them or any of them shall not at any time without the previous sanction of the Company in general meeting exceed an amount equal to four times the aggregate of:

- (a) the amount paid up on the issued share capital of the Company; and
- (b) the amounts standing to the credit of the capital and revenue reserves (including, without limitation, any share premium account, capital redemption reserve, revaluation reserve or merger reserve) of the Company and its subsidiary undertakings, plus or minus any balance standing to the credit or debit on profit and loss account,

all as shown in the then latest audited consolidated balance sheet of the Company and its subsidiary undertakings but after:

- (c) making such adjustments as may be appropriate in respect of any variation in the interest of the Company in subsidiary undertakings and in such paid up share capital and reserves since the date of the relevant balance sheet;
- (d) deducting the amount of any distributions not attributable to the Company out of profits (whether of a capital or revenue nature) accrued prior to the date of such balance sheet which have been made, declared, or recommended since such date and were not provided for in the balance sheet; and
- (e) deducting amounts attributable to goodwill or other intangible items.

### ***Dividends***

Subject to the provisions of the Acts and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.

Subject to the provisions of the Acts, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. Subject as aforesaid, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.

The Board may, at its discretion, make provisions to enable such depository and/or member as the Board shall from time to time determine to receive dividends duly declared in a currency or currencies other than sterling.

The Board may, before recommending any dividend create reserves out of the profits of the Company and apply any sums as it thinks fit. The Board may also, without placing the same to reserve, carry forward any profits which it may think prudent not to distribute.

### ***Unclaimed Dividends***

All dividends, interest, or other sum payable and unclaimed for 12 months after having become payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having become due for payment shall (if the Board so resolves) be forfeited and shall cease to remain owing by the Company.

### ***Notices***

The Company may give any notice or document (including a share certificate) to a member, either personally or by sending it by post or other delivery service in a prepaid envelope addressed to the member at his registered address or by leaving it at that address or in any such manner and form permitted by the Acts. In the case of a member registered on an overseas branch register any such notice or document may be posted either in the United Kingdom or in the territory in which such branch register is maintained.

In the case of joint holders of a share, all notices or documents shall be given to the joint holder whose name stands first in the register of members of the Company in respect of the joint holding. Notice so given shall be sufficient notice to all the joint holders.

Any notice to be given by the Company to the members or any of them, and not otherwise provided for by the Articles, shall be sufficiently given if given by advertisement in at least one leading daily newspaper published in the United Kingdom and, where the Company keeps an overseas branch register, in at least one leading daily newspaper published in the territory in which such register is maintained. Any notice given by advertisement shall be deemed to have been served at noon on the day on which the advertisement first appears.

If at any time by reason of the threat of or of the suspension, interruption or curtailment of postal services within the United Kingdom the Company is or would be unable effectively to convene a general meeting by notices sent through the post, a general meeting may be convened by a notice advertised in at least two leading daily newspapers (at least one of which shall be a national newspaper) and, where the Company keeps an overseas branch register, in at least one leading daily newspaper published in the territory in which such register is maintained.

### ***Winding Up***

If the Company shall be wound up, the assets remaining after payment of the debts and liabilities of the Company and the costs of the liquidation shall be applied, first in repaying to the members the amounts paid up on the shares held by them respectively, and the balance (if any) shall be distributed among the members in proportion to the aggregate nominal value of the shares held by them respectively. Provided always that the provisions hereof shall be subject to the rights of the holders of shares (if any) issued upon special conditions.

In a winding up, any part of the assets of the Company, including any shares in or securities of other companies, may, with the sanction of a special resolution of the Company, be divided by the liquidator among the members of the Company in specie, or may, with the like sanction, be vested in trustees for the benefit of such members, and the liquidation of the Company may be closed and the Company dissolved but so that no member shall be compelled to accept any shares whereon there is any liability.

### ***Rights Attaching to the New Conygar Shares***

The New Conygar Shares shall each have the right to one vote per share and shall rank *pari passu* with all other Ordinary Shares in respect of the right to dividends and the right to return of capital on a winding up.

### ***Special Rights Attaching to the Conygar Preference Shares***

The Conygar Preference Shares shall rank *pari passu* with the Ordinary Shares, save that the following rights shall apply to the Preference Shares:

- (a) no dividend or other distribution shall be payable on the Conygar Preference Shares;

- (b) a holder of Conygar Preference Shares may at any time convert the maximum number of Conygar Preference Shares held by it as is exactly divisible by five into Ordinary Shares on the basis of one Ordinary Share for every five Conygar Preference Shares and:
- (i) the conversion shall be effected by notice in writing given to the Company signed by the relevant Conygar Preference Shareholder. The conversion shall take effect immediately on the date of delivery of the notice to the Company;
  - (ii) immediately after conversion takes effect the holders of the resulting Ordinary Shares shall send to the Company the certificates for their respective holdings of Conygar Preference Shares. The Company shall send those holders certificates for the Ordinary Shares resulting from the conversion and, if relevant, replacement certificates for any residual holding of Conygar Preference Shares; and
  - (iii) the Ordinary Shares resulting from the conversion shall rank from the date of conversion equally in all respects with the other Ordinary Shares in the Company;
- (c) subject to the Acts, the Conygar Preference Shares shall be redeemed on 31 December 2011 and:
- (i) the Company shall pay 25 pence for each Conygar Preference Share redeemed;
  - (ii) if on any redemption date specified in the Articles, the Company has insufficient profits available for distribution to redeem all or some of the Conygar Preference Shares due to be redeemed on that date;
    - (A) the date of redemption of those Conygar Preference Shares shall be the last day of each subsequent month; and
    - (B) to the extent that the Company has profits available for distribution on any subsequent date for redemption, the Company shall immediately redeem those Conygar Preference Shares;
  - (iii) on the dates fixed for any redemption, the Company shall pay each registered holder of the Conygar Preference Shares the amount payable for that redemption. On receipt of that amount, each holder shall surrender to the Company their certificate for the shares to be redeemed so it can be cancelled; and
- (d) the Conygar Preference Shares shall not carry the right to receive notice of general meetings of the Company nor the right to attend or vote at them.

## 7. Directors' and Others' Interests

- 7.1 As at the date of this document and, assuming no Ordinary Shares are issued prior to Admission, the interest in the securities of the Company of: (i) the Directors which have been notified to the Company; and (ii) persons connected (within the meaning of section 252 of the 2006 Act) with a Director which would, if the connected person were a Director, be required to be disclosed under (i) above and the existence of which is known to or could with reasonable diligence be ascertained by the Directors, are as follows:

	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
R T E Ware	3,100,000	7.44
P A Batchelor	150,001	0.36
N J Hamway	372,000	0.89
S M Vaughan	125,000	0.30
M D Wigley	260,000	0.62

The percentage of Conygar's issued share capital represented by these shareholdings may immediately following Admission, be less than indicated above, depending on the number of New Conygar Shares issued to satisfy the consideration due under the Offer.

The Company has a share option scheme under which the Executive Directors and other senior executives are able to subscribe for Ordinary Shares (further details of such Scheme being set out in paragraph 15 of this Part IV). As at the date of this document, the following Options over the following number of Ordinary Shares had been granted under this Scheme to the Directors and remained outstanding:

		<i>Exercise Price</i>	<i>Number of Ordinary Shares</i>
R T E Ware	(a)	£0.50	625,000
	(d)	£1.185	650,000
	(e)	£2.00	2,025,000
P A Batchelor	(a)	£0.50	312,500
	(c)	£0.69	62,500
	(d)	£1.185	425,000
	(e)	£2.00	550,000
S M Vaughan	(b)	£0.90	130,000
	(c)	£0.69	250,000
	(d)	£1.185	325,000
	(e)	£2.00	645,000

The options are exercisable between the following dates:

- (a) 23 October 2005 and 23 October 2013
- (b) 10 March 2006 and 10 March 2014
- (c) 17 December 2006 and 17 December 2014
- (d) 15 March 2008 and 15 March 2016
- (e) 19 February 2009 and 19 February 2017.

- 7.2 As at the date of this document, the Directors had been notified of the following interests in excess of 3 per cent. of the Company's issued share capital:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Laxey Partners Limited	4,558,698	10.95
Gartmore Investment Management Limited	3,585,970	8.61
R T E Ware	3,100,000	7.44
Blackrock Inc	2,090,000	5.02

These shareholdings may represent less than 3 per cent. of the Enlarged Share Capital, depending on the number of New Conygar Shares issued to satisfy the consideration due under the Offer.

- 7.3 It has been publicly announced that certain TAP Shareholders have an interest in more than 5 per cent. of TAP's issued share capital. Some of these TAP Shareholders may, if they accept the Offer (and elect to accept the Ordinary Share Offer), hold over 3 per cent. of the Enlarged Share Capital. In the event that all TAP Shareholders accept the Ordinary Share Offer in full, there is no variation of the Offer and no further TAP Shares and/or Ordinary Shares are issued prior to the Offer becoming unconditional in all respects:

- Maple Lodge Properties Limited would, assuming it has no interest in Existing Conygar Shares, hold 5,843,149 Ordinary Shares representing 9.43 per cent. of the Enlarged Share Capital.

- 7.4 The voting rights of the Shareholders referred to in paragraphs 7.1 to 7.3 of this Part IV do not differ from the voting rights held by other Shareholders.
- 7.5 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors, nor are there any outstanding loans or guarantees provided by the Directors to or for the benefit of the Company.
- 7.6 No Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

## **8. Directors' Service Agreements and Letters of Appointment**

The following service contract and letters of appointment have been entered into between the Company and the Directors:

- (a) a service agreement dated 25 October 2007 for the appointment of Steven Mark Vaughan as Property Director of the Company with effect from 1 April 2007. The service agreement is terminable by either party on twelve months' notice. Mr Vaughan received remuneration of £150,000 per annum with effect from 1 April 2007. The service agreement contains provisions relating to garden leave, rights and obligations on termination, confidential information and Company and Group property, intellectual property, restrictions during employment, restrictions after termination, computer policy and data protection;
- (b) a service agreement dated 25 October 2007 for the appointment of Peter Andrew Batchelor as Finance Director of the Company with effect from 1 April 2007. The service agreement is terminable by either party on twelve months' notice. Mr Batchelor received remuneration of £200,000 per annum with effect from 1 April 2007. The service agreement contains provisions relating to garden leave, rights and obligations on termination, confidential information and Company and Group property, intellectual property, restrictions during employment, restrictions after termination, computer policy and data protection;
- (c) a service agreement dated 25 October 2007 for the appointment of Robert Thomas Ernest Ware as Chief Executive of the Company with effect from 1 April 2007. The service agreement is terminable by either party on twelve months' notice. Mr Ware received remuneration of £300,000 per annum with effect from 1 April 2007. The service agreement contains provisions relating to garden leave, rights and obligations on termination, confidential information and Company and Group property, intellectual property, restrictions during employment, restrictions after termination, computer policy and data protection;
- (d) a letter of appointment dated 25 October 2007 between (1) the Company and (2) Nigel Hamway for a period of three years pursuant to which Nigel Hamway provides services as a non-executive director of the Company with effect from 25 October 2007. The letter of appointment is terminable by either party on six months' written notice and Nigel Hamway is paid a fee at a rate of £35,000 per annum for providing services as a non-executive director to the Company pursuant to the terms of the letter of appointment; and
- (e) a letter of appointment dated 25 October 2007 between (1) the Company and (2) Michael Wigley for a period of three years pursuant to which Michael Wigley provides services as a non-executive director of the Company with effect from 25 October 2007. The letter of appointment is terminable by either party on six months' written notice and Michael Wigley is paid a fee at a rate of £25,000 per annum for providing services as a non-executive director to the Company pursuant to the terms of the letter of appointment.

## **9. Additional Information on the Board**

- 9.1 Details of the Directors' relevant management expertise and principal activities performed outside the Company are set out in paragraph 7 of Part I of this document.



9.2 In addition to their directorships of the Company, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Peter Andrew Batchelor	46	Bigglesworth Investments Limited C M Sheffield Limited Conygar Bedford Square Limited Conygar Hanover Street Limited Conygar Holdings Limited Conygar Stena Line Limited Conygar Strand Limited Conygar Wales Plc Martello Quays Limited Metropolitan Film Partnership LLP Oxiana Property LLP	None
Nigel Jonathon Hamway	53	1 Rawlinson Road Management Limited Charterhouse Development Capital Limited Charterhouse General Partners Limited Charterhouse General Partners (VI) Limited Family Links (Educational Programmes) Ohbia Limited Oxford Lieder The Progress Foundation Quickheart Limited Trufflehunter Limited TTP Capital Partners Limited	CAF Syndication Limited CCP VII Syndication Limited CCP VIII Syndication Limited Charterhouse Buy-out Fund Advisers Limited Charterhouse General Partners (VIII) Limited Charter-Kontron Limited Del Monte Foods International Limited Quickheart Travel Limited
Steven Mark Vaughan	51	C M Sheffield Limited Conygar Bedford Square Limited Conygar Hanover Street Limited Conygar Holdings Limited Conygar Strand Limited Oxiana Property LLP	Almura Building Products Limited Metropolitan Film Partnership LLP
Michael Derek Wigley	70	Leggmason Investors International Utilities Trust Plc Pollok & Corroul Limited Premier Energy and Water Trust Plc	31 Holland Park Residents Company Limited Big Realisations Limited Edit Trading Limited Johnson Fry Second Utilities Trust Limited

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Robert Thomas	54	Conygar Developments Limited	I2S Limited
Ernest Ware		Conygar Bedford Square Limited	Almura Building Products Limited
		Conygar Hanover Street Limited	Metropolitan Film Partnership LLP
		Conygar Holdings Limited	Raven Mount Group Plc
		Conygar Properties Limited	Raven Mount Limited
		Conygar Stena Line Limited	Talarius Limited
		Conygar Strand Limited	Wyevale Garden Centres Limited
		Conygar Wales Plc	
		D III LLP	
		Gartmore Go Dealing Limited	
		Gartmore Growth Opportunities Plc	
		Martello Quays Limited	
		Marwyn Value Investors	
		Matterley Holdings LLP	
		NR Nordic & Russia Properties Limited	
		Oxiana Property LLP	
		Tarsus Group Limited	
		Terra Catalyst Fund	
		Wes Real Estate LLP	
		Woodley Lodge Investments Limited	

9.3 None of the Directors has:

- (a) had any convictions in relation to fraudulent offences within the last five years preceding the date of this document;
- (b) had any bankruptcy order made against him or entered into any voluntary arrangement within the last five years preceding the date of this document;
- (c) been a director or senior manager of a company or a member of the administrative management or supervisory board of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a voluntary agreement or any composition or arrangement with its creditors generally or any class of its creditors within the last five years preceding the date of this document;
- (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement within the last five years preceding the date of this document;
- (e) been the owner of any assets or a partner in any partnership which has been placed in receivership within the last five years preceding the date of this document;
- (f) ever been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) within the last five years preceding the date of this document; or
- (g) ever been disqualified by a court from acting as a member of the administrative, management or supervisory body of a company or from acting in the management or conduct of the affairs of any company.

9.4 None of the Directors has:

- (a) any unspent convictions in relation to indictable offences;

- (b) had any bankruptcy order made against him or entered into any voluntary arrangements;
- (c) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (e) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (f) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

9.5 There are no potential conflicts of interest between any duties to the Company of any members of its administrative, management or supervisory bodies and their private interests and/or other duties.

## 10. Employees

As at the date of this document, the Company employs two people (in addition to the Directors): a property executive and the company secretary, each of whom works at the Company's registered office.

## 11. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, are the only contracts which (i) have been entered into by any member of the Group within the two years immediately preceding the date of this document and are, or may be, material or (ii) have been entered into by any member of the Group at any other time and contain provisions under which any member of the Group has any obligations or entitlements which are material to the Group at the date of this document:

- (a) a joint venture agreement dated 19 October 2007 between Conygar Holdings Limited, Stena Line Ports Limited and Ingleby (1740) Limited (now Conygar Stena Line Limited) (the "Joint Venture") regulating the operation and management of Conygar Stena Line Limited and the relationship between its shareholders. Conygar Stena Line Limited is a joint venture company established by Conygar Holdings Limited and Stena Line Ports Limited for the purpose of acquiring development properties.

Conygar Holdings Limited lent £3,980,000 to the Joint Venture under this agreement for the purpose of acquiring freehold property at Soldiers Point, Porth-y-Felin, Holyhead, Anglesey and at Porth-y-Felin House, Beach Road, Holyhead, Anglesey (the "Anglesey Properties"). Stena Line Ports Limited may require Conygar Holdings Limited to sell half of the principal amount of this loan as is outstanding at the date of such request, at par value.

The agreement was conditional upon the completion of a contract for the purchase of the Anglesey Properties by the Joint Venture from Stena Line Ports Limited for a consideration of £3,020,000. This contract was completed on 20 November 2007 and contained such terms and conditions as are customary for a transaction of such nature.

The joint venture agreement gives both Conygar Holdings Limited and Stena Line Ports Limited an option to purchase the Anglesey Properties if planning permission to develop the Anglesey Properties is not received within seven years of the date of the agreement.

The agreement also contains restrictive covenants which prevent either Conygar Holdings Limited or Stena Line Ports Limited from engaging in any similar or competing business as the Joint Venture in Anglesey;

- (b) an agreement between Conygar Strand Limited and Assertar Limited dated 3 October 2006 to share profits received in respect of properties at Buckingham Street and John Adam Street, London. The profits are split 70 per cent. to Conygar Strand Limited and 30 per cent. to Assertar Limited. The agreement contains provisions which provide for the management of a project account, the return of equity and profits, distribution of income, inspection of invoices and disputes, treatment of expenditure, final distribution(s) and costs;
- (c) an agreement dated 31 March 2008 between John Keith Williams and Dafydd Gruffudd Jones and the Company for the purchase by the Company of 20 ordinary shares in the capital of Martello Quays Limited (representing 25 per cent. of the issued share capital of that company) for an aggregate consideration of £600,000 plus 1,500,000 Ordinary Shares. The warranties given by the sellers under the agreement were limited to capacity and title;
- (d) a development agreement (“DA”) dated 17 July 2009 and made between (1) Milford Haven Port Authority (“MHPA”) and (2) Martello Quays Limited (the “Developer”), pursuant to which the DA obliges the Developer to build infrastructure works which create a marina and the necessary roads and ancillary infrastructure to serve residential and commercial development which is “unlocked” by the construction of such infrastructure.

The agreement contains the following conditions precedent:

1. the preparation of a technical study setting out the feasibility of the engineering solution for the infrastructure works being agreed by MHPA;
2. the acquisition of all land required to implement the planning permission for development of the site;
3. the Developer agreeing MHPA’s professional fees which are payable by the Developer if the DA becomes unconditional;
4. obtaining a planning permission for the proposed development (this has now been obtained and the condition satisfied);
5. the agreement for a lease of the marina area from the Crown Estate being settled;
6. the Developer producing a report that the proposed transaction is viable and will produce a minimum return of 15 per cent. of capital expenditure to the Developer;
7. the approval by MHPA of the proposed form of building contract and appointments of the contractor and professional team who the Developer proposes to appoint to carry out the infrastructure works; and
8. the proposed detailed specification for the infrastructure works being agreed by the parties.

Land owned by MHPA, Pembrokeshire County Council and the Welsh Ministers is transferred to the Developer or by its direction after completion of the infrastructure works. In addition, it is intended that the Developer enters a lease of the marina area with the Crown Estate, with the rent payable to be agreed as a condition precedent to the DA.

It is intended that the residential and commercial land will be sold or developed and sold by the Developer. The Developer will retain the proceeds of such disposals (after the repayment of all capital expenditure) to the extent that they comprise fifteen per cent 15 per cent. of the capital expenditure spent on the infrastructure works and the balance (if any) is to be split equally between the Developer and MHPA.

- (e) an agreement between Conygar and Anglesey Boat Company Limited dated 1 November 2007 pursuant to which Conygar acquired certain assets of Anglesey Boat Company Limited comprising all intellectual property rights, project introduction, planning consents, plans, agreements and other miscellaneous rights to develop a marina and associated land at Fishguard, Wales, for consideration of £125,000 (exclusive of VAT);
- (f) an agreement between Conygar Strand Limited and Parkview Homes Limited dated 30 April 2009 for the sale of 27 and 29 John Adam Street, London WC2N 6HX for consideration of £4,250,000 (exclusive of VAT). This agreement has been exchanged and its completion is conditional upon Conygar Strand Limited having vacant possession of the properties referred to above; and
- (g) an introduction agreement dated 7 August 2009 between Conygar (1), the Directors (2) and Oriel Securities (3) pursuant to which Oriel Securities has agreed to act as financial adviser, sponsor, nominated adviser and corporate broker to the Company for the purposes of the Acquisition (the "Introduction Agreement").

The obligations of Oriel Securities under the agreement are conditional upon certain conditions having been fulfilled or waived by Oriel Securities. These conditions include the passing of the resolutions to be proposed at the General Meeting, compliance by the Company with its regulatory obligations in relation to the Acquisition and Admission occurring by not later than 8.00 a.m. on the Business Day immediately following the day on which the Offer becomes or is declared unconditional in all respects.

Pursuant to the Introduction Agreement, the Company has agreed to indemnify Oriel Securities (on an uncapped basis) against certain losses, costs, charges and expenses which it may suffer or incur as a result of, *inter alia*, the carrying out of its duties under the Introduction Agreement or in relation to the Acquisition.

The Company and the directors have given (on a joint and several basis) certain warranties in favour of Oriel Securities with regard to, *inter alia*, the Group and the accuracy of this document that are customary for an agreement of this nature. The liability of each Director in relation to those warranties is capped at an amount equal to twice the gross salary or fees (as the case may be) paid by a member of the Group to the relevant Director in the twelve (12) months ending on the date of the Introduction Agreement.

Oriel Securities has a right to terminate the Introduction Agreement, in its absolute discretion, by notice in writing to the Company in certain circumstances including where (i) the Company or any Director fails to comply in any material respect with any of its obligations under the Introduction Agreement or with any law or regulation in relation to the Acquisition or (ii) where Oriel Securities becomes aware that any of the warranties was when given or when deemed repeated untrue and the fact, matter or circumstance giving rise to the warranty being untrue is either not capable of being remedied or has not been remedied within 10 Business Days.

## **12. Dependence on Intellectual Property etc.**

The Company is not dependent on any patents, licences, industrial, commercial or financial contracts or new manufacturing processes which have a material effect on the Company's business or profitability.

## **13. Related Party Transactions**

The Company has not entered into any related party transactions.

## **14. Litigation**

The Group is not involved nor has been involved in any governmental, legal or arbitration proceedings in the previous 12 months which may have or have had in the recent past a significant effect on the Company's and/or the Group's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company or the Group.

## **15. Summary of the principal terms of The Conygar Investment Company Share Option Plan (“the Option Scheme”)**

### **15.1 Operation**

The Option Scheme is operated by the Remuneration Committee of the Board (“the Committee”).

### **15.2 Inland Revenue approval**

The Option Scheme is divided into two parts. One part (the “Approved Part”) has been designed to qualify for approval by the Inland Revenue under the Income Tax (Earnings and Pensions) Act 2003 (the “Income Tax Act 2003”). Options granted under the Approved Part are referred to as “Approved Options”.

The other part (the “Unapproved Part” contained at Appendix III to the rules of the Option Scheme) does not qualify for Inland Revenue approval. Accordingly the Unapproved Part allows greater flexibility than is permitted under the Approved Part. In particular, the £30,000 individual limit (see below) does not apply to options granted under Appendix III. Options granted under the Unapproved Part are referred to as “Unapproved Options”. “Options” or “Option” shall mean an Approved Option (or Approved Options) or an Unapproved Option (or Unapproved Options) as the context shall require or permit.

### **15.3 Grant of Options**

#### **(a) Eligibility**

Any full-time director (i.e. one who is contractually required to work at least 25 hours per week) and any other employee of the Group, is eligible to be granted options under the Approved Part at the discretion of the Committee. Any Executive Director and any other employee of the Company or the Group will be eligible to be granted options under the Unapproved Part.

#### **(b) When Options may be granted**

Approved Options may be granted within any period of 42 days following either: (i) approval of the Option Scheme by HMRC; or (ii) the announcement of any results of the Company in each year or (iii) the issue of shares by the Company. Approved Options will not be granted more than 10 years after the date of the approval of the Option Scheme by HMRC.

Unapproved Options may be granted within any period of 42 days following either: (i) the date that the Option Scheme is adopted by the Company; or (ii) the announcement of any results of the Company in each year or (iii) the issue of shares by the Company. Unapproved Options will not be granted more than 10 years after the date that the Option Scheme is adopted by the Company.

If the Committee is prevented from granting options within the periods described above, by statute, order, regulation or government directive, it may grant options within the period of 21 days after the lifting of such restrictions. Options may also be granted at other times in exceptional circumstances.

#### **(c) Option exercise price**

The price at which optionholders may acquire Ordinary Shares on the exercise of their Approved Options will be determined by the Committee at the time of grant and must not be less than the higher of: (a) the nominal value of an Ordinary Share; and (b) the middle market quotation of an Ordinary Share as derived from the Daily Official List of the London Stock Exchange for the dealing day immediately preceding the date of grant.

The price at which optionholders may acquire Ordinary Shares on the exercise of their Unapproved Options will be determined by the Committee as its reasonable opinion of the

market value of an Ordinary Share at the time of grant or, where the grant follows an issue of shares by the Company, the price at which shares are issued by the Company, and where the Unapproved Option is an option to subscribe it will not be less the nominal value of an Ordinary Share.

(d) *Individual limit*

At any one time, the Approved Options which any optionholder may hold under the Option Scheme and any other share option scheme (excluding savings-related schemes) approved under the Income Tax Act 2003 and established by the Company (or any associated company), must be limited to Ordinary Shares with a market value (calculated at the date of grant of each option) that does not exceed £30,000.

#### 15.4 *Option Scheme limits*

The number of issued Ordinary Shares over which options may be granted under the Option Scheme will be limited as follows:

- (i) to the extent that the Company's market capitalisation is less than £100 million, the grant of Options will be limited so that the number of Ordinary Shares issued, or remaining issuable, pursuant to rights granted under the Option Scheme will not exceed 15 per cent. of the Company's issued ordinary share capital at the date of grant;
- (ii) if the Company's market capitalisation exceeds £100 million, the grant of Options will be limited so that the number of Ordinary Shares issued, or remaining issuable, pursuant to rights granted under the Option Scheme after the Company's market capitalisation exceeds £100 million will not exceed 10 per cent. of any additional Ordinary Shares issued by the Company after the Company's market capitalisation exceeds £100 million.

#### 15.5 *Performance conditions*

All options granted under the Option Scheme are subject to performance conditions set by the Committee. The performance conditions are designed to link the exercise of options to the growth in the share price of the Company.

It is intended that the conditions attached to the initial set of Options granted under the Option Scheme will require that the Company's share price growth over a two year period exceeds 20 per cent. compound per annum. The starting price for measuring share price growth will be the placing price and the end price will be the average of the mid market value of a share in the Company over the 30 days ending on the second anniversary of the date of Admission. The performance condition may be re-tested on an annual basis if it is not achieved on the second anniversary.

Options granted after 14 March 2006 require that the annual percentage growth in the Company's share price exceeds that of the FTSE Small Cap Index over the two year period measured from the date upon which the Options are granted. This performance condition may be retested on an annual basis if it is not achieved on the second anniversary.

The Committee has power to vary any performance condition after the option has been granted if, because of a change in circumstances, it considers the condition to have become unfair or impractical.

#### 15.6 *Exercise of Options*

An Option will normally be exercisable between two and ten years from the date of grant. If an optionholder ceases to qualify as an eligible employee or director, any outstanding Option granted to him under the Option Scheme will lapse subject to the limited exercise periods referred to below.

If an optionholder ceases to be employed within the Group by reason of: death; injury or disability; redundancy; retirement at 55; his employing company leaving the Group; or his employment being transferred out of the Group, his Option will be exercisable within a limited period, whether or not the

performance conditions have been satisfied. If for some other reason an optionholder no longer qualifies as an eligible employee or director, the Committee will retain a discretion to allow that optionholder to exercise his Options within a limited period. The Committee may extend that period to a longer period and/or make the exercise subject to conditions.

Options will also be exercisable within a limited period in the event of a takeover of the Company; its reconstruction or amalgamation with another company by virtue of a compromise or arrangement sanctioned by the court (a “Section 425 scheme”); or the voluntary winding up of the Company. In these circumstances Options will be exercisable whether or not the performance conditions have been satisfied, save that for Unapproved Options in the event of a takeover of the Company, or a Section 425 scheme, an option may not be exercised unless the Committee is satisfied with the performance of the Company over the period since the date that the option was granted.

#### **15.7 *Variation of share capital***

In the event of any increase or variation in the share capital of the Company (whether by way of capitalisation, rights issue, sub-division or consolidation of the Ordinary Shares), the exercise price under each subsisting Option and/or the number and nominal value of Ordinary Shares comprised in the Option may be adjusted by the Committee in such manner as it decides is fair and reasonable. In the case of Approved Options, the prior approval of HMRC will also be required.

#### **15.8 *Rights attaching to shares***

Any Ordinary Shares allotted (or transferred) pursuant to the exercise of an Option will rank equally in all respects with the other Ordinary Shares in issue on the date of allotment (or transfer).

#### **15.9 *Amendments to the Option Scheme***

The Board may amend the Option Scheme in any way it thinks fit save that no amendment may be made which would adversely affect the subsisting rights of optionholders, without the consent of the optionholder whose rights would be adversely affected by the amendment.

In the case of Approved Options, the prior approval of the Inland Revenue will also be required to the amendment of key features of the Option Scheme.

#### **15.10 *General***

The Company will at all times keep available sufficient authorised and unissued Ordinary Shares to satisfy the exercise of all options granted under the Option Scheme taking into account arrangements for such options to be satisfied with issued shares.

An Option will be personal to the optionholder and may not be assigned, charged, transferred or otherwise disposed of except as provided under the rules of the Option Scheme.

No optionholder will be entitled, on the termination of their employment with a member of the Group, to any compensation for the loss of any rights under the Option Scheme.

Benefits under the Option Scheme will not be pensionable.

This is a summary of the main features of the Option Scheme but does not form part of it and should not be taken as affecting its interpretation.

### **16. Summary of the principal terms of the profit sharing plan of the Company**

The profit sharing plan is an annual plan in which Executive Directors are entitled to an allocation of a profit sharing pool based upon an increase in the net asset value of the Company adjusted for property revaluation, attributable taxation and fair value of debt (“adjusted net asset value”).

The profit sharing pool is an amount equal to 20 per cent. of any increase in the adjusted net asset value of the Company during the previous financial year but reduced by the percentage value of any unexercised share



options held by the Executive Directors in order to ensure that the amounts earned by the Executive Directors can never exceed 20 per cent. of the increase in net asset value.

Payments under the plan are satisfied in cash and are based on the Company's salary year which runs to 31 March. The Remuneration Committee has absolute discretion over participation, pool allocation and determination of performance conditions, save in a limited number of circumstances.

## **17. No Significant Change**

No significant change to the Group's financial or trading position has occurred since 31 March 2009, being the date of the Group's Unaudited Interim Results, as set out in Section 5 of Part II of this document.

## **18. Working Capital**

The Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of publication of this document. This statement has been made for the purposes of the Prospectus Rules.

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission. This statement has been made for the purposes of the AIM Rules for Companies.

The Directors are unable to undertake appropriate procedures to support a statement in respect of the sufficiency of working capital for the Enlarged Group as Conygar does not have access to non-public information on TAP allowing those procedures to be undertaken.

If Conygar is granted access by TAP before the Offer is declared unconditional in all respects and such access is sufficient for the purpose of making a working capital statement in respect of the Enlarged Group, Conygar will publish a further document containing an updated working capital statement in respect of the sufficiency of the Enlarged Group's working capital.

## **19. Taxation**

The following paragraphs are intended as a general guide only for Conygar Shareholders or TAP Shareholders who are resident and, in the case of individuals, ordinarily resident in the United Kingdom for tax purposes, holding TAP Shares, New Conygar Shares or Conygar Preference Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and HMRC practice. The position may be different for any future disposal and may alter between the date of this document and the implementation of the conversion of any Conygar Preference Shares into New Conygar Shares.

Shareholders who hold their TAP Shares, New Conygar Shares or Conygar Preference Shares in special circumstances (such as insurance companies or collective investment schemes) or persons who have (or are deemed to have) acquired their shares by reason of an office or employment and dealers in securities may be subject to different tax rules to those set out below.

Any shareholder who is in any doubt about their tax position, or who is subject to taxation in a jurisdiction other than the UK, should consult their own professional adviser immediately.

### **19.1 Offer**

For the purpose of UK tax on capital gains and corporation tax on chargeable gains ("CGT"):

19.1.1 the issue of New Conygar Shares or Conygar Preference Shares pursuant to the Ordinary Share Offer or Preference Share Alternative should be regarded as a reorganisation of the share capital and accordingly should be treated as the same asset, acquired at the same time and at the same price as the existing TAP Shares;

19.1.2 an individual TAP Shareholder who disposes of a holding of TAP Shares pursuant to the Cash Alternative should realise a disposal for CGT purposes. This may, depending on individual

circumstances, give rise to a liability to CGT. Any gain or loss will be calculated by reference to the difference between the amount realised and the TAP Shareholder's base cost in the TAP Shares disposed of;

19.1.3 the amount of CGT payable by an individual TAP Shareholder as a consequence of accepting the Cash Alternative will depend on his or her personal tax position. Any gains realised by a TAP Shareholder in the year of assessment in question in excess of the annual exemption (£10,100 for 2009/10) will broadly be taxed at a flat rate of 18 per cent. for individuals, trustees and personal representatives; and

19.1.4 a corporate TAP Shareholder will be subject to corporation tax on a disposal of TAP Shares pursuant to the Cash Alternative subject to reliefs. Corporate shareholders are entitled to indexation allowance up to the month in which the chargeable gain is realised.

## 19.2 *Conversion*

For the purpose of CGT, the conversion of Conygar Preference Shares into Ordinary Shares should be regarded as a reorganisation of the share capital of the Company and accordingly the Ordinary Shares received should be treated as the same asset, acquired at the same time and at the same price as the existing Conygar Preference Shares.

## 19.3 *UK anti-avoidance legislation*

The attention of shareholders within the charge to UK tax is drawn to sections 703 to 709 of the Income and Corporation Taxes Act 1988 which applies to UK resident companies, and sections 682 to 713 of the Income Taxes Act 2007 Act, which applies to UK resident individuals. These contain provisions to cancel tax advantages from certain transactions in securities.

## 19.4 *Stamp duty and Stamp Duty Reserve Tax*

No stamp duty or stamp duty reserve tax ("SDRT") will generally be payable on the issue of the New Conygar Shares or Conygar Preference Shares.

## 19.5 *Subsequent Disposals*

A TAP Shareholder who disposes of the whole or part of a holding of New Conygar Shares or Conygar Preference Shares should realise a disposal for CGT purposes. This may, depending on individual circumstances, give rise to a liability to CGT. Any gain or loss will be calculated by reference to the difference between the amount realised and the TAP Shareholder's base cost in the New Conygar Shares or Conygar Preference Shares disposed of. Shareholders are referred to paragraph 19.1.1 of this Part IV for information on how the base cost attributable to their New Conygar Shares or Conygar Preference Shares will be determined.

The amount of CGT payable by an individual TAP Shareholder on a disposal of New Conygar Shares or Conygar Preference Shares will depend on his or her personal tax position. Any gains realised by a TAP Shareholder in the year of assessment in question in excess of the annual exemption (£10,100 for 2009/10) will broadly be taxed at a flat rate of 18 per cent. for individuals, trustees and personal representatives.

A corporate TAP Shareholder will be subject to corporation tax on a disposal of New Conygar Shares or Conygar Preference Shares subject to reliefs. Corporate shareholders are entitled to indexation allowance up to the date the chargeable gain is realised.

## 19.6 *Dividends and other Distributions*

No UK withholding tax will be payable in respect of any dividends the Company may pay on its New Conygar Shares. Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or ten per cent. of the aggregate of the cash dividend and associated tax credit.

For the tax year 2009/10 individual shareholders liable to pay income tax at no more than the basic rate who receive such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at 10 per cent. Such taxpayers should have no further liability to income tax in respect of such a dividend.

Individual shareholders liable to pay income tax at the higher rate who receive such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at 32.5 per cent. Such taxpayers will have an additional tax liability (after taking into account the tax credit) of 22.5 per cent. of the aggregate of the individual and associated tax credit (an effective tax rate of 25 per cent. of the net cash dividend received).

Individual shareholders whose income tax liability is less than the tax credit and UK resident taxpayers who are not liable to UK tax on dividends will not be entitled to claim a repayment of all or part of the tax credit associated with such dividends.

A UK resident corporate shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

Trustees of trusts liable to account for income tax at the rate applicable to trusts on the trust's income are required to account for tax at 32.5 per cent on such dividends.

## **20. General**

- 20.1 Each of Oriel Securities and Rees Pollock has given and not withdrawn its written consent to the inclusion in this document of references to its name in the forms and contexts in which it appears. Rees Pollock has authorised the inclusion of its report set out in Part II of this document in the form and context in which it is included and has accepted responsibility for its report for the purpose of the AIM Rules and the Prospectus Rules.
- 20.2 The estimated amount of expenses of the Offer and Admission which are all payable by the Company is approximately £1.5 million (including VAT) and excluding any expenses incurred by TAP.
- 20.3 The accounting reference date of the Company is 30 September.
- 20.4 The Directors are not aware of any exceptional factors that have influenced the activities of the Company.
- 20.5 Save as disclosed in this document the Company has no existing or planned material tangible fixed assets, including leased properties nor any major encumbrances on such assets.
- 20.6 The Directors are not aware of any environmental issues or risks affecting the Company or its operations.
- 20.7 Save as disclosed in this document, there have been no significant investments by the Company during the three financial periods ended 30 September 2008 nor the six month period ending 31 March 2009, there are no significant investments in progress and the Board has made no firm commitments in respect of any significant future investments.
- 20.8 To the best of the knowledge of the Company, there are no persons who directly or indirectly control the Company, where control means owning 30 per cent. or more of the voting rights attaching to the share capital of the Company. The Company is not aware of any arrangements which may at a subsequent date result in a change in control of the Company.
- 20.9 No person directly or indirectly (other than the Company's professional advisers and trade suppliers or save as disclosed in this document) has in the last 12 months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value or any other benefit to such value or entered into any contractual arrangements to receive the same from the Company at the date of Admission.

20.10 No Director or any member of any Director's family (as such term so defined in the AIM Rules for Companies) has any related financial product (as such term is defined in the AIM Rules for Companies) referenced to any Ordinary Shares.

20.11 Within this document, where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and, insofar as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## **21. Availability of Documents**

Copies of the following documents will be available for inspection during usual business hours on weekdays, weekends and public holidays excepted, at the offices of Wragge & Co LLP at 3 Waterhouse Square, 142 Holborn, London EC1N 2SW from the date of this document or for at least one month after Admission:

- (a) the Memorandum of Association of the Company and the Articles of Association of the Company proposed to be adopted at the General Meeting;
- (b) the unaudited interim results of the Group as at and for the financial period ended 31 March 2009 and the audited accounts of the Group as at and for the three years ended 30 September 2008;
- (c) the service agreements referred to in paragraph 8 of this Part IV;
- (d) the material contracts referred to in paragraph 11 of this Part IV;
- (e) the written consents referred to in paragraph 20 of this Part IV;
- (f) the Circular;
- (g) Offer Document;
- (h) this document; and
- (i) the audited accounts of TAP for the financial period ended 31 December 2008.

Dated: 7 August 2009

## DEFINITIONS

In this document, the following terms and expressions have the following meanings unless the context requires otherwise:

“£”	UK pound sterling;
“1985 Act”	the Companies Act 1985 (as amended), to the extent in force;
“2006 Act”	the Companies Act 2006 (as amended), to the extent in force;
“Acquisition”	the proposed acquisition of TAP by Conygar pursuant to the Offer;
“Acts”	the 1985 Act and the 2006 Act;
“Admission”	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies;
“AIM”	the AIM market operated by London Stock Exchange;
“AIM Rules for Companies”	the AIM Rules for Companies, incorporating guidance notes, published by the London Stock Exchange governing admission to AIM and the continuing obligations of companies admitted to AIM as amended from time to time;
“AIM Rules for Nominated Advisers”	means the AIM Rules for Nominated Advisers to AIM companies published by the London Stock Exchange (including any guidance notes or statements of practice) which govern the eligibility, approval and continuing obligations of Nominated Advisers to AIM companies, as amended from time to time;
“Articles”	the articles of association of the Company which are proposed to be adopted at the General Meeting, a summary of which is set out in paragraph 6 of Part IV of this document;
“Board” or “Directors”	the directors of the Company as at the date of this document (except in the context of paragraph 6 of Part IV of this document where “Board” shall mean the board of directors of the Company and “Director” shall mean a director of the Company, in each case as at the relevant time);
“Business Day”	a day on which the London Stock Exchange is open for the transaction of business;
“Cash Alternative”	the option under the Offer for TAP Shareholders to accept cash consideration of 15 pence in cash per TAP Share;
“certificated” or “in certificated form”	a share or security which is not in uncertificated form;
“Circular”	the explanatory circular to Conygar Shareholders in respect of the General Meeting dated 7 August 2009;
“CISX”	the Channel Islands Stock Exchange;
“City Code” or “Code”	the City Code on Takeovers and Mergers;
“Closing Price”	the closing middle market quotation of an Ordinary Share as derived from the Daily Official List of the London Stock Exchange;
“Combined Code”	the Combined Code on Corporate Governance published in June 2006 by the Financial Reporting Council;

“Conygar” or “the Company”	The Conygar Investment Company PLC;
“Conygar Shareholders” or “Shareholders”	holders of Ordinary Shares and/or, as the context requires, the Conygar Preference Shares;
“Conygar Preference Shares”	the unlisted zero coupon preference shares of 1 pence each proposed to be issued by Conygar pursuant to the Preference Share Alternative, such shares having the rights summarised in paragraph 6 of Part IV of this document;
“CREST”	the relevant system (as defined in the Regulations) in respect of which Euroclear UK & Ireland Limited is the operator and in accordance with which securities may be held and transferred in uncertificated form;
“DTR”	the Disclosure and Transparency Rules made by the FSA pursuant to section 73A(3) of FSMA;
“EEA States”	the states which are contracting parties to the agreement on the European Economic Area signed at Oporto on 2 May 1992, as it has effect for the time being (such states being at the date of this document Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom);
“Enlarged Group”	Conygar and its subsidiaries following completion of the Acquisition;
“Enlarged Share Capital”	the entire issued ordinary share capital of the Company following the issue of the New Conygar Shares;
“Executive Directors”	Robert Ware, Peter Batchelor and Steven Vaughan;
“Existing Conygar Shareholders”	holders of Existing Conygar Shares;
“Existing Conygar Shares”	the 41,647,906 Ordinary Shares in issue at the date of this document;
“First Closing Date”	the first closing date of the Offer, being 1.00 p.m. on 28 August 2009;
“Form of Proxy”	the form of proxy for use at the General Meeting;
“FSA”	the Financial Services Authority;
“FSMA”	Financial Services and Markets Act 2000 (as amended);
“General Meeting”	the general meeting of the Company to be held at 11.00 a.m. on 26 August 2009 at the offices of Wragge & Co LLP, 3 Waterhouse Square, 142 Holborn, London EC1N 2SW;
“Group”	Conygar and its subsidiaries at the date of this document;
“HMRC”	HM Revenue & Customs and any predecessor body, including (without limitation) Inland Revenue and HM Customs & Excise;
“IFRS”	International Financial Reporting Standards;

“Listing Rules”	the rules and regulations made by the FSA under Part VI of FSMA (as amended);
“London Stock Exchange”	London Stock Exchange plc;
“New Conygar Shares”	the new Ordinary Shares to be issued by the Company as consideration pursuant to the Ordinary Share Offer forming part of the Offer;
“Offer”	the offer made by Conygar to acquire the whole of the issued and to be issued share capital of TAP not held by Conygar at the date of such offer (including, for the avoidance of doubt, any shares held in treasury) and, where the context so requires, any subsequent revision, variation, extension or renewal thereof;
“Offer Document”	the document sent to TAP Shareholders on 7 August 2009 containing the terms and conditions of the Offer;
“Offer Documentation”	the Offer Document and where relevant the form of acceptance relating to the Offer accompanying the Offer Document, which should only be completed by the holders of TAP Shares in certificated form;
“Official List”	the Official List of maintained by the FSA;
“Offer Period”	the period commencing on 28 May 2009 and ending on the day the Offer is declared or becomes unconditional in all respects;
“Oriol Securities”	Oriol Securities Limited;
“Ordinary Share Offer”	the option under the Offer for TAP Shareholders to accept consideration comprising Ordinary Shares on the basis of one New Conygar Share for every five TAP Shares held;
“Ordinary Shares”	ordinary shares of 5 pence each in the capital of the Company;
“Panel” or “Takeover Panel”	The Panel on Takeovers and Mergers;
“Preference Share Alternative”	the option under the Offer for TAP Shareholders to accept consideration comprising Conygar Preference Shares on the basis of one Conygar Preference Share for every TAP Share held;
“Prospectus Rules”	the rules made by the FSA pursuant to section 84(1) of FSMA;
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No.3755), as amended;
“Restricted Jurisdiction”	the United States, Canada, Australia, South Africa or Japan;
“RNS”	the Regulatory News Service, being one of the regulatory information services authorised by the UKLA to receive, process and disseminate regulatory information from listed companies;
“Statutes”	the Acts and every other statute, statutory instrument, regulation or order for the time being in force concerning companies registered under the Acts;
“subsidiary” or “subsidiaries”	a subsidiary undertaking (as defined in section 1159 of the 2006 Act);
“TAP”	The Advantage Income Property Trust Limited;

“TAP Shareholders”	holders of TAP Shares;
“TAP Shares”	ordinary shares of 1 pence each in the capital of TAP;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UKLA”	the FSA acting in its capacity as the competent authority in the United Kingdom for the purposes of Part VI of FSMA;
“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“United States” or “US”	the United States of America, its territories and possessions and any other areas subject to its jurisdiction, any states of the United States and the District of Columbia;
“US Securities Act”	the United States Securities Act 1993, as amended; and
“VAT”	value added tax.









