

THE CONYGAR INVESTMENT COMPANY PLC

INTERIM REPORT Six Months Ended 31 March 2017

The Conygar Investment Company PLC

Interim Results

for the six months ended 31 March 2017

Highlights

- Net asset value per share 201p at 31 March 2017 increased from 197p at 30 September 2016.
- **Disposed** of the majority of our investment properties for £129.8 million.
- Acquired a 40 acre development site close to Nottingham train station for £13.5 million.
- Received planning permission for the first phase of the Fishguard Marina development.
- Started construction work at our sites in Cross Hands and Ashby de la Zouch.
- Total cash available of £46 million and no debt.

Summary Group Net Assets as at 31 March 2017

		Per Share
	£'m	Þ
Investment Properties Under Construction	28	40
Development Projects	40	56
Investment in Regional REIT Limited	27	38
Cash	46	65
Other Net Assets	1	2
Net Assets	142	201

The Conygar Investment Company PLC

Interim Results

for the six months ended 31 March 2017

Chairman's and Chief Executive's Statement

Progress and Results Summary

We present the Group's results for the six months ended 31 March 2017. The net asset value per share increased to 201.0p from 196.9p at 30 September 2016 (201.0p at 31 March 2016).

The profit before taxation of £0.5 million compares with a loss of £2.1 million for the six months ended 31 March 2016. The main reason for this increase in profit is that in the prior year period there was a decrease in valuation of our investment properties of £2.4 million.

On 24 March 2017, the Group completed the disposal of the majority of the investment property portfolio, including the TAP, Lamont and Edinmore portfolios, along with our asset in Mochdre, North Wales to Regional Commercial Midco Limited, a wholly owned subsidiary of Regional REIT Limited, for a consideration which attributed a value of £129.8 million to the portfolio. The Group sold the relevant property owning subsidiaries at their net asset value and the net consideration amounted to £28 million, which was satisfied by the issue of 26.3 million Regional REIT shares at a price of 106.3p. This disposal resulted in the investment properties being transferred to Regional REIT along with the debt facilities held with Lloyds Banking Group and HSBC. In addition, Regional REIT also acquired Conygar ZDP PLC and thereby, the Group's obligation to fund the ZDP capital entitlement, which equates to £39.9 million payable on 9 January 2019.

The transaction results in the Group being debt free and it is anticipated that this will remain the case until the investment properties under construction and the development programme require further finance beyond our cash deposits, which are presently £46 million.

The disposal is a significant transaction for the Group and the team worked hard to minimise the associated costs. This has resulted in a profit on disposal of £1.5 million in the period. More importantly, the disposal crystallises the substantial capital gains which have been made across the portfolio since the acquisitions of the TAP, Lamont and Edinmore portfolios during the period following the global financial crisis of 2008. Through our asset management and transaction structuring skills, we took undervalued and distressed portfolios and transformed them into a high yielding portfolio, which is well supported by competitive bank finance and hence, was attractive to purchasers looking for income producing assets.

The portfolios were acquired for a total cost of £113.4 million and the total capital gains realised over the period from 2008 to March 2017 were £48.2 million, subject to the disposal of the Regional REIT shares. In addition to these capital gains, net income of £47.0 million was generated over the same period, excluding tax.

On 22 December 2016, the Group acquired the Nottingham Island site, which was the former Boots headquarters and is now a cleared city centre development site, for £13.5 million. It is located within a short distance of Nottingham train station, to the southeast of the city centre and measures approximately 40 acres. Nottingham Island represents an exciting investment and development opportunity with the potential for a mixture of office, residential, leisure and student housing accommodation. The site has a lapsed planning consent for a mixed-use scheme of over 2 million square feet and the Company is currently conducting a master planning exercise and expects to submit a planning application before the end of the calendar year.

On the financing side, the Group used £10.7 million surplus cash to buy back 8.7% of its shares at a discount to net asset value, at an average price of £1.61 per share and this has enhanced net asset value per share by 3.4 pence. Since 31 March 2017, the Group has acquired another 1.9% of its share capital and so, for the financial year to date, has bought back 10.6% of its share capital at an average price of £1.63 per share.

As referred to above, the Group received 26.3 million shares in Regional REIT as consideration for the disposal of the investment properties. As at 31 March 2017, Regional REIT's share price was 101p and this resulted in a paper loss of £1.4 million as reported in the income statement but the share price has since recovered to 106.5p and as at the close of business on 23 May 2017, the value of the investment was £28.0 million. The shares are currently yielding 6% per annum and the dividend income we are due to receive from this investment will substantially cover our administrative expenses.

Development Projects

We continue to make good progress on our development projects since we last reported.

Construction on our site at Cross Hands, south west Wales, began in December 2016 after we received planning permission in September 2016 for a 106,000 square foot retail development. We have signed legal agreements for leases with B&M Retail, Iceland and Costa Coffee and negotiations are ongoing with four other national retailers.

In December 2016, we received planning permission for an 11,000 square foot Marks & Spencer "Food Hall" at our development site in Nottingham Road, Ashby de la Zouch. This "Food Hall" is pre-let to Marks & Spencer on a 15 year lease and we started construction of this in February 2017, with completion expected to take place in September of this year. There are another two acres available for development at the site and discussions are ongoing with potential occupiers.

At Fishguard Harbour, we received Reserved Matters planning permission for the marine-based infrastructure and development platform in February 2017. During the summer, we will submit our applications to the Harbour Revision Order, in conjunction

with Stena Line Ltd, and once these permissions have been achieved, we will be able to start the development of the marine platform and marina. Simultaneously, we will continue to prepare the detailed Reserved Matters application in respect of the 253 homes.

At Holyhead Waterfront, the Town and Village Green Application, submitted by the Waterfront Action Group to prevent the development from progressing, was rejected by the appointed Inspector and, subsequently, acting on the Inspector's recommendation, Ynys Mon County Council resolved to formally refuse the application at its March 2017 planning committee. The period, during which this decision can be called in for judicial review, ends at the beginning of June 2017 and assuming that this impediment for the development is removed, we will progress to the detailed design stage of the scheme.

The Truckstop at Parc Cybi continues to trade well and we are forecasting a modest uplift in transport/visitor numbers over the summer months. Separate to our Truckstop joint venture, we are continuing to progress our plans for an 80 bedroom hotel on our land and expect to submit a planning application within the next 3 months.

In December 2016, we signed two option agreements with Horizon Nuclear Power, the first enabling them to instruct us to build a logistics centre on our 6.9 acre site at Parc Cybi. The second option agreement covers all of our 203 acre site at Rhosgoch and marks the site as a potential location for housing the temporary workers required for the construction of the Wylfa B Nuclear Power Station.

At Haverfordwest, we submitted two planning applications in June 2016 for approximately 124,000 square feet of retail floorspace, a 60 bedroom hotel, a 5 screen cinema and 602 car parking spaces. We are continuing to speak to housebuilders on the residential element of the wider development, with a view to bringing this forward as soon as possible. We hope that these applications will be heard at planning committee meetings in June 2017.

At Llandudno Junction, we continue to work with Conwy County Council to bring this development site forward.

Dividend Policy

Given that the Group has sold the majority of its investment property portfolio in the period, it is likely that a dividend will not be declared for this financial year. The Board will continue to review our dividend policy each year but our primary focus is, and will continue to be, growth in net asset value per share.

Summary Group Net Assets

The Group net assets as at 31 March 2017 may be summarised as follows:

		Per Share
	£'m	Þ
Investment Properties Under Construction	28	40
Development Projects	40	56
Investment in Regional REIT Limited	27	38
Cash	46	65
Other Net Assets	1	2
Net Assets	142	201

Outlook

This has been an extremely busy and transformational six month period for the Group and the Board is pleased to have disposed of the majority of the investment property portfolio which crystallises the significant capital growth achieved over the past eight years.

The attention of the team now turns to the investment properties under construction and the development projects we currently hold and to sourcing further investment opportunities, such as the recent Nottingham acquisition. The Group is in a strong position to bring these projects to fruition with cash of £46 million available for investment and no debt.

N J Hamway Chairman RT E Ware Chief Executive

24 May 2017

Financial review

Net Asset Value

The net asset value at 31 March 2017 was £141.8 million (31 March 2016: £155.2 million; 30 September 2016: £152.0 million). The primary movements in the six month period were £3.5 million net rental income plus a £1.5m profit on the sale of Group undertakings to Regional REIT Limited offset by £3.1 million of finance and administrative costs, a £1.4 million write down of the value of our investment in Regional REIT Limited and £10.7 million spent on purchasing our own shares. Excluding the amounts incurred purchasing Conygar shares, net asset value increased by 0.3% in the period.

Cash Flow

The Group used £1.8 million cash in operating activities (31 March 2016: generated £0.4 million; 30 September 2016: generated £2.5 million).

The primary cash outflows in the period were £13.5 million incurred on purchasing the Nottingham Island site, £8.3 million to repay Barclays debt and £10.2 million to buy back shares. These were partly offset by cash inflows of £20.8 million (net of costs) from the HSBC debt, resulting in a net cash outflow during the period of £17.6 million (31 March 2016: £15.8 million outflow; 30 September 2016: £6.3 million inflow).

Net Income From Investment Property Activities

	31 Mar	30 Sept	31 Mar
	2017	2016	2016
	£'m	£'m	£'m
Rental income	4.9	9.4	4.8
Direct property costs	(1.4)	(2.9)	(1.2)
Rental surplus	3.5	6.5	3.6
Profit on sale of group undertakings*	1.5	_	_
Loss on sale of investment properties		(0.3)	(0.1)
Total net income arising from			
investment property activities	5.0	6.2	3.5

^{*}Profit arising from the sale of the investment property portfolio to Regional REIT Limited.

Administrative Expenses

The administrative expenses for the six month period ended 31 March 2017 were £1.3 million (six month period ended 31 March 2016: £1.3 million). The major items were salary costs of £0.8 million and various costs arising as a result of the Group being quoted on AIM.

Financing

At 31 March 2017, the Group had cash of £46.0 million (31 March 2016: £41.6 million; 30 September 2016: £63.7 million). The decrease has resulted mainly from the cash used in buying back shares, administrative costs and investing in the investment properties under construction and developments projects.

All of the undertakings that were party to the Group's bank loans were sold on 24 March 2017. As at 31 March 2017, the Group no longer maintains any bank loan facilities.

Summary of Investment Properties Under Construction

	31 March 2017	30 September 2016	31 March 2016
	£'m	£'m	£'m
Nottingham Island site	13.71	_	_
Haverfordwest Retail	3.49	3.40	3.18
Cross Hands	5.06	2.68	2.55
Rhosgoch	3.45	3.40	3.23
Parc Cybi, Holyhead ¹	1.47	_	_
Ashby Retail	1.33		
Total investment to date	28.51	9.48	8.96

Summary of Development Projects

3	31 March 2017	30 September 2016	31 March 2016
	£'m	£'m	£'m
Haverfordwest ²	22.03	22.18	23.11
Holyhead Waterfront	10.77	10.48	10.25
Holyhead Truckstop	3.18	3.18	3.35
Parc Cybi, Holyhead ¹	_	1.44	1.25
Fishguard Waterfront	1.54	1.52	1.46
Fishguard Lorry Stop	0.54	0.54	0.54
King's Lynn	0.87	0.87	0.87
Llandudno Junction	0.66	0.61	0.54
Pembroke Dock Waterfront			
and Other			4.79
Total investment to date	39.59	40.82	46.16

¹ Parc Cybi Business Park, Holyhead has been reclassified in the period to an investment property under construction.

² The reduction in the Haverfordwest investment from 31 March 2016 arises due to the reimbursement of retention funds from Pembrokeshire County Council following the completion of the infrastructure works at Haverfordwest.

The Conygar Investment Company PLC Consolidated Statement of Comprehensive Income For the six months ended 31 March 2017

		Six mon	ths ended	Year ended
		31 March	31 March	30 Sept
	Note	2017 £'000	2016 £'000	2016 £'000
Rental income	11010	4,492	4,555	9,222
Other property income		363	242	213
Revenue		4,855	4,797	9,435
Direct costs of:				
Rental income		1,387	1,237	2,909
Development costs written off		76		1,581
Direct Costs		1,463	1,237	4,490
Gross Profit		3,392	3,560	4,945
Share of results of joint ventures		27	(2)	(3)
Profit on sale of group undertakings		1,496	_	_
Movement on revaluation of				
investment in Regional REIT		(1,408)	_	_
Loss on sale of investment properties		_	(126)	(308)
Movement on revaluation of				
investment properties	7	_	(2,423)	992
Loss on impairment of goodwill		_	_	(3,173)
Other gains and losses		72	(10)	(880)
Administrative expenses		(1,298)	(1,259)	(2,440)
Operating Profit/(Loss)		2,281	(260)	(867)
Finance costs	3	(1,779)	(1,920)	(4,135)
Finance income	3	115	126	259
Profit/(Loss) Before Taxation		617	(2,054)	(4,743)
Taxation		(122)	(229)	(706)
Profit/(Loss) and Total Comprehens	ive			
Income/(Charge) for the Period Attributable to:		495	(2,283)	(5,449)
– equity shareholders– minority interests		495	(2,283)	(5,449)
		495	(2,283)	(5,449)
Basic earnings/(loss) per share	5	0.68p	(2.83)p	(6.90)p
Diluted earnings/(loss) per share	5	0.68p	(2.83)p	(6.90)p
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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 2017

To the sty inclining chiefe of March 2011							;	
	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Treasury Shares £'000	Retained Earnings £'000	Total £'000	Non- controlling Interests £'000	Total Equity $\mathcal{L}'0000$
At 1 October 2015 Loss for the period	4,985	125,371	1,568	(23,321)	59,173 (2,283)	167,776 (2,283)	20	167,796 (2,283)
Total recognised income and expense for the period Dividend paid Purchase of own shares				_ _ _ (8,873)	(2,283) (1,415)	(2,283) (1,415) (8,873)		(2,283) (1,415) (8,873)
At 31 March 2016	4,985	125,371	1,568	(32,194)	55,475	155,205	20	155,225
At 1 October 2015 Loss for the year	4,985	125,371	1,568	(23,321)	59,173 (5,449)	167,776 (5,449)	20	167,796 (5,449)
Total comprehensive charge for the year					(5,449)	(5,449)		(5,449)
Cancellation of share premium account Dividend paid Purchase of own shares Purchase of non-controlling interest	1 1 1 1	(125,371)	1 1 1 1	- (8,873)	125,371 (1,415)	_ (1,415) (8,873)	(20)	_ (1,415) (8,873) (20)
At 30 September 2016	4,985		1,568	(32,194)	177,680	152,039		152,039
Changes in equity for six months ended 31 March 2017 At 1 October 2016 Profit for the period	4,985	1	1,568	(32,194)	177,680	152,039	1 1	152,039
Total recognised income and expense for the period Purchase of own shares			1 1	(10,741)	495	495 (10,741)		495 (10,741)
At 31 March 2017	4,985		1,568	(42,935)	178,175	141,793		141,793

The Conygar Investment Company PLC Consolidated Balance Sheet As at 31 March 2017

		31 March	31 March	30 Sept
		2017	2016	2016
	Note	£'000	£'000	£'000
Non-Current Assets		20	1.5	21
Property, plant and equipment Investment in Regional REIT Limited	6	28 26,590	15	21
Investment properties	7	20,550	126,710	130,680
Investment properties under construction	8	28,513	8,957	9,476
Investment in joint ventures	9	10,365	10,152	10,110
Goodwill			3,173	
		65,496	149,007	150,287
Current Assets				
Development and trading properties	10	29,230	32,912	30,739
Trade and other receivables		3,452	3,922	3,675
Derivatives		46.021	41.621	44
Cash and cash equivalents		46,031	41,621	63,662
		78,713	78,463	98,120
Total Assets		144,209	227,470	248,407
Current Liabilities				
Trade and other payables		2,416	2,990	4,263
Bank loans	11	_	33,857	8,335
Tax liabilities			516	243
		2,416	37,363	12,841
Non-Current Liabilities				
Bank loans	11	_	_	47,210
Zero dividend preference shares	12	_	33,427	34,415
Deferred tax			1,455	1,902
			34,882	83,527
Total Liabilities		2,416	72,245	96,368
Net Assets	13	141,793	155,225	152,039
Equity				
Called up share capital		4,985	4,985	4,985
Share premium account			125,371	_
Capital redemption reserve		1,568	1,568	1,568
Treasury Shares Retained earnings		(42,935) 178,175	(32,194) 55,475	(32,194) 177,680
<u> </u>				
Equity Attributable to Equity Holders Minority interests		141,793	155,205 20	152,039
Total Equity		141,793	155,225	152,039
Net Assets Per Share		201.0p	201.0p	196.9p

The Conygar Investment Company PLC Consolidated Cash Flow Statement For the six months ended 31 March 2017

1'01 the six months chief J1 March 201/			
	Six mont	hs ended	Year ended
	31 March	31 March	30 Sept
	2017	2016	2016
	£'000	£'000	£'000
Cash Flows From Operating Activities			
Operating profit/(loss)	2,281	(260)	(867)
Depreciation and amortisation	5	14	21
Amortisation of reverse lease premium	_	51	104
Share of results of joint ventures	(27)	2	3
Other gains and losses	25	17	17
Profit on sale of group undertakings	(1,496)	_	_
Movement on revaluation of investments	1,408	_	_
Loss on sale of investment properties	_	126	308
Movement on revaluation of investment properties	_	2,423	(992)
Loss on impairment of goodwill	_	_	3,173
Development costs written off	76		1,581
Cash Flows From Operations Before			
Changes In Working Capital	2,272	2,373	3,348
Change in trade and other receivables	(859)	1,047	1,294
Change in land, developments and trading properties	(47)	(325)	267
Change in trade and other payables	(2,394)	(1,595)	(320)
Shange in trade and other payables	(2,3,7 1)		
Cash Flows (Used In)/Generated From			
Operations	(1,028)	1,500	4,589
Finance costs	(687)	(713)	(1,450)
Finance income	67	81	167
Tax paid	(137)	(512)	(815)
Cash Flows (Used In)/Generated From			
Operating Activities	(1,785)	356	2,491
Cash Flows From Investing Activities			
Acquisition of and additions to investment properties	(15,617)	(7,290)	(9,759)
Sale proceeds of investment properties	- (1 00 ()	5,424	6,842
Cash transfer on disposal of group undertakings	(1,896)	_	_
Costs paid on disposal of group undertakings	(269)	- (01)	(215)
Investment in joint ventures	(255)	(81)	(215)
Loans repaid by joint venture	(10)	(1)	175
Purchase of plant and equipment	(12)	(1)	(14)
Cash Flows Used In Investing Activities	(18,049)	(1,948)	(2,971)
Cash Flows From Financing Activities			
Bank loans drawn down	21,298	_	48,100
Bank loans repaid	(8,335)	(3,885)	(29,816)
Costs paid on new bank loan	(548)		(971)
Purchase of interest rate cap		_	(269)
Dividend paid	_	(1,415)	(1,415)
Purchase of own shares	(10,212)	(8,873)	(8,873)
Cool Flows Commented Francis/(Hood In)			
Cash Flows Generated From/(Used In) Financing Activities	2 202	(14 172)	6 756
Financing Activities	2,203	(14,173)	6,756
Net (decrease)/increase in cash and cash equivalents	(17,631)	(15,765)	6,276
Cash and cash equivalents at Start of Period	63,662	57,386	57,386
Cook and Cook Fouristations at End of Dan't	46.021	41.601	62.660
Cash and Cash Equivalents at End of Period	46,031	41,621	63,662

The Conygar Investment Company PLC Notes to the Interim Results For the six months ended 31 March 2017

1. Basis of Preparation

The accounting policies used in preparing the condensed financial information are consistent with those of the annual financial statements for the year ended 30 September 2016 other than the mandatory adoption of new standards, revisions and interpretations that are applicable to accounting periods commencing on or after 1 October 2016, as detailed in the annual financial statements.

The condensed financial information for the six month period ended 31 March 2017 and the six month period ended 31 March 2016 has been reviewed but not audited and does not constitute full financial statements within the meaning of section 435 of the Companies Act 2006.

The financial information for the year ended 30 September 2016 does not constitute the Group's statutory accounts for that period but it is derived from those accounts. Statutory accounts for the year ended 30 September 2016 have been delivered to the Registrar of Companies. The auditors have reported on these accounts; their report was unqualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The board of directors approved the above results on 24 May 2017.

Copies of the interim report may be obtained from the Company Secretary, The Conygar Investment Company PLC, Fourth Floor, 110 Wigmore Street, London, W1U 3RW.

The Conygar Investment Company PLC Notes to the Interim Results (continued) For the six months ended 31 March 2017

2. Segmental Information

IFRS 8 requires the identification of the Group's operating segments which are defined as being discrete components of the Group's operations whose results are regularly reviewed by the board of directors. The Group divides its business into the following segments:

- Investment in the shares of Regional REIT Limited;
- Investment properties, which are owned or leased by the Group for long-term income and for capital appreciation, and trading properties, which are owned or leased with the intention to sell; and,
- Development properties, which include sites, developments in the course of construction and sites available for sale.

The only item of revenue or profit/loss relating to the investment in Regional REIT Limited is the fair value movement from acquisition until the balance sheet date. The only item of revenue or profit/loss relating to the development properties was the write off of development costs in the year ended 30 September 2016 and therefore only the segmented balance sheet is reported.

Balance She	et		31 March 20	017			31 Mai	rch 2016	
		Investment I	Development			Investment	Development		
	Investment	Properties	Properties	Other	Group Total	Properties	Properties	Other	Group Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment in									
Regional REIT									
Limited	26,590	_	_	_	26,590	_	_	_	_
Investment									
properties	_	28,513	_	_	28,513	135,667	_	_	135,667
Investment in									
joint ventures	-	-	10,365	-	10,365	_	10,152	_	10,152
Goodwill	_	-	_	-	_	_	3,173	_	3,173
Development &									
trading									
properties			29,230		29,230		32,912		32,912
	26,590	28,513	39,595	_	94,698	135,667	46,237	_	181,904
Other assets	_	3,245	28	46,238	49,511	25,055	_	20,511	45,566
Total assets	26,590	31,758	39,623	46,238	144,209	160,722	46,237	20,511	227,470
Liabilities	20,550	(966)	39,023	(1,450)		(38,618)	40,237	(33,627)	(72,245)
Liaomnes		(900)		(1,430)	(2,410)	(50,010)		(33,021)	(12,243)
Net assets	26,590	30,792	39,623	44,788	141,793	122,104	46,237	(13,116)	155,225

3. Finance Income/Costs

	Six mon	Year ended	
	31 March	31 March	30 Sept
	2017	2016	2016
	£'000	£'000	£'000
Finance income			
Bank interest	115	126	259
Finance costs			
Bank loans	(751)	(713)	(1,584)
Amortisation of arrangement fees	(127)	(251)	(741)
ZDP interest payable	(901)	(956)	(1,810)
	(1,779)	(1,920)	(4,135)

4. Dividend

No dividend was paid in respect of the year ended 30 September 2016 (year ended 30 September 2015: 1.75 pence per share amounting to £1,415,000).

5. Earnings per Share

The calculation of earnings per ordinary share is based on the profit after tax of £495,000 (31 March 2016: loss of £2,283,000; 30 September 2016: loss of £5,449,000) and on the number of shares in issue being the weighted average number of shares in issue during the period of 72,708,193 (net of 29,172,688 shares purchased by the Company and held as treasury shares) (31 March 2016: 80,618,599; 30 September 2016: 78,920,377). The weighted average number of shares on a fully diluted basis was 72,708,193 (31 March 2016: 80,618,599; 30 September 2016: 78,920,377) and profit after tax of £495,000 (31 March 2016: loss of £2,283,000; 30 September 2016: loss of £5,449,000). No adjustment has been made for anti-dilutive potential ordinary shares. The total number of ordinary shares in issue (net of 29,172,688 shares purchased by the Company and held as treasury shares) at the date of this report was 70,541,435.

The Conygar Investment Company PLC Notes to the Interim Results (continued) For the six months ended 31 March 2017

6. Investment in Regional REIT Limited

As set out in the Chairman's and Chief Executive's Statement, the Group completed the disposal of various Group undertakings on 24 March 2017. The net consideration was satisfied by the issue of 26,326,644 ordinary shares in Regional REIT Limited at a price of 106.347 pence per share.

Regional REIT is a United Kingdom based real estate investment trust whose shares were admitted to the premium segment of the Official List and to trading on the main market of the London Stock Exchange on 6 November 2015. Regional REIT is managed by London & Scottish Investments Limited, as asset manager, and Toscafund Asset Management LLP, as investment manager.

The consideration is subject to adjustment by reference to completion accounts which at the date of signing this interim report are yet to be agreed. To the extent that the net assets of the disposed companies have decreased, the Company is obliged to pay any shortfall in cash and to the extent that the net assets have increased, Regional REIT Limited is obliged to issue further consideration shares (at an issue price of 106.347p per consideration share) or pay the amount of the increase in cash at its election.

The movement in the fair value of the shares during the period was as follows:

	£'000
Consideration shares at issue price Movement in fair value of investment	27,998 (1,408)
Valuation at 31 March 2017	26,590

Under the terms of the sale agreement, the Company has agreed a lock-in arrangement in respect of the consideration shares. Specifically, the Company will not be permitted to dispose (directly or indirectly) of the legal or beneficial ownership of:

- one-third of the consideration shares until the date falling 6 months after completion;
- one-third of the consideration shares until the date falling 12 months after completion;
- one-third of the consideration shares until the date falling 18 months after completion.

7. Investment Properties

			Reverse	
		Long-	Lease	
	Freehold	Leasehold	Premiums	Total
	£'000	£'000	£'000	£'000
Valuation at 30 September 2016	106,390	23,902	388	130,680
Reclassification to investment				
properties under construction	(1,170)	_	_	(1,170)
Reverse lease premium amortisation	on –	_	(57)	(57)
Disposal of group undertakings	(105,220)	(23,902)	(331)	(129,453)
At 31 March 2017	_	_	_	_

With the exception of the investment properties under construction, set out in note 8, the Group's investment property portfolio was disposed of on 24 March 2017. The historical cost of properties held at 31 March 2016 was £160,744,000 (30 September 2016: £161,164,000).

The property rental income earned from investment property up until the date of disposal, all of which was leased out under operating leases, amounted to £4,855,000 (March 2016: £4,797,000; September 2016: £9,435,000).

As at 31 March 2017, the Group had pledged £nil (31 March 2016: £nil; 30 September 2016 £89,955,000) of investment property to secure Lloyds Bank, Jersey debt facilities and £nil (31 March 2016: £32,920,000; 30 September 2016: £33,260,000) to secure Barclays Bank PLC debt facilities. Further details of these facilities are provided in note 11.

The properties were valued by Jones Lang La Salle, independent valuers not connected with the Group, at 31 March 2016 and 30 September 2016, at market value in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors which conform to international valuation standards.

The Conygar Investment Company PLC Notes to the Interim Results (continued) For the six months ended 31 March 2017

8. Investment properties under construction

Investment properties under construction are freehold land and buildings representing investment properties under development or construction and they amount to £28,513,000 as at 31 March 2017 (31 March 2016: £8,957,000; 30 September 2016: £9,476,000). These properties comprise landholdings for current or future development as investment properties. This methodology has been adopted because the value of these properties is dependent on a detailed knowledge of the planning status, the competitive position of the assets and a range of complex development appraisals. The fair value of these properties rests in the planned developments, and is difficult to estimate pending confirmation of designs and planning permission, and hence has been estimated by the directors at cost as an approximation to fair value. Additions during the year include the acquisition of the Nottingham Island site for £13.5m including costs.

9. Investment in Joint Ventures

The group has a 50% interest in a joint venture, Conygar Stena Line Limited, which is a property development company. It also has a 50% interest in a joint venture, CM Sheffield Limited, which is a property trading company, and another 50% interest in a joint venture, Roadking Holyhead Limited, which is a property development company and truck-stop operator.

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

31 March	31 March	30 Sept
2017	2016	2016
£'000	£'000	£'000
10,395	10,222	10,203
(30)	(70)	(93)
10,365	10,152	10,110
	2017 £'000 10,395	$\begin{array}{ccc} 2017 & 2016 \\ £'000 & £'000 \end{array}$ $10,395 & 10,222$ $(30) & (70)$

9. Investment in Joint Ventures (continued)

	Six months ended		Year ended
	31 March 2017	31 March 2016	30 Sept 2016
	£'000	£'000	£'000
Operating profit/(loss) Finance income		(2)	(3)
Profit/(loss) before tax Tax	27 	(2)	(3)
Profit/(loss) after tax	27	(2)	(3)
10. Property Inventories			
	31 March	31 March	30 Sept
	2017	2016	2016
	£'000	£'000	£'000
Properties held for resale or development	29,230	32,912	30,739

The above amounts relate to development properties, which include sites, developments in the course of construction and sites available for sale.

11. Bank Loans

	31 March	31 March	30 Sept
	2017	2016	2016
	£'000	£'000	£'000
Bank loans	_	34,266	56,435
Debt issue costs		(409)	(890)
	_	33,857	55,545

All of the undertakings that were party to the Group's bank loans were sold on 24 March 2017 and therefore, as at the balance sheet date, the Group no longer maintains any bank loan facilities.

The Conygar Investment Company PLC Notes to the Interim Results (continued) For the six months ended 31 March 2017

11. Bank Loans (continued)

As at 30 September 2016 and up to the date of disposal of the Group undertakings, TAPP Property Limited, TOPP Property Limited, TOPP Bletchley Limited, Lamont Property Acquisition (Jersey) I Limited, Lamont Property Acquisition (Jersey) IV Limited ("the borrowers") jointly maintained a facility with Lloyds Bank, Jersey of £48,100,000 (31 March 2016: £nil) under which £48,100,000 had been drawn down. This facility was repayable on or before 27 April 2021 and was secured by fixed and floating charges over the assets of the borrowers. The facility was subject to a maximum loan to value covenant of 65%, a historical interest cover ratio covenant of 200% and a historical debt service cover ratio of 110%.

On 26 October 2016, Conygar Dundee Limited, Conygar Hanover Street Limited, Conygar Stafford Limited and Conygar St Helens Limited repaid the outstanding balances of their facilities with Barclays Bank PLC of £8,335,000 (31 March 2016: £8,335,000).

From 2 December 2016 and up to the date of disposal of the Group undertakings, Conygar Dundee Limited, Conygar Hanover Street Limited, Conygar Strand Limited and Conygar St Helens Limited jointly maintained a facility with HSBC Bank PLC of £21,397,500 (31 March 2016: £nil) under which £21,397,500 had been drawn down. This facility was repayable on or before 2 December 2021 and was secured by fixed and floating charges over the assets of Conygar Dundee Limited, Conygar Hanover Street Limited, Conygar Strand Limited and Conygar St Helens Limited. The facility was subject to a maximum loan to value covenant of 65%, a historical and projected interest cover ratio covenant of 200% and a historical and projected debt service cover ratio of 120%.

All of the undertakings that were party to the Group's derivative financial instruments were sold on 24 March 2017, therefore, as at the balance sheet date, the Group no longer maintains any derivative financial instruments.

At 30 September 2016, the Group had the following derivative financial instruments:

An interest rate cap was in place relating to the loan with Lloyds Bank, Jersey. The cap had a notional amount of £37,000,000 (31 March 2016: £37,000,000), a strike rate of 2% and a termination date of 5 February 2018.

An interest rate cap was in place relating to the loan with Lloyds Bank, Jersey. The cap had a notional amount of £36,075,000 (31 March 2016: £nil), a strike rate of 2.5% and a termination date of 27 April 2021.

At 30 September 2016, the fair value of the hedging instruments was £44,000 (31 March 2016: £8,000). The valuation of the hedging instruments was provided by JC Rathbone Associates and represented the change in fair value since execution.

12. Zero Dividend Preference Shares

Part of the consideration for the sale of its investment property portfolio was the transfer to Regional REIT Limited of the Group's interest in and obligations under the 30,000,000 zero dividend preference shares ("ZDP Shares").

The ZDP shares have an entitlement to receive a fixed cash amount on 9 January 2019, being the maturity date, but do not receive any dividends or income distributions. Additional capital accrues to the ZDP shares on a daily basis at a rate equivalent to 5.5% per annum. During the period ended 24 March 2017, the Group accrued for £901,000 (31 March 2016: £889,000; 30 September 2016 £1,810,000) of additional capital.

The movement on the zero dividend preference share liability during the period was as follows:

	Six months
	ended
	31 March
	2017
	£'000
Balance at start of period	34,415
Amortisation of share issue costs	64
Accrued capital	901
Transfer of obligation on sale of group undertakings	(35,380)
Balance at end of period	

13. Net Asset Value per share

Net asset value per share is calculated as the net assets of the Group divided by the number of shares in issue.

	31 March	31 March	30 Sept
	2017	2016	2016
	£'000	£'000	£'000
Diluted net asset value Adjustments:	141,793	159,275	156,089
Fair value of hedging instruments		(8)	(44)
Adjusted net asset value	<u>141,793</u>	159,267	156,045
	No.	No.	No.
Shares in issue	70,541,435	79,256,435	79,256,435
Adjusted net asset value per share	201.0p	201.0p	196.9p

The Conygar Investment Company PLC Notes to the Interim Results (continued) For the six months ended 31 March 2017

13. Net Asset Value per share (continued)

The above calculations exclude the fair value of the Group's development properties. We have not sought to value these assets as, in our opinion, they are at too early a stage in their development to provide a meaningful figure.

14. Related Party Transactions

The Group has made advances to the following joint ventures in order to provide both long term and additional working capital funding. All amounts are repayable upon demand and will be repaid from the trading activities of those subsidiaries. No provisions have been made against the outstanding amounts.

	31 March	31 March	30 Sept	
	2017	2016	2016	
	£'000	£'000	£'000	
Joint Ventures				
Conygar Stena Line Limited	8,023	7,554	7,733	
CM Sheffield	2	2	2	
Roadking Holyhead Limited	3,235	3,410	3,235	
	11,260	10,966	10,970	
The loans to Conygar Stena Line Limited may be analysed as follows:				
	31 March	31 March	30 Sept	
	2017	2016	2016	
	£'000	£'000	£'000	
Secured interest bearing loan Unsecured non-interest bearing shareholder	5,003	4,534	4,713	
loan	3,020	3,020	3,020	
	8,023	7,554	7,733	

14. Related Party Transactions (continued)

Key Management Compensation

Key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Group and are considered to be the directors of the Company. Amounts paid in respect of key management compensation were as follows:

	Six mor	Six months ended	
	31 March	31 March	30 Sept
	2017	2016	2016
	£'000	£'000	£'000
Short term employee benefits	467	417	834



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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 2017 which comprises the consolidated statement of comprehensive income, 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.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the AIM Rules ("the AIM rules"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

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.

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 2017 is not prepared, in all material aspects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules.

Rees Pollock Chartered Accountants and Registered Auditors London 24 May 2017

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.

Directors and Advisers

Directors N J Hamway (Non-executive Chairman)

RT EWare (Chief Executive)
R H McCaskill (Finance Director)

P M C Rabl (Director)

M D Wigley (Non-executive Director)

Secretary R H McCaskill

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