

Taliesin

Property Fund Limited



Introduction to **AIM**

Nominated Adviser and Broker
Insinger de Beaufort

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS DOCUMENT AND WHAT ACTION YOU SHOULD TAKE YOU ARE RECOMMENDED IMMEDIATELY TO SEEK YOUR OWN FINANCIAL ADVICE FROM YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT ADVISER WHO SPECIALISES IN ADVISING ON THE ACQUISITION OF SHARES AND OTHER SECURITIES AND IS AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000.

This document is drawn up as an admission document in accordance with the AIM Rules for Companies. This document does not constitute an offer to the public in accordance with the provisions of Section 85 of the Financial Services and Markets Act 2000 ("FSMA") as amended by the Prospectus Regulations 2005 and is not a prospectus as defined in the AIM Rules for Companies. Accordingly, this document has not been approved by the Financial Services Authority pursuant to Section 85 of the FSMA.

The Company and the Directors are the persons responsible for this document. The Company and the Directors of Taliesin Property Fund Limited (whose names and functions appear on page 3 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.

Application has been made for the whole of the ordinary share capital of Taliesin Property Fund Limited in issue to be admitted to trading on the AIM market of the London Stock Exchange ("AIM"). Dealings in the Ordinary Shares are expected to commence on AIM on 28 August 2007.

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 of the United Kingdom Listing Authority. 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.

Taliesin Property Fund Limited

(A company incorporated in Jersey under the Companies (Jersey) Law 1991 (as amended) with registered number 91744)

Introduction to trading on AIM

Nominated Adviser and Broker
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Your attention is drawn to Part I of this document, which sets out certain factors relating to any investment in Ordinary Shares. All statements regarding the Company's business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this document.

A copy of this document has been delivered to the Registrar of Companies of Jersey in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002 (as amended) and he has given and not withdrawn his consent to its circulation. The Jersey Financial Services Commission (the "Commission") has given and has not withdrawn its consent under Article 2 of the Control of Borrowing (Jersey) Order 1958 to the issue of securities in the Company. Consent under the Control of Borrowing (Jersey) Order 1958 has been obtained for the issue of this document. The Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that law. Neither the Commission nor the Registrar of Companies of Jersey takes any responsibility for the financial soundness of the Company or for the correctness of any statements made or the opinions expressed with regard to it.

The Company, the Administrator and the Registrar have been granted permits in respect of the Company under the Collective Investment Funds (Jersey) Law 1988, as amended (the "CIF Law") by the Commission. The Commission is protected by the CIF Law against all liability arising from the discharge of its functions under the CIF Law.

Law may restrict the distribution of this document in jurisdictions other than the United Kingdom and, therefore, any persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

Insinger de Beaufort which is regulated by the Financial Services Authority, is acting exclusively as nominated adviser and broker to the Company in connection with the arrangements set out in this document and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Insinger de Beaufort, or for advising any other person in connection with the arrangements set out in this document. In particular, Insinger de Beaufort as nominated adviser to the Company under the AIM Rules for Nominated Advisers owes certain responsibilities solely to London Stock Exchange plc, which are not owed to the Company or the Directors or to any other person. No representation or warranty, express or implied, is made by Insinger de Beaufort as to any of the contents, or the completeness, of this document. In particular the information contained in this document has been prepared solely for the purposes of the Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them.

The Company was established in Jersey as a Listed Fund under a fast track authorisation process. It is suitable, therefore, only for professional or experienced investors, or those who have taken appropriate professional advice. Regulatory requirements which may be deemed necessary for the protection of retail or inexperienced investors do not apply to a Listed Fund. By investing in the Company investors will be deemed to be acknowledging that they are professional or experienced investors, or have taken appropriate advice, and accept the reduced requirements accordingly. Investors are wholly responsible for ensuring that all aspects of the Company are acceptable to them. Investment in a Listed Fund may involve special risks that could lead to a loss of all or a substantial portion of such investment. Unless investors fully understand and accept the nature of a Listed Fund and the potential risk inherent in investing in the Company they should not invest in it.

Further information in relation to the regulatory treatment of Listed Funds domiciled in Jersey may be found on the website of the Commission at www.jerseyfsc.org.

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DIRECTORS, SECRETARY AND ADVISERS

Directors

Nigel Anthony Le Quesne (*Non-Executive Chairman*)
Stephen Anthony Burnett (*Non-Executive Director*)
Philip Henry Burgin (*Non-Executive Director*)
Mark Smith (*Non-Executive Director*)
Nicholas Mark Houslop (*Non-Executive Director*)

Registered Office

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St Helier
Jersey JE4 2QP

Company Secretary

JTC Management Limited
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St Helier
Jersey JE4 2QP

Corporate Website

www.taliesinberlin.com

Nominated Adviser and Broker

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London EC2A 1NT

Administrator

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St Helier
Jersey JE4 2QP

Investment Adviser

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Solicitors to the Company (UK)

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Solicitors to the Company (Jersey)

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St Helier
Jersey JE4 9WG

Solicitors to the Company (Germany)

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10719 Berlin

Independent Property Valuer

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Berlin 14050, Germany

Solicitors to the Nominated Adviser and Broker

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One London Wall
London EC2Y 5AB

Auditors

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28-30 The Parade
St Helier
Jersey JE1 1BG
Channel Islands

Reporting Accountants

Mazars LLP
3 Sheldon Square
London W2 6PS

Registrar

Capita Registrars (Jersey) Limited
Victoria Chambers
Liberation Square
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St Helier
Jersey JE2 3QA

Tax Adviser to the Company

International Fiscal Services Ltd
45 Clarges Street
London W1J 7EP

KEY INFORMATION

The following information is derived from, and should be read in conjunction with, the full text of this document. You should read the whole of this document before making any investment decision with respect to the Ordinary Shares and not just rely on the key information set out below. In particular, your attention is drawn to the risk factors set out in Part II of this document.

- Taliesin is a Jersey incorporated investment company formed to identify and exploit growth opportunities in the Berlin residential property market.
- To date the Company has raised €37.8 million of equity.
- The Current Portfolio consists of 36 properties acquired at an aggregate cost of €53.3 million (before expenses and other purchase costs). The target yield for the Company is 7.5 per cent.
- The Directors believe that the German economy is advancing and that the protracted period of under-performance in the German residential property sector is giving way to more buoyant conditions.
- The Directors believe the residential market in Berlin to be particularly attractive, partly because of yields which can match or exceed funding costs, and partly because it is possible to buy property at a discount to replacement cost.
- The Company also selectively invests in property in other cities of the former German Democratic Republic and may purchase entirely non-residential units up to 25 per cent. of its total assets on an opportunistic basis.
- The local knowledge and presence of the Investment Adviser, which undertakes all the day-to-day asset management and property acquisition responsibilities, enhances the position of the Company in sourcing property in the areas of the city with the highest perceived investment potential.
- The Company is seeking admission to AIM by way of an introduction to provide further liquidity to shareholders and to facilitate potential fundraisings in the future, if such fundraisings are deemed by the Directors to be in the interest of Shareholders.

SHARE CAPITAL STATISTICS

Number of Ordinary Shares in Issue on Admission	353,765
Adjusted Net Asset Value Per Participating Share as at 30 June 2007 <i>(The Participating Shares of the Company were redesignated as Ordinary Shares on 10 August 2007)</i>	122.27

EXPECTED TIMETABLE

Dealings anticipated to commence on AIM in the Issued Share Capital and CREST member accounts credited (where applicable)	28 August 2007
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EXCHANGE RATES

For the purposes of reference only, the following exchange rate was prevailing on 20 August (being the latest day practicable prior to the publication of this document):

0.678 GBP/EUR

DEFINITIONS

In this document, where the context permits, the expressions set out below shall have the following meanings:

“Act”	the UK Companies Act 1985 (as amended) and the UK Companies Act 2006 (as enacted)
“Adjusted Net Asset Value”	the Net Asset Value adjusted by adding (a) any Portfolio Premium not already reflected in the accounts and (b) the amount of any deferred tax liability shown in the accounts from which the Net Asset Value is derived and deducting (c) the amount of any goodwill shown as an asset in such accounts
“Administrator” or “JTC”	JTC Fund Services Limited, a company incorporated in Jersey
“Administration Agreement”	the agreement dated 9 December 2005 as amended and restated on 17 August 2007 between the Company, Taliesin Holdings Limited and JTC relating to the provision of administrative services by JTC to the Company
“Admission”	admission of the Ordinary Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	the AIM market of the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange from time to time
“Articles”	the articles of association of the Company
“Auditor”	BDO Alto Limited
“Board” or “Directors”	the Directors of the Company whose names appear on page 3 of this document
“Boxhagener Str. GbR”	Haertling/HBG Beteiligungs-und Verwaltungs GmbH, Soltau, Boxhagener Str. 36 GbR
“CIF Law”	the Collective Investment Funds (Jersey) Law 1988 (as amended)
“City Code”	the City Code on Takeovers and Mergers
“Combined Code”	the Combined Code on Corporate Governance published by the Financial Reporting Council from time to time
“Commission”	the Jersey Financial Services Commission
“Company” or “Taliesin”	Taliesin Property Fund Limited
“Companies Law”	the Companies (Jersey) Law, 1991 (as amended) and subordinate legislation made thereunder and every modification or re-enactment thereof for the time being in force
“CREST”	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by Euroclear UK & Ireland Limited
“CREST Jersey Regulations”	the Companies (Uncertificated Securities) (Jersey) Order 1999

“Current Portfolio”	the portfolio of properties currently owned by the Group as at the date of this document, details of which are set out in Part IV of this document
“Euroclear UK & Ireland Limited”	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales and the operator of CREST
“Euribor”	European Inter-Bank Offered Rate, the rate at which Euro-denominated interbank term deposits are offered by one prime bank to another prime bank
“EuroHypo”	EuroHypo AG, a European bank specialising in real estate and public sector lending wholly owned by Commerzbank of Germany
“FSA”	Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Group”	the Company and its subsidiaries at the date of this document
“Insinger de Beaufort”	Insinger de Beaufort, the nominated adviser and broker to the Company, authorised and regulated by the FSA
“Introduction Agreement”	the conditional agreement between Insinger de Beaufort, the Directors, TML and the Company relating to Admission, details of which are set out in paragraph 10.1 of Part VI of this document
“Investment Adviser Agreement”	the agreement dated 21 August 2007 between the Company and TML relating to the role of TML as Investment Adviser, details of which are set out in paragraph 10.4 of Part VI of this document
“Investment Adviser” or “TML”	Taliesin Management Limited, the investment adviser to the Company
“Issued Share Capital”	the issued ordinary share capital of the Company immediately following Admission
“Listed Fund”	a collective investment fund that falls within Article 3 of the CIF Law
“Listed Fund Guide”	the Jersey Listed Fund Guide as issued in January 2007 by the Commission and as amended from time to time setting out the requirements for a listed fund regulated under such guide
“London Stock Exchange”	London Stock Exchange plc
“Memorandum of Association”	the memorandum of association of the Company
“Net Asset Value”	the total value of the Company’s assets minus the total liabilities of the Company, calculated in accordance with good accounting practice and in consultation with the Auditor
“Ordinary Shares”	the ordinary shares of no par value in the capital of the Company with ISIN JE00B2375J51

“Participating Shares”	the participating shares in the capital of the Company that were redesignated as Ordinary Shares on 10 August 2007
“Portfolio”	the portfolio of properties owned by the Group as varying from time to time
“Portfolio Premium”	the amount advised by the Valuation Agent by which the audited book value of the properties acquired by the Group should be increased to reflect the value of such properties if they were sold as a complete portfolio
“Prospectus Directive”	Directive 2003/71/EC of the European Parliament and of the Council of the European Union
“Prospectus Rules”	the prospectus rules made by the FSA pursuant to Section 73 of FSMA
“Regulatory Information Service”	a service provider, approved by the FSA, which provides quoted companies with a mechanism for disseminating regulatory information to the market
“SDRT”	stamp duty reserve tax
“Shareholders”	shareholders in the Company
“Taliesin Deutschland”	Taliesin Deutschland GmbH, a company wholly owned by TML and incorporated in Germany
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority” or “UKLA”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“Valuation Agent” or “Keunecke & Stoer”	Keunecke & Stoer Gbr

PART I

INFORMATION ON THE COMPANY

1. Introduction

Taliesin is an investment company, incorporated in Jersey with limited liability under the provisions of the Companies Law and the CIF Law. The Company's capital structure consists of Ordinary Shares of no par value and its share capital is denominated in Euros. The Directors are Nigel Le Quesne, Stephen Burnett, Philip Burgin, Mark Smith and Mark Houslop.

Taliesin was formed to identify and exploit perceived growth opportunities in the Berlin property market and first subscriptions were received in March 2006. The Company raised €22.8 million through an initial fundraising process carried out between March and December 2006. The Company raised a further €15 million through another fundraising process carried out during July and August 2007. Further information on investments to date are contained in paragraph 5 of this Part I.

The Company has adopted a corporate structure designed to hold German real estate in a tax efficient manner through the use of intermediary holding companies and local special purpose vehicles. The Company will retain an interest directly or indirectly in the underlying structure representing economic rights of approximately 99.5 per cent. in such structure. The remainder will be beneficially held by a charitable trust, further details of which are set out in Part VI of this document.

The Directors are advised by the Investment Adviser, a company managed by a group of individuals who have knowledge of the German property market. Recently the Investment Adviser hired two professionals from a listed German property company to staff Taliesin Deutschland, a Berlin-based subsidiary of the Investment Adviser, undertaking day-to-day asset management and property acquisition responsibilities. Further information on the Investment Adviser can be found in paragraph 7 of this Part I.

The Company has no fixed life and will follow the investment strategy set out below.

2. Investment Objectives and Strategy

The investment objective of the Company is to achieve capital growth and income via investments in residential property in Berlin and in other cities in the former German Democratic Republic ("Former GDR"). The Directors believe the residential market to be attractive in Germany, partly because of high yields relative to other countries, which can match or exceed funding costs, and partly because it is possible to buy property at a discount to replacement cost. Owner occupation in the Former GDR remains low, but is now rising, while a developing buy-to-let market has emerged.

While the Group's focus will continue to be on residential property, urban apartment blocks typically include a proportion of commercial property at street level which can augment rental returns. Where this type of mixed-use property is perceived to add value to the Portfolio, the Company intends to invest in such opportunities. In addition, the Company may purchase entirely non-residential units of up to 25 per cent. of its total assets, provided such investments can be acquired for less than replacement cost.

The Directors believe that opportunities exist in well-maintained buildings and in those needing basic refurbishment and believe that within Berlin there has been a shift in the hub of the city to East Berlin. The main centres of the arts, culture and government are now located in East Berlin, as are the most fashionable residential areas. The properties within the Current Portfolio in Berlin are therefore concentrated in the east of the city. The Investment Adviser has also identified Potsdam, a UNESCO World Heritage Site, as having potential as a source of residential investment, to which end several properties have been purchased by the Group there. Demographically, the Directors consider Potsdam to be of particular appeal due to its population having a lower unemployment rate than Berlin, a high ratio of university graduates and because it is close to Berlin. The Investment Adviser has also identified Leipzig, Dresden and, latterly, Chemnitz as offering potential for residential property investment. As international investors have been concentrating their attentions on buying property in Berlin, property prices in other cities of the Former GDR have lagged.

The Company will concentrate on providing total returns to Shareholders through appreciation in the Portfolio's capital value and rental yields. The Directors intend to reinvest all income generated until such time as a dividend policy is deemed more appropriate and to seek maximum leverage on the Group's properties. Current market conditions allow for approximately 70 per cent. loan to value ratio depending on the property type.

3. Sourcing, Property Management and Local Infrastructure

The Directors believe that the Investment Adviser possesses the local knowledge necessary to analyse regional market trends and to source property in Berlin, Potsdam and other towns of the Former GDR which represent value for the Company. The Directors intend to continue to acquire properties from a variety of sources including banks, which continue to be large owners and sellers of real estate in the market, agents and private vendors as well as buying properties out of administration.

Until the end of May 2007, the Investment Adviser maintained a strategic alliance with a property adviser, a listed German property company based in Berlin. The property adviser worked with TML in the areas of property and special purpose vehicle management, financial consulting, accounting and reporting, letting, debt collection, investment advice and research and building consultancy. The arrangement was terminated with effect from May 2007 and a local infrastructure was created in its stead through the incorporation of Taliesin Deutschland. Taliesin Deutschland has provided a local presence which is intended to help the Company to maintain a pipeline of potential property purchases and ensure that purchased assets are prudently managed. Taliesin Deutschland now carries out all the functions previously performed by the property adviser under the direct control of TML. Such functions include initial property appraisal under the supervision of the Investment Adviser and, if the appraisal is positive, the employment of external consultants to undertake technical and legal due diligence. Provided the ensuing reports are positive, the board of the Investment Adviser will review a final investment proposal which will contain, *inter alia*, forecasts of cash-flows, analysis of any refurbishment requirements and a local market assessment. The Investment Adviser will present the investment proposals to the Directors, who will decide whether or not to authorise the investment. TML intends to expand upon this local infrastructure by hiring further suitably experienced staff.

The Directors believe that the key relationship established with a specialist property management company for the management of the Portfolio will provide an uplift to the capital value and rental yields of the Portfolio.

4. Investment Rationale

The Directors believe that the German economy is growing and, although the property market across Germany has lagged behind other economic areas, the current situation presents potential opportunities for the Company to exploit.

The German Economy

The German economy is growing after an extended period of slow growth. In 2006 real GDP rose by 2.8 per cent., having averaged only 0.6 per cent. per annum in the previous five years and having been lacklustre throughout the post-reunification period (source: German Federal Statistics Office, www.destatis.com). Following reunification there was a surge in unemployment in Germany, keeping wages under pressure and restricting growth in consumption. However, with the adoption of the Euro and a substantial upturn in global trade and growth, Germany was sufficiently competitive in wages and productivity to experience an export boom in the manufacturing sector. Data for January until the end of April 2007 shows German manufacturing output growth exceeding the level for the same period in 2006 by 8 per cent. Although manufacturing for the export sector is providing the main impetus having been 10.5 per cent. higher between January and April 2007 than a year earlier, output for domestic consumption increased by 6 per cent. (source: www.destatis.com). The Directors believe that this data suggests that Germany's economic recovery is broadening and may imply that it is becoming less dependent on exports. Falling unemployment is boosting consumption, which rose in the first quarter of 2007 despite an increase in VAT on 1 January. With Angela Merkel and the CDU, the senior partners in Germany's coalition government, favouring further growth-oriented reforms, Germany's economic prospects are perceived by the Directors to be better now than they have been at any stage since the fall of the Berlin Wall.

The German Property Market

The protracted period of limited economic growth post-reunification led German property prices to under-perform against other European and G7 countries by a substantial margin. Oversupply has also contributed to the relatively poor performance of German property. In addition, rising Federal and State budget deficits have forced the sale of some state owned property assets.

Residential property prices in the major German cities now stand at significant discounts to other European centres. According to HSBC Bank plc, in the period from 1995 to 2005 German residential property prices were static, while prices for residential property in East Germany actually fell several percentage points. In the same period residential property prices approximately doubled in the United States, rose by approximately 250 per cent. in the Netherlands and trebled in Spain and the United Kingdom (Source: HSBC, German Resi Call, May 2007). The Directors believe that this protracted period of under-performance is giving way to more buoyant conditions as the German economy recovers growth and momentum.

Berlin, in turn, offers further substantial discounts to cities such as Munich and Frankfurt. Rental rates for residential properties in Germany are, again, significantly lower than in other European countries, with Berlin standing at a large discount to other German and European cities. The Directors believe that these pricing anomalies in Berlin offer an interesting investment opportunity as the wider German economy expands.

Berlin's Economy and Property Market

In the early 1990s, the Berlin property market was the subject of substantial speculative investment by the private sector, predicated on the supposed benefits of reunification and the relocation of the Federal Government of Germany from Bonn to Berlin. This short-lived property boom was mirrored in many other cities in the Former GDR, exacerbated by tax subsidies to encourage the refurbishment of residential buildings.

Berlin bore the brunt of Germany's post-reunification slump. The West German government had attempted to bolster the population of West Berlin by means of high levels of subsidies and by making it a location for manufacturing jobs. These subsidies and jobs were not sustained post-reunification. According to the Financial Times (source: "Berlin's revival may finally be underway" 30 May 2007), Berlin has lost 2/3rds of its manufacturing jobs since 1990, leaving those employed in manufacturing below 100,000, only 5 per cent. of the 1925 level. Between 1995 and 2005, Berlin's GDP shrank by nearly 10 per cent. and unemployment at one stage reached 20 per cent. In the face of this decline, Berlin's city government built up debt of €65 billion. Meanwhile, the relocation of the Federal Government of Germany to Berlin has been much slower than originally expected, delaying the economic boost expected to follow.

The net impact of these factors on the property market has been negative, aggravated by sales of property by the Berlin city government at a time of considerable fiscal distress. Residential property prices in Berlin are estimated to have fallen by between 25 per cent. and 50 per cent. between 1994 and 2004. Although prices have started to increase, the Directors believe that residential, as well as commercial, property in Berlin can be bought for below its replacement cost.

The Directors believe that, over time, prices will recover to an appropriate premium to replacement cost and accurately reflect land value which is considered unaccounted for in current prices. There has been a steep decline in residential new build since 1997 which has in turn helped address the supply/demand imbalance that had existed in recent years and leads the Directors to believe that any growth witnessed in population numbers will have a positive impact on residential property prices. On the demand side, a number of foreign private equity and investment funds have entered the market, attracted by high yields and low prices.

Berlin is beginning to recover, in tandem with the wider German economy. German Federal Government offices continue to relocate there and large amounts of Federal money have been targeted on public works and infrastructure. The persistence of relatively low wages has encouraged the opening of call centres and the relocation of back office operations. A number of large private corporations have moved their back and/or front office operations to Berlin, including BASF, Deutsche Bahn, Gillette, the Bild newspaper and Lufthansa. Company creations are increasing, especially in biotech,

information technology and the media sectors. The city had a record number of 7 million visitors in 2006 and is recognised as a centre for the arts, music and architecture. In 2006 Berlin hosted the finals of the football world cup in the renovated Olympic stadium, raising the city's profile internationally. Following many years of declining population growth, numbers are now starting to stabilise.

The Directors believe that these economic and demographic factors, combined with increased interest in German property from international investors, present investment opportunities for the property market in Berlin, as well as other east German towns and cities. The Directors also believe that the low level of home ownership in Berlin is likely to grow over time given the relative attraction of owning versus renting in the current environment. Home ownership in Germany is lower than anywhere else in the G7 group, at 43 per cent. (compared with 57 per cent. in France, 70 per cent. in the UK, 73 per cent. in Italy and 87 per cent. in Spain), but in Berlin it is only 13 per cent. The Directors believe that the Berlin property market presents value as it continues to strengthen.

The Directors believe that property prices in Berlin will rise over the coming years. Prices currently reflect a discount to new build costs and assign no value to land. Rental yields offer a premium to the cost of funds. Rental rates, though regulated, can be increased under existing legislation and the Directors believe that legislation may have to be further liberalised given the lack of commercial incentives to build new property. Indications are that residential property prices have reached their low in Berlin and are attracting significant foreign interest. Finally, the Directors believe that institutional ownership of property in Berlin should grow, given its current low level.

German Taxation

The Federal corporation tax rate is 26.38 per cent. (reducing to 15.825 per cent. from 1 January 2008) with local taxes pushing the total corporation tax rate on companies up to 38.9 per cent. (reducing to 29.83 per cent. from 1 January 2008). Transfer tax/stamp duty is payable on purchases of property and when 95 per cent. or more of shares in German companies are transferred (directly or indirectly), at a rate of 4.5 per cent. in the Berlin area.

5. The Current Portfolio and Track Record of the Company

The Current Portfolio consists of 36 properties and was acquired between April 2006 and July 2007 at an aggregate price of €53.3 million (before fees and other purchase costs).

The following table illustrates the geographic distribution of the properties within the Current Portfolio and includes details of the split between residential and commercial assets and the purchase price of the property units.

<i>Location</i>	<i>Number of properties</i>	<i>No of units</i>		<i>Area (m²)</i>	<i>Purchase price (€'000)</i>	<i>Price per m² (€)</i>
		<i>Residential</i>	<i>Commercial</i>			
Berlin	22	557	57	44,793	39,714	887
Potsdam	7	62	23	6,045	8,698	1,439
Dresden	4	45	6	3,412	2,627	770
Leipzig	3	39	8	2,977	2,220	746
Total	36	703	94	57,227	53,259	931

In addition to the properties referred to above, the Company has entered into an option agreement to buy a further building in Berlin for a consideration of €1.88 million.

The yield on the Current Portfolio as a percentage of the purchase price is 6.5 per cent., which is below the Company's target yield of 7.5 per cent. The overall yield has been reduced by two main factors, which are considered by the Directors to be temporary.

First, the Group purchased a package of property in the Berlin district of Friedrichshain in October 2006. The Investment Adviser recommended the package with a view to upgrading some of the apartments and thereby improving the yield and quality of tenants. The ongoing refurbishment project

has led to a temporary increase in overall vacancies within the Current Portfolio, as it is easier and more efficient to execute the refurbishment planning and work in empty apartments. Second, in January 2007, the Company purchased property in the Pankow district of Berlin. The Company accepted a high vacancy rate for this particular property due to the Directors' belief that appropriate management would improve vacancy levels and that the capital outlay was low relative to the quality of the property.

The Investment Adviser has negotiated financing lines to increase the leverage within the capital structure of the Company. The Company has arranged 5 year fixed rate facilities with EuroHypo and various other banks for a total of €40 million, €45 million hedged, all at the German subsidiary level. The average interest rate has been fixed at 4.93 per cent., including margin. Prevailing market rates are significantly higher.

As at December 2006, following a valuation of the properties by independent surveyors and valuation agents, Keunecke & Stoer, the Adjusted Net Asset Value per Participating Share of the Company was determined by the Directors as €117.10. The Directors have since determined an Adjusted Net Asset Value per Participating Share as at the end of June 2007 of €122.27. The basis of this Adjusted Net Asset Value was the 31 March 2007 management accounts, together with a new desktop valuation by Keunecke & Stoer of the Portfolio as at the end of June 2007. The Adjusted Net Asset Value does not include any valuation variation in relation to uncompleted property purchases where the commitment to purchase was made after March 2007.

The Investment Adviser has also procured a pipeline of properties in Berlin and other target cities which it considers to be potential investments for the Company. The Company intends to build a portfolio of approximately €300 million of property by the end of 2008. Simultaneously, the Company will focus upon augmenting the yield on the Portfolio by seeking higher rents from large sections of the Current Portfolio and any future investments. The announcement by the Berlin authorities in July 2007 of an increase in official reference rents will afford the Company greater flexibility to do this. Although the Company will face higher interest rates on new borrowing, that will initially reduce the debt to equity ratio of the Company. The Directors believe that this presents scope for gradually increasing rents as they believe asset price appreciation could permit higher levels of refinancing thereafter.

6. The Directors

The Directors, all of whom are non-executive, are responsible for the overall management and control of the Group and are as follows:

Nigel Le Quesne (*Chairman*) – aged 46

Nigel Le Quesne is group managing director of the Jersey Trust Company Group of companies (the "JTC Group") having joined in 1991 from Price Waterhouse. He was admitted as an associate in 1989 and a fellow in 1999 of the Institute of Chartered Secretaries and Administrators and is a fellow of the Chartered Management Institute. He is also a member of the Society of Trust and Estate Practitioners, the Jersey Taxation Society and the Institute of Directors. Mr. Le Quesne has a number of directorships of both publicly quoted and private companies and, in particular, has extensive property experience including his roles as a director of Watermark Holdings Limited, a privately owned Jersey company with significant real estate assets in the UK and Germany, and as a member of the supervisory board of IMW Immobilien AG, a publicly quoted multi faceted property holding company with substantial property holdings primarily in the Berlin area. Mr. Le Quesne was appointed a Director on 17 November 2005 and has served as a Director since that date.

Stephen Burnett – aged 46

Stephen Burnett is group finance director of the JTC Group having joined in 1997 after initially training with BDO. He was admitted as an associate of the Association of Chartered Certified Accountants in 1995 and as a fellow in 2000. He sits on the board of directors of a large number of public and private companies including property companies and funds, and is currently a member of the risk committee of a publicly quoted structured finance company. Mr. Burnett was appointed a Director on 17 November 2005 and has served since that date.

Philip Burgin – aged 38

Philip Burgin is a group director of the JTC Group having joined in 1995 from Morgan Stanley. He was admitted as an associate in 1999 and as a fellow in 2004 of the Institute of Chartered Secretaries and Administrators and holds a postgraduate diploma in Management Studies. Mr. Burgin is a member of the Institute of Chartered Secretaries and Administrators, Chartered Management Institute, the Society of Trust and Estate Practitioners and a Fellow of the Royal Society of Arts. He has extensive experience in property, including the launch of a Jersey based Mayfair Real Estate Fund. Mr. Burgin was appointed a Director on 17 November 2005 and has served since that date.

Mark Smith – aged 40

Mark Smith has almost 20 years' experience in the investment sector, including periods in both investment management and investment banking. In the early 1990s he was a Managing Director in the international equities group at Bear Stearns International Limited, specialising in developing markets, and was responsible for institutional sales and research in addition to private equity origination in the UK. More recently he held the same position at ING Group and had various responsibilities including the management of European equity sales and oversight of the company's hedge fund business. Mr. Smith also has experience in asset management, having worked at Worldinvest Limited where he shared responsibility for managing large institutional equity funds prior to co-founding and managing an emerging market equity hedge fund at Newman, Ragazzi and Company in 1999. Mr. Smith was appointed a Director on 17 November 2005 and has served since that date.

Nicholas Mark Houslop –aged 59

Mark Houslop has over 30 years experience in the property investment market. He joined DTZ in 1973 and was appointed a director when it publicly listed in 1987. His experience has extended from the UK and European markets to the USA where he set up and ran DTZ's New York office for five years, advising on major transactions in New York, Los Angeles, Washington DC, and Denver. In the UK he has advised on Central London properties including the Lloyds of London head quarters, the Berkeley Square Estate, and the Plaza shopping centre on Oxford Street. He sits on the supervisory board of the German publicly listed Residential/Commercial Property Company IMW and is a fellow of the Royal Institution of Chartered Surveyors. Mr. Houslop was appointed a Director on 30 June 2007 and has served since that date.

The Directors are responsible for the overall management and control of the Company. The Directors will hold regular meetings with the Investment Adviser to review the operations of the Company. It is the Directors' current intention to hold these meetings in Jersey quarterly.

7. The Investment Adviser

The Directors have appointed TML to provide the Company with investment advisory services. Pursuant to the Investment Adviser Agreement (details of which are set out in paragraph 10.4 of Part VI of this document), TML is responsible for managing the Portfolio through the investments made in underlying entities and assets, in accordance with the investment objectives and strategy determined by the Directors.

The following are considered to be the key personnel of TML:

Mark Smith – *Chief Executive Officer of TML*

Details of Mark Smith are set out in paragraph 6 of this Part I.

Paul Luke – *Chairman of TML*

Paul Luke is co-founder and former chairman of Convivo Capital Management Ltd., a UK fund management company. He has worked in the City of London since 1977. Between 1977 and 1986 he worked at the Bank of England and the Cabinet Office. Thereafter, he held various senior investment banking positions within the West-Deutsche Landesbank and Deutsche Bank Groups, and was a director of Deutsche Morgan Grenfell. He has been investing in the German property market since 1993. Mr. Luke graduated with first class honours (BSc Econ) from the University of Wales in 1974 and has published widely on markets, receiving several awards for his research.

Michael Milbourn – Director of TML

Michael Milbourn has been involved in the London financial community since 1970 and for ten years ran a successful Emerging Markets trading and financing business. In 1995 he made the transition to Chief Operating Officer at West Merchant Bank during a major transformation of the business, in which role he assumed responsibility for all operational, administrative and support activities as well as being chairman of the operations committee, counterparty risk committee and promotional activities committee. He holds a Bachelors degree in Industrial Economics and recently obtained a Master's degree in Law with a commendation for his dissertation on corporate governance. Prior to joining TML he acted as an entrepreneur and adviser engaged in a variety of business and charitable activities.

8. The Administrator

The Administrator has responsibility for the daily administration of the Company which includes the maintenance of the share register and the processing of investor subscriptions, arranging and holding meetings of Directors and Shareholders, statutory and regulatory compliance and the preparation of financial reports. The Administrator is a private par value limited liability company incorporated in Jersey on 13 June 2003. It is regulated by the Commission and authorised to conduct trust company business under the Financial Services (Jersey) Law 1988 (as amended). Further details of the agreement between the Company and the Administrator are set out in paragraph 10.5 of Part VI of this document. The Administrator has an authorised share capital of £25,000 and an issued share capital of 25,000 shares of £1 each.

9. The Registrar

The Company has appointed the Registrar to provide registrar services in respect of the Company. For these services the Registrar will receive an aggregate initial minimum fee of £5,500. The Registrar Agreement may be terminated by either party giving not less than 3 months notice to the other. Further details of the agreement between the Company and the Registrar are set out in paragraph 10.6 of Part VI of this document.

10. Current Trading and Future Prospects

Despite the recent increase in property prices in Berlin and elsewhere in Germany, the Directors believe that the German housing portfolio market still offers the prospect of good returns for the coming years, given the poor performance since the mid 1990s. The Current Portfolio was purchased at a price of €931 per square metre with a yield of 6.5 per cent. The Directors continue to see interesting buildings and small portfolios of properties and believe that, by the end of 2008, they will have created a Portfolio worth approximately €300 million.

The Company's rate of acquisition has been relatively slow to date. The German property market lacks transparency. Transactions with banks relating to portfolios resulting from administrations may take a long time to complete, especially as original owners, in practice, retain a degree of *locus standi* under German bankruptcy law. However, the Directors believe that the Company has now established a presence in their operational market and a reputation for reliability as a counterpart. This, aligned with the fact that TML now has a full time presence in Berlin (via its subsidiary Taliesin Deutschland), should augment Taliesin's profile and help the Company to create a pipeline of potential property acquisitions.

In endeavouring to achieve the objectives and strategy set out in paragraph 2 of this Part I, the Directors will focus on two areas. First, although the focus on Berlin and Potsdam will continue, the existence of high yielding and cheap property in other locations in the Former GDR, especially in towns such as Dresden, Chemnitz and Leipzig, suggests that the Company should build on its Current Portfolio in these areas. The anticipated extra yield offered in these conurbations should offer a useful buffer against the potential for rising interest rates in the Euro-zone area.

Second, the Directors plan to look at commercial property, provided that the Company can buy below replacement value. In Berlin and the Former GDR, the commercial market has been as poor as the residential market. However, as Berlin and Germany recover, the market is now picking up. €3.15

billion of commercial property was transacted in Berlin in 2006, the highest ever. There are whole segments in the commercial sector which have lagged, partly because of the poor performance of the economy and pressure on wages. For example, in 2006 shopping space per head of population was 135m² in Germany, compared with 197 m² in Spain, 213m² in France and 226 m² in the UK. The Directors will analyse any opportunities as they present themselves and, where appropriate, identify partners with whom they can be progressed.

11. Reasons for Admission

The Company is proposing to be admitted to AIM for several reasons. Most notably, Admission will afford existing investors a degree of liquidity which was not available under the original fund structure, which was that of a five year closed end Jersey investment fund. In addition, the Company is targeting the creation of a German property portfolio of approximately €300 million by the end of 2008. In the future, and subject to conditions in the German property market, it may be possible to scale up the Company's investments in the sector. Although the strategy has been to add to the Portfolio with individual properties and smaller packages, the time may come when larger portfolios become available at reasonable prices, in which case proceeds of any future fund-raising can be applied.

12. Lock-ins and Orderly Market Arrangements

On Admission the Directors and persons connected with them will be interested in an aggregate of 7,000 Ordinary Shares, representing approximately 1.98 per cent. of the Issued Share Capital. Details of the Directors' holdings of Ordinary Shares are set out in paragraph 8 of Part VI of this document. The Directors, on behalf of themselves, their families and others deemed to be connected with them, have undertaken to Insinger de Beaufort not to dispose of any interest in Ordinary Shares (except in certain limited circumstances) for a period of 12 months following Admission. The Directors have further undertaken that, for a further period of 12 months following the first anniversary of Admission they will not dispose of an interest in Ordinary Shares except following consultation with Insinger de Beaufort who may at its discretion, acting reasonably, refuse to lift the restrictions with a view to maintaining an orderly market in the Ordinary Shares.

13. Conflicts of Interest

The following potential conflicts of interest are also noted:

- (i) the Directors, the Investment Adviser, the Administrator, the Auditors and other professional parties may from time to time act as directors, investment adviser, administrator, registrar, auditor, broker or dealer, adviser or valuer in relation to or be otherwise involved in other funds established by parties other than the Company which may have similar objectives to those of the Company;
- (ii) Ogier may act as Jersey counsel to other funds or companies;
- (iii) Field Fisher Waterhouse LLP may act as UK counsel to other funds or companies and the Investment Adviser;
- (iv) International Fiscal Services Limited may act as tax adviser to other funds or companies and the Investment Adviser;
- (v) Nigel Le Quesne, Philip Burgin and Stephen Burnett are all shareholders in JTC Group Limited of which JTC Management Limited, JTC Trustees Limited and JTC Fund Services Limited are wholly owned subsidiaries and Mark Smith is a director and shareholder of the Investment Adviser;
- (vi) each of the Directors and the directors of the Investment Adviser may act as a director of other entities;
- (vii) the Investment Adviser may act as investment adviser or manager to other funds; and
- (viii) each of the Directors and the key personnel of the Investment Adviser may invest in the Company.

It is, therefore, possible that any of the Directors may, in the course of business, have potential conflicts of interest with the Company. Each will, at all times, have regard in such event to their obligations to the Company and will endeavour to ensure that such conflicts are resolved fairly. In addition, subject to applicable law, any of the foregoing may deal, as principal or agent, with the Company, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis.

In accordance with article 75 of the Companies Law, the Directors who have, directly or indirectly, an interest in a transaction entered into or proposed to be entered into by the Company which to a material extent conflicts or may conflict with the interests of the Company and of which the Director is aware, shall disclose to the Company the nature and extent of the Director's interest.

The Investment Adviser or any of its affiliates or any person connected with the Investment Adviser may invest in, directly or indirectly, or, with the consent of the Board, manage or advise other investment funds, companies or accounts which invest in assets which may be purchased or sold by the Company.

14. Working Capital

The Directors, having made due and careful enquiry, are of the opinion that following Admission the Group will have sufficient working capital available for its present requirements, that is for at least the 12 months from the date of Admission.

15. Taxation

Certain information concerning UK and Jersey taxation for potential Shareholders is set out in Part V of this document. If Shareholders are in any doubt as to their tax position they should consult their own independent financial adviser immediately.

16. Corporate Governance

The Directors recognise the importance of sound corporate governance and intend, where practicable for a company of Taliesin's size and stage of development, to comply with the Combined Code. The Directors have appointed an audit committee comprising Stephen Burnett and Philip Burgin. The audit committee will have primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Company is properly measured and reported on and for reviewing reports from the Company's auditors relating to the Company's accounting and internal controls.

The Board does not consider it necessary to establish remuneration or nomination committees as it has no executive directors.

The Directors will comply with rule 21 of the AIM Rules relating to dealings in the Company's securities by the Directors and other applicable employees. To this end, the Company has adopted a code for directors' dealings appropriate for a company whose shares are admitted to trading on AIM and will take all reasonable steps to ensure compliance by the Directors and any relevant employees. The form of this code is substantially the same as the model code contained in the Listing Rules of the UK Listing Authority.

For the purposes of assessing compliance with the Listed Fund guide, the Board considers all the Directors other than Mark Smith (who is a director of the Investment Adviser) as independent of the Investment Adviser and free from any business or other relationship that could materially interfere with the exercise of their independent judgment. However, as Nigel Le Quesne, Philip Burgin and Stephen Burnett are all shareholders in JTC Group Limited of which JTC Management Limited, JTC Trustees Limited and JTC Fund Services Limited are wholly owned subsidiaries, they cannot be considered wholly independent.

17. Admission, Dealing Arrangements and settlement within CREST

Application has been made to the London Stock Exchange for the Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings, for normal settlement, will commence at 8.00 a.m. on 28 August 2007.

The SEDOL number for the Ordinary Shares is B2375J5 and the ISIN number is JE00B2375J51.

Ordinary Shares are currently held by Shareholders in certificated form. Should Shareholders wish to transfer Ordinary Shares into dematerialised form, they can apply for part or all of their Ordinary Shares to be delivered in CREST. CREST is a paperless settlement procedure enabling securities to be evidenced other than by certificate and transferred otherwise than by written instrument. Application has been made by the Company for the Issued Share Capital to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within CREST if the individual Shareholders so wish. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. To the extent that individual shareholders wish to hold their shares in certificated form, it is expected that share certificates will be despatched by the Company's registrars no later than 7 days following Admission.

18. Fees, Charges and Expenses

The Company will be responsible for the various administrative and operational expenses, brokerage commissions and transaction charges incurred in connection with the running of the business of the Company and its trading activities, including those detailed below.

Investment Adviser

The Investment Adviser will receive a quarterly advisory fee equal to 0.5 per cent. of the Adjusted Net Asset Value (before accrual of any fees under the Investment Adviser Agreement) as at the end of each quarter period. These fees will be payable one month after the end of each quarter period.

In addition the Investment Adviser will be entitled to an annual performance fee which is equal to 20 per cent. of that portion of the return (after accrual of the advisory fees but before accrual of the performance fee) obtained by Shareholders during the calendar year in question which is in excess of a "hurdle" represented by the 12 month Euribor rate as determined by the Administrator on the first business day of such calendar year. For purposes of calculating this return the Administrator will compare the Adjusted Net Asset Value at the end of such calendar year with the comparable figure at the end of the previous calendar year but having regard to a "high water mark" in the event that the return in any previous calendar year may have been insufficient to achieve the hurdle rate of return for such year in which case the base Adjusted Net Asset Value figure shall be the previous year's hurdle rate of return. Account will also be taken of any new issues of shares during the year, with appropriate adjustments to the performance fee calculation.

Neither the advisory fee nor the performance fee may be amended except by mutual consent of the parties to the Investment Adviser Agreement.

Directors

Under the arrangements in force at the date of this document the Directors receive aggregate fees of £15,000.

The Directors may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

Administrator

In consideration for the services rendered by the Administrator, a fee is payable quarterly in advance subject to a minimum annual fee of €40,000 (as varied from time to time). The Administrator is also entitled to a financial and accounting service fee charged on a time spent basis and estimated to be €25,000 per annum and a company secretarial servicing fee charged on a time spent basis and estimated

to be €60,000 per annum. The Administrator also receives a fee of £10,000 per annum for providing the services of individuals to act as directors of the Company.

Taliesin Deutschland

Under a property acquisition and asset management agreement between the Company and Taliesin Deutschland, Taliesin Deutschland will receive an asset management fee equal to 2.5 per cent. of the aggregate contractual rentals due in respect of the Portfolio each month. In addition, Taliesin Deutschland will be entitled to an acquisition fee equal to 0.5 per cent. of the purchase price of any property acquired by any company in the Group.

Valuation Agent

The Valuation Agent will be paid at such normal commercial rates as may be agreed between the Company and the Valuation Agent from time to time.

Additional Expenses

The following additional expenses are payable out of the assets of the Company:

- (a) expenses incurred in restructuring the Company and those professional fees relating to Admission amounting to approximately £500,000. Such expenses will be amortised over a period of 12 months at the absolute discretion of the Directors;
- (b) any stamp and other duties, taxes, government charges, commissions, brokerage, transfer fees, registration fees and other charges payable in respect of the acquisition, holding or realisation of any investment of the Company and any foreign exchange transactions carried out in connection therewith;
- (c) all taxes and corporate fees payable by the Company to any government or other authority or to any agency of such government or authority;
- (d) all fees and expenses incurred in relation to the production, printing and distribution of any admission document or any other similar document and the advertising and promotion generally of the Company's shares;
- (e) all audit fees of the Company and legal expenses incurred in connection with the Company's corporate existence, corporate and financial structure and relations with its shareholders and third parties and all other professional and other charges in respect of services rendered to the Company at the request of the Company;
- (f) all expenses incurred in connection with the publication of prices of shares and/or net asset valuations; and
- (g) interest on, and charges and expenses of the Company in arranging and arising out of all borrowings made by the Company.

All expenses incurred directly or indirectly by the Investment Adviser in the exercise of its duties to the Company, including but not limited to marketing expenses, presentation expenses and investment related expenses, shall be paid or reimbursed by the Company. The Investment Adviser shall bear its own overhead and other internal operating costs.

19. Further Information

Your attention is drawn to Part II of this document, which contains risk factors relating to any investment in the Company, Part III which contains financial information on the Company and the Valuer's Report on the Portfolio set out in Part IV as well as further additional information on the Company in Part VI of this document.

PART II

RISK FACTORS

An investment in Ordinary Shares involves a high degree of risk and uncertainty. Accordingly, Shareholders should carefully consider the specific risk factors set out below in addition to all other information set out in this document prior to making any investment decision concerning the Ordinary Shares. The Directors consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not purport to comprise all those risks associated with an investment in the Company and are not set out in any particular order of priority.

If any of the following risks actually occurs, the Company's business, financial condition, capital resources, results or future operations could be materially adversely affected. In this event, the price of Ordinary Shares could decline and Shareholders may lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Company's business, financial condition and results of operations.

1. Business and Industry Risk

1.1 *Past Performance*

There can be no assurance that the Company will achieve its investment objective. There is a relatively short operating history by which to evaluate the Company's and the Investment Adviser's projected future performance.

The Company plans, on an opportunistic basis, to purchase entirely commercial units. Although the Company has already invested in commercial units that are contained, usually at ground floor level, in primarily residential buildings, the Company has not invested so far in stand-alone commercial property.

1.2 *Future Performance*

Past and current performance does not imply that future trends will follow the same or similar pattern. Projections made in this document may not be achieved. Shareholders may not get back the full value of their investment and in certain circumstances could lose all of their investment. The value of the investment could go down as well as up. This may be a function of changed market conditions.

1.3 *Liquidity*

The Company will be investing in residential and commercial German properties which may be viewed as a higher risk investment and of a less liquid nature than properties which are in other EU countries, and have certain specific risks attaching to them.

In some circumstances, investments may be very illiquid, partly because they may be subject to legal or contractual restrictions on their resale and partly due to a relatively inactive market. This can make it difficult to acquire or dispose of investments. At times it may be difficult to obtain reasonable price quotes at all, for example in the event of a political or economic crisis in Germany, or in any other country which then has an adverse impact upon Germany. The Company may, therefore, be adversely affected by a decrease in market liquidity for the assets in which it invests.

1.4 *Values*

Property investments can perform in a cyclical nature and values can increase or decrease. Economic, political, fiscal and legal issues can affect values as they can with any other investment.

The Portfolio will be valued on each valuation date by a professional valuer. This valuation will be by way of a professional opinion of the open market value of the Portfolio. The valuation will be undertaken by such reputable entity as may be appointed by the Company from time to time. This entity will be paid fees in accordance with the industry standards for such services. There is

no assurance that the valuation of the Portfolio will reflect the actual sale price even where such sales occur shortly after the valuation date.

1.5 *Property Related Taxes*

The returns on the Ordinary Shares will be affected by German taxation legislation relating to property transactions, which is subject to change.

1.6 *German Property Market*

Any future downturn in the German property market, both residential and otherwise, could materially adversely affect the value of properties. Rental income and the market value for properties are generally affected by overall conditions in the local economy, such as growth in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which may impact the demand for premises. Conditions within the property market, changes in landlord and tenant law, changes in planning law or changes to rates or treatment of tax could affect the performance of the Portfolio.

1.7 *Residential and Commercial Property Sectors*

Both the residential property and commercial property sectors can be cyclical and face risks at a number of levels. The state of the economy, both macro and local, can adversely affect demand. Excessive levels of supply can also lead to falling prices. Rising interest rates can impact the finances of potential purchasers, lower development margins and reduce investment appetite. Interest rates, bond yields and the relative attractions of other assets can all impact property values. Property values may also be affected by changes in planning, taxes, technology and lease structures. These risks may be amplified in both sectors through development exposure and gearing.

1.8 *Availability of Investment Opportunities*

The availability of potential investments which meet the Company's investment objective will depend on the state of the economy and financial markets in Germany. The Company can offer no assurance that it will be able to identify and make investments that are consistent with its investment objective or that it will be able to fully invest its available capital.

The investment opportunities identified by the Investment Adviser and proposed to the Company as being the Company's pipeline are in the process of due diligence and/or negotiation or discussion. There is no guarantee that these investment opportunities will continue to be available in the future at a time or in a form which is convenient for the Company or that the Company will or will be able to invest in these opportunities. The inability to find or agree terms of such investment opportunities could have a materially adverse effect on the financial position and prospects of the Company.

1.9 *Tenant Risk*

Although the Company is not aware of any issues, tenants may apply to obtain statutory rights over property which could complicate the termination of any individual lease. In the event of tenant default, there may be a rental income shortfall and the Company may become liable for maintaining that part of its property portfolio. This may affect investment returns and could lead to an event of default in any lending agreements into which it, or any of the entities in which it is invested, directly or indirectly, enters. Accordingly, the more properties that are acquired, the lower the risk that would be associated in the event of any one tenant default.

1.10 *Unsuccessful Transaction Costs*

There is a risk that the Company may incur substantial legal, financial and other advisory expenses arising from unsuccessful transactions which may include expenses incurred in dealing with transaction documentation and legal, accounting and other due diligence.

1.11 *Limited Spread of Portfolio Risk*

The Company may make only a limited number of investments and these may involve a high degree of risk. Poor performance by even a few of these investments could lead to material adverse effects on the returns received by the Company.

1.12 *General*

Although estimates and assumptions concerning a property investment opportunity in which the Company may seek to invest are believed by the Directors to be reasonable, such estimates and assumptions are uncertain and unpredictable. To the extent that actual events differ materially from the Directors' assumptions and estimates, actual results will differ from those anticipated.

1.13 *German Real Estate Transfer Tax*

In certain situations the German companies owning German real estate may be deemed to have transferred those properties if their shares (or those of their controlling parent companies) are freely tradable and 95 per cent. or more of those shares are transferred to new shareholders. If this were the case, real estate transfer tax of up to 4.5 per cent. would be payable. Whilst the Company has and will continue to make appropriate arrangements to minimise this risk, there can be no guarantee that such arrangements will be sufficient.

2. **The Investment Adviser**

2.1 *Performance*

The Company's success will depend to a significant extent on the Investment Adviser. The Company's ability to achieve its investment objectives will depend on the ability of the Investment Adviser to identify, make proposals for and manage investments that meet the Company's investment criteria and execute them effectively, and thereafter the ability of the Company to find appropriate exit strategies in a timely fashion. Accomplishing this result on a cost-effective basis will result from the effective structuring of the investment process and, if applicable, the Company's access to financing on acceptable terms. The Company will be subject to the risk that the Investment Adviser will subsequently terminate its appointment and that no suitable replacement will be found.

Concentration of the advisory services with regards to the Company's investments with one service provider could adversely affect the Group in the event that the Investment Adviser fails to fulfil its function effectively or at all.

2.2 *No Regulation*

The Investment Adviser is not (nor are its personnel) subject to regulation by the FSA in the UK. Accordingly, the Investment Adviser will not be subject to the requirements applicable to persons who are authorised by the FSA to provide investment advice and similar services in the United Kingdom. Furthermore, the activities of the Investment Adviser are not subject to any regulation, supervision or oversight by any regulator or supervisory body in Germany.

2.3 *Dependence on key personnel within the Investment Adviser*

The Company's success will depend to a significant extent upon the experience of the Investment Adviser's executive officers whose continued service may not be guaranteed. The departure of any of the key executives of the Investment Adviser could have a material and adverse effect on the performance of the Company including where they work for one of the Company's competitors. The Company will be subject to the risk that the Investment Adviser terminates its appointment and no suitable replacement will be found. The services of these individuals therefore cannot be guaranteed.

2.4 *Competition by the Investment Adviser*

The Investment Adviser is permitted to perform investment advisory services for third parties which are similar to the services it provides to the Company and to carry out other property administration and day-to-day management activities itself or with others, save that where an investment opportunity arises that falls within the ambit of its agreement with the Company, the Investment Adviser must first offer the right to exploit such opportunity to the Company and shall only act for a third party in respect of such opportunity with the prior consent of the Board. Furthermore, should the Investment Adviser wish to purchase for their own account any property which may fall within the ambit of its services to the Company then explicit prior consent from the Board must be received.

3. General

3.1 Taxation

The attention of Shareholders is drawn to Part VI of this document headed “Taxation”, where a general guide to corporate and personal taxation has been set out. However, Shareholders should not rely on such general guidance and should seek their own advice. The levels of, and relief from, taxation may change. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstance of Shareholders.

Any changes to the taxation environment or a change in the tax treatment of the Group may affect investment returns and each Shareholder should consider his own tax position and take his own tax advice.

3.2 Finance and Borrowing

The Group will use borrowing for the purpose of making investments. The use of borrowing creates certain risks and may significantly increase the Group’s investment risk. Borrowing creates an opportunity for greater yield and total return but, at the same time, increases exposure to capital risk and interest costs.

3.3 Currency and Exchange Rate Risks

The Group may have assets which are denominated in currencies other than the Euro. The Group will generally, however, value its assets in Euros. To the extent that its assets are unhedged, the value of the assets of the Group will fluctuate with exchange rates as well as with price changes when it invests in local markets and currencies.

3.4 Regulatory Risks

The regulatory environment is evolving and changes therein may adversely affect the Group. In addition, the regulatory or tax environment is evolving and may be subject to modification by government or judicial action, which may adversely affect the value of investments held by the Group.

3.5 Industry Competition and Competition for Investment Opportunities

The property industry in Germany and Berlin is extremely competitive. In pursuing its investment objective and policy the Group will compete with many other investors, including many of the larger investment advisory and private investment firms as well as institutional investors.

In some instances, the Company will compete with wealthy local entrepreneurs and other sources of investment, including global investment banks and traditional financial services companies such as commercial banks and speciality finance companies. Such competitors may have greater financial resources than the Company and a greater ability to borrow funds to make investments. There can be no assurance that the Company will not, in the future, face competitive pressures that could have a material adverse effect on the Company’s business, financial condition and results of operations. Also, as a result of this potential competition, the Company may not be able to take advantage of attractive investment opportunities available from time to time.

3.6 Bank Facilities and Effect of Borrowings

The Company plans to continue to use borrowings for the purpose of making investments. There is no certainty that, if required by the Company, it will be able to put in place debt facilities on acceptable terms or indeed at all. The use of borrowing creates special risks and may significantly increase the Company’s investment risk. Borrowing creates an opportunity for greater yield and total return but, at the same time, will increase the Company’s exposure to capital risk and interest costs. Where the associated interest costs prove to be greater than income and gains earned on investments made using borrowings, the revenue of the Company could be adversely affected, and may even result in erosion of capital.

3.7 Dividends

Shareholders should note that payment of any future dividends will be at the discretion of the Board after taking into account many factors, including the Company’s operating results, financial condition and current and anticipated cash needs.

In addition, because the Company conducts its business through its subsidiaries, its ability to pay distributions to Shareholders depends on the earnings and cash flow of its subsidiaries and their ability to pay the Company distributions and to repatriate funds to it. Other contractual and legal restrictions applicable to the Company and its subsidiaries could also limit its ability to obtain cash from them. If there are changes to accounting standards or to the interpretation of accounting standards, this could have an adverse impact on the Company's ability to pay dividends. The Company's right to participate in any distribution of its subsidiaries' assets upon their liquidation, reorganisation or insolvency would generally be subject to prior claims of the subsidiaries' creditors, including lenders and trade creditors.

4. Risks Relating to Ordinary Shares

4.1 *AIM*

The AIM Rules are less demanding than those of the Official List. Further, the London Stock Exchange has not itself examined or approved the contents of this document.

An investment in shares traded on AIM is perceived to involve a higher degree of risk and be less liquid than an investment in shares listed on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for Ordinary Shares cannot be guaranteed. Shareholders may therefore realise less than, or lose all of, their investment.

4.2 *Volatility in the Ordinary Shares*

It is possible that an active trading market may not develop and continue upon Admission. Even if an active trading market develops, the market price for the Ordinary Shares may fall below the initial price paid for those shares. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected.

The price at which the Ordinary Shares are quoted and the price which Shareholders may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and the Company's investments and some which may affect the German property investment sector or quoted companies generally and which are outside the Company's control. These factors could include the performance of the Company, large purchases or sales of the Ordinary Shares, legislative changes in the insurance and pension fund industry environment, general economic, political or regulatory conditions, or changes in market sentiment towards the Ordinary Shares. Any of these events could result in a material decline in the market price of the Ordinary Shares.

4.3 *Availability of Future Funding*

The Company's capital requirements depend on numerous factors. If its capital requirements vary materially from its current plans, the Company may require further financing. Any additional equity financing may be dilutive to Shareholders. Further, any borrowings, if available, may involve restrictions on financing and operating activities. There can be no assurance that the Company will be able to raise or obtain additional funds if needed or that such funds will be available on terms favourable to the Company and as a result, it may be required to reduce the scope of its operations or anticipated expansion. There is no guarantee that the then prevailing market conditions will allow for such fundraising or that new investors will be prepared to subscribe for Ordinary Shares.

4.4 *Forward Looking Statements*

All statements other than statements of historical facts included in this document, including, without limitation, those regarding the Group's financial position, business strategy, plans and objective of management for future operations or statements relating to expectations in relation to dividends or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could", or similar expressions or the negative thereof, are forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the actual results, performance, achievements of or dividends paid by, the Group to be materially different from future results, performance or

achievements, or dividend payments expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward looking statements speak only as of the date of this document. The Group expressly disclaims any obligations or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Group's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

The foregoing risk factors are not exhaustive and do not purport to be a complete explanation of all the risks and significant considerations involved in investing in the Company. Accordingly, additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem to be immaterial, may also have an adverse impact on the Company's business.

PART III
ACCOUNTANTS' REPORTS

(A) ACCOUNTANTS' REPORT ON THE COMPANY



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The Directors
Insinger de Beaufort
131 Finsbury Pavement
London EC2A 1NT

21 August 2007

Dear Sirs

We report on the financial information set out below on Taliesin Property Fund Limited ('the Company') and its subsidiary undertakings (together 'the Group') which has been prepared for inclusion in the AIM Admission Document (the 'Document') dated 21 August 2007 on the basis of the accounting policies set out in Note 1. The financial information does not constitute audited statutory accounts.

This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Save for any responsibility arising under Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Document.

Responsibilities

The Directors of the are responsible for preparing the financial information on the Group as described in the 'Basis of Preparation' set out below and in accordance with applicable International Financial Reporting Standards. The Directors of Taliesin Property Fund Limited are responsible for the contents of the Document in its entirety.

It is our responsibility to form an opinion on the financial information as to whether the financial information on the Group gives a true and fair view, for the purposes of the Document 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 Document dated 21 August 2007, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out below and in accordance with applicable International Financial Reporting Standards and has been prepared in a form that is consistent with the accounting policies set out in Note 1.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the 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 Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Mazars LLP

Chartered Accountants

London

CONSOLIDATED INCOME STATEMENT

The consolidated income statement for the thirteen month period ended 31 December 2006 is set out below:

		<i>17 November 2005 to 31 December 2006 €'000</i>
	<i>Note</i>	
Continuing operations		
Rental income		1,019
Other operating income		2
Total operating revenues		<u>1,021</u>
Movement in fair value adjustment on investment property	3	(1,154)
Losses on financial assets at fair value through profit or loss	7	(18)
Operating expenses		(1,505)
Loss from operating activities		<u>(1,656)</u>
Finance income		176
Finance expense		(174)
Net financing costs		<u>2</u>
Loss before tax		<u>(1,654)</u>
Corporate income tax credit	13	369
Current ordinary loss for the period		<u><u>(1,285)</u></u>
Attributable to:		
Equity holders of the parent	11	(1,286)
Minority interest		1
Net loss for the period		<u><u>(1,285)</u></u>
Net loss per Participating share (€)	18	(6.65)

CONSOLIDATED BALANCE SHEETS

The consolidated balance sheets as at 31 December 2006 for the Company are set out below:

	<i>Notes</i>	<i>As at 31 December 2006 €'000</i>
ASSETS		
Non-current assets		
Investment properties	3	33,650
Property acquisitions yet to complete	4	737
Goodwill	5	1,692
Deferred taxation	13	631
Investments held at fair value through profit or loss	7	865
Total non-current assets		<u>37,575</u>
Current assets		
Cash and cash equivalents		3,153
Other receivables	8	705
Total current assets		<u>3,858</u>
Total assets		<u>41,433</u>
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity		
Share capital	9	–
Share premium account	10	22,876
Retained earnings	11	(1,235)
Equity attributable to equity holders of parent		<u>21,591</u>
Minority interests		233
Total equity		<u>21,824</u>
Non-current liabilities		
Financial liabilities	12	16,013
Deferred income tax	13	1,334
Total non-current liabilities		<u>17,347</u>
Current liabilities		
Financial liabilities	12	952
Other liabilities and payables	14	1,310
Total current liabilities		<u>2,262</u>
Total equity and liabilities		<u>41,433</u>
Net asset value per Participating share (€)	18	94.38

CONSOLIDATED CASH FLOW STATEMENTS

The consolidated income statement for the thirteen month period ended 31 December 2006 is set out below:

		17 November 2005 to 31 December 2006 €'000
	<i>Note</i>	
Operating activities		
Net cash inflow from operating activities	16	763
Net cash generated from operating activities		<u>763</u>
Investing activities		
Purchase of investment properties		(22,237)
Refurbishment of investment properties held		(209)
Acquisition of subsidiaries	17	(4,792)
Interest received		177
Investment income received		17
Net cash outflow from investing activities		<u>(27,044)</u>
Financing activities		
Proceeds of issues of share capital		22,876
Organisational costs		(121)
Proceeds from borrowings		6,616
Loan repayments		(53)
Interest paid		(174)
Net cash inflow from financing activities		<u>29,144</u>
Net increase in cash and cash equivalents		<u>2,863</u>
Cash and cash equivalents at start of period		–
Cash and cash equivalents of acquired companies	17	290
Cash and cash equivalents at end of period		<u>3,153</u>

CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

The consolidated reconciliation of movements in shareholders' funds for the period ended 31 December 2006 is set out below:

	<i>Attributable to Equity Holders of the Parent</i>			<i>Equity before minority interests</i>	<i>Minority interests</i>	<i>Total equity</i>
	<i>Share Capital €'000</i>	<i>Share Premium €'000</i>	<i>Retained Earnings €'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Issue of Share Capital		22,876	–	22,876	–	22,876
Loss for the period	–	–	(1,286)	(1,236)	1	(1,285)
Minority interest in acquired subsidiaries (note 16)	–	–	–	–	233	233
Balances at 31 December 2006	<u>–</u>	<u>22,876</u>	<u>(1,286)</u>	<u>21,590</u>	<u>234</u>	<u>21,824</u>

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in the relation to the Group's financial information.

Basis of Preparation

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB).

The financial information has been prepared under the historical cost convention as modified for the revaluation of investment properties at fair values and of long-term investments at fair value through profit or loss.

The preparation of financial information in accordance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 14.

At the date of authorisation of this financial information, the following Standards and Interpretations which have not been applied in this financial information were in issue but not yet effective:

- IFRS 7 “Financial instruments; and the related amendment to IAS 1 on capital disclosures”;
- Amendment to IAS 1 “Presentation of Financial Statements: Capital Disclosures”;
- IFRS 8 “Operating Segments”;
- IFRIC 4 “Determining whether an Arrangement contains a lease”;
- IFRIC 5 “Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds”;
- IFRIC 6 “Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment”;
- IFRIC 7 “Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies”;
- the amendments to IAS 39 “Financial Instruments: Recognition and Measurement”;
- IFRIC 8: “Scope of IFRS 2”;
- IFRIC 9: “Reassessment of Embedded Derivatives”
- IFRIC 11 IFRS 2 “Group and Treasury Share Transactions”; and
- IFRIC 12 “Service Concession Arrangements”.

The Directors do not anticipate that the adoption of these Standards and Interpretations in the period of initial application will have a material impact on the financial information presentation of the Group.

Upon adoption of IFRS 7, the Group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically, the Group will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

The principal accounting policies are set out below.

Consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its

subsidiaries (“the Group”) as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

Business combinations

The consolidated financial information incorporates the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree’s identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Investment property

Property held for long-term rental yields or for capital appreciation or both is classified as an investment property and the provisions of IAS 40 “Investment Property” apply. The changes in fair value are presented in the consolidated income statement. Expenses of properties in the course of acquisition are shown at cost.

Investment property comprises underdeveloped land, land and rights equivalent to land with buildings, and land with third party hereditary building rights. Investment property is measured initially at its cost including related transaction costs. After initial recognition, investment properties are measured at fair value, with subsequent changes in fair value recognised in the consolidated income statement.

Property acquisitions yet to complete

All costs directly associated with acquiring properties are classified as “Property acquisitions yet to complete” and stated at cost until the acquisitions are completed, whereupon they are reclassified as part of the capital cost of the associated property within “Investment properties”.

Corporate income tax expense

The corporate income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit may differ from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets taken on, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset and is reviewed annually for impairment. Where goodwill is not recoverable, any impairment is immediately recognised in the consolidated income statement.

Foreign exchange

(i) *Functional and presentation currency*

The financial information is presented in Euros as this is the primary currency of the economic environment in which the entity operates, and in which the material transactions of the Group are undertaken.

(ii) *Transactions and balances*

Transactions undertaken in foreign currencies are translated into Euros at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Euros at the rate ruling on the balance sheet date. Non-monetary assets (investments in subsidiary companies and investments held at fair value through profit or loss) denominated in foreign currencies are translated into Euros at the rate ruling on the date of acquisition. Profits and losses on exchange are taken directly to equity.

Financial assets and liabilities

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Financial assets are recognised when the Group becomes party to the contractual obligations of the instrument. The Group's accounting policy for each category is as follows:

(i) *Investments held at fair value through profit or loss*

Purchases of investments are designated upon initial recognition at fair value through profit or loss. The fair value of such assets is based on their quoted bid price at the balance sheet date without deduction for any estimated future selling costs.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the consolidated income statement as "Gains/(Losses) on financial assets at fair value through profit or loss".

(ii) *Loans receivable*

Loans receivable are recorded initially at fair value and subsequently accounted for at amortised cost using the effective interest rate method which ensures that any income over the period to repayment is recognised at a constant rate on the balance of the loan receivable carried in the balance sheet.

(iii) *Other receivables*

Other receivables are recognised at fair value on initial recognition. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

(iv) *Equity instruments*

Other receivables are recognised at fair value on initial recognition. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

(v) *Loans payable*

These liabilities are initially recognised at the fair value of the amount advanced net of any transaction costs attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet.

Rental income

Rental income from operating leases is recognised on a straight line basis over the term of the lease.

Expenditure and other operating income

Expenditure and other operating income and expenditure is accounted for on an accruals basis.

Interest income and expense

Interest on financial instruments, both receivable and payable, is recognised using the effective rate of interest method, which is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

Other interest receivable from cash and short-term deposits, or interest payable on variable bank overdrafts and short-term loans is accrued to the end of the financial period.

2. CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial information requires the Directors to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosures of contingencies as at the balance sheet date. If in the future such estimates and assumptions, which are based on the Directors' best judgement at the balance sheet date, deviate from the actual circumstances, the original estimates and assumptions will be modified, as appropriate, in the period in which the circumstances change. The following policies are considered to be of greater complexity and/or particularly subject to the exercise of judgement.

Goodwill

The Directors regularly monitor the carrying value of the Group's assets, including goodwill, impairment reviews compare the carrying values to the present value of future cash flows that are derived from the relevant asset or cash-generating unit. These reviews therefore depend on the Directors' estimates and judgements, in particular in relation to the forecasting of future cash flows and the discount rate applied to the cash flows.

Fair value and investment properties

The Directors employ the services of professional property values but are still ultimately responsible for ensuring that such valuers are adequately qualified, competent and base their results on reasonable and realistic assumptions.

The Group operates in Germany where there is a well developed and active market in the type of properties in which the group is aiming to invest. This ensures an ample supply of various types of evidence upon which to make judgements on fair values, having regard to adjustments made necessary by differences in condition or location or changes in economic conditions. Such evidence includes current and recent sale prices of similar properties, and rents based on current market rates with which to calculate discounted cash flows based on reliable estimates of future rental income and discount rates that reflect current market assessments of uncertainties in the amount and timing of cash flows.

Fair value of financial instruments**(a) Financial assets**

Investments held at fair value comprise fixed securities held in well established companies with reasonably liquid markets. This enables the Directors to value these instruments with reasonable accuracy at all times. As they are vulnerable to fluctuations in market interest rates, the Directors must decide between holding these securities or selling them before they sustain losses in market value in an environment of rising market interest rates.

(b) Financial liabilities

In valuing financial liabilities, the Directors make judgements based on discounting future cash flows and on current market interest rates and the likely trend in future market interest rates. In order to ensure that loans will run for their full term without default, the Directors must ensure that there are sufficient balancing net cash inflows from rents after providing for administrative and other running costs. Where loans are secured on property assets and financial assets of the group, the Directors must also be certain that the values of such secured assets will be secured on property assets and financial assets of the group, the Directors must also be certain that the values of such secured assets will be at least greater than the amount which would be required to repay the lender in the event that the group was in default and obligated to make such a repayment.

3. INVESTMENTS PROPERTIES

	<i>As at 31 December 2006 €'000</i>
Initial property costs	21,682
Acquired on acquisition of subsidiaries (note 16)	13,095
Capital expenditure on properties acquired	<u>27</u>
	<u>34,804</u>
Revaluation (fair value adjustment)	<u>(1,154)</u>
As at 31 December 2006	<u><u>33,650</u></u>

The fair values of the investment properties held at 31 December 2006 are based on valuations performed by an independent valuer, Keunecke & Stoer GbR, appraiser for valuation of rents of developed and undeveloped land, in accordance with s.153 art. 1 BauGB, the German Regulations on Determination of Value (WertV) and the German Valuation Guidelines (WertR06).

According to s.194 BauGB, the fair value is defined as the value which would have been agreed between a willing buyer and a willing vendor as at the date of the valuation in the normal course of legally-conducted business, having regard to the location and condition of the property concerned. Fair value was therefore determined as the net values calculated in accordance with WertV sections 15 to 20, under the assumptions of remaining useful economic lives of between 40 and 60 years, and discount rates of between 4.0 per cent. and 5.75 per cent.

Most of the investment properties have been pledged as security for the financial liabilities detailed in note 12.

See note 22 for acquisitions after the balance sheet date.

4. PROPERTY ACQUISITIONS YET TO COMPLETE

	<i>As at 31 December 2006 €'000</i>
Properties being acquired by subsidiary undertakings	<u><u>737</u></u>

5. GOODWILL

*As at
31 December
2006
€'000*

Goodwill arising on acquisition	1,692
---------------------------------	-------

Goodwill arose upon the purchase of Taliesin II GmbH on 1 October 2006. Further details of this acquisition are contained in note 17.

The Directors have carried out an impairment review in respect of the goodwill arising upon the acquisition of Taliesin II GmbH and have concluded that no adjustment is necessary as at 31 December 2006. It is the intention of the Directors to carry out this review annually.

For the impairment test, goodwill is allocated to the cash-generating units with which the goodwill was originally acquired. If the carrying value of the cash-generating unit exceeds the recoverable amount, the allocated goodwill is reduced by the difference and such impairment is immediately recognised in the consolidated income statement.

6. INVESTMENTS IN SUBSIDIARY COMPANIES

The details of the subsidiaries are as follows:

<i>Name</i>	<i>Date of acquisition</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Proportion of ownership and control %</i>
Taliesin Holdings Limited	9 December 2005	Cyprus	Holding company	100.0
Taliesin I GmbH*	24 February 2006	Germany	Property investment	100.0
Taliesin II GmbH**	1 October 2006	Germany	Property investment	94.0
Boxhanger Str. GbR***	1 October 2006	Germany	Property investment	84.6

* Held by Taliesin Holdings Limited

** Held by Taliesin I GmbH

*** Held by Taliesin II GmbH

Taliesin Holdings Limited and Taliesin I GmbH were specially incorporated in pursuance of the Group's intended operating structure.

Taliesin II GmbH and Boxhanger Str. GbR were established trading companies, and further details pertaining to these two companies and their effect on the consolidated income statement are contained in note 16.

7. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

*As at
31 December
2006
€'000*

Acquired on acquisition of subsidiaries (note 17)	899
Revaluation (fair value adjustment)	(34)
As at 31 December 2006	865

	<i>As at 31 December 2006 €'000</i>
Analysis of revenue account charge:	
Revaluation (as above)	(36)
Interest income	18
	<u>18</u>

These investments are pledged as part of the security for a financial liability used to finance a property owned by Taliesin II GmbH.

Further details of these investments, including the average duration to maturity and average redemption yield, is contained in note 15.

8. OTHER RECEIVABLES

	<i>As at 31 December 2006 €'000</i>
Trade debtors	235
Taxation recoverable	10
Other debtors	11
Rent receivable	78
Property purchase deposits	360
Interest receivable from deposits	11
	<u>705</u>

9. SHARE CAPITAL

	<i>As at 31 December 2006 €'000</i>
Authorised	
10 Management shares of €1.00 each	—
10 Voting shares of €1.00 each	—
300,000 Participating shares of €0.001 each	—
	<u>—</u>
Issued and not paid up	
10 Management shares of €1.00 each	—
10 Voting shares of €1.00 each	—
	<u>—</u>
Issued and fully paid	
228,765 Participating shares of €0.001 each	—
	<u>—</u>
Total issued	<u>—</u>

The Management shares entitle the holder to receive notice of, attend and vote at general meetings of the Company where the sole purpose is the appointment and/or removal of directors. In a winding up

the holders are entitled to repayment of capital. The Management shares carry no rights to any dividends or distributions.

The Voting shares entitle the holder to receive notice of, attend and vote at all general meetings of the Company where the purpose is not the appointment and/or removal of directors. In a winding up the holders are entitled to repayment of capital, but confer no other right to participate in the profits or the assets of the Company. In addition, the Voting shares carry no rights to any dividends and may not be redeemed but may be repurchased by the Company at a price not exceeding the amount paid up on such shares.

The Participating shares do not entitle the holder to receive notice of, attend or vote at general meetings of the Company. In a winding up, the holders are entitled to repayment of capital. The Participating shares carry the right to any dividends and distributions which the Directors in their sole discretion may from time to time resolve to make or declare.

10. SHARE PREMIUM

	<i>As at 31 December 2006 €'000</i>
228,765 Participating shares issued at a premium of €99,999 each	<u>22,876</u>

11. RETAINED EARNINGS

	<i>As at 31 December 2006 €'000</i>
As at 17 November 2005	–
Current ordinary loss for the period	<u>(1,285)</u>
As at 31 December 2006	<u>(1,285)</u>

12. FINANCIAL LIABILITIES

	<i>As at 31 December 2006 €'000</i>
Due within one year	952
Due after more than one year	<u>16,013</u>
	<u>16,965</u>

Financial liabilities comprise loans from banks and a former shareholder of a subsidiary company as follows:

	<i>As at 31 December 2006 €'000</i>
EuroHypo	6,566
EuroHypo Zinsen	26
KSK Soltau	2,717
KSK Walsrode	5,444
IBB	1,469
Former shareholder of subsidiary company	743
	<hr/>
	16,965
	<hr/> <hr/>

Each of the loans from banks are for the purposes of purchasing property for the Group and are secured on the properties which they financed, apart from one loan which is secured partly by the relevant property and partly by the investments held at fair value shown in note 7.

During the period, Taliesin I GmbH entered into loan agreements with EuroHypo totalling €24,320,000. Of this amount, €6,565,584 had been drawn down as at 31 December 2006 (see note 21 for details of further amounts drawn down after that date). These comprise a facility of €8,256,000 at an interest rate of 4.66 per cent. until 1 April 2007, thereafter fixed at quarterly intervals at the 3 month Euribor plus 3 per cent., and a facility of €16,064,000 at an interest rate of 4.60 per cent. until 2 January 2007, thereafter fixed at quarterly intervals at the 3 month Euribor plus 1 per cent.

The durations of the fixed rate loans range between 4 and 51 years, with an average duration of 14.5 years. The total fair values of the loans, based on discounting cash flows at prevailing market rates is €16,694,546.

Since 31 December 2006, Taliesin II GmbH has entered into a new loan agreement. Additionally, this new facility and the above two Taliesin I GmbH facilities have been replaced by interest swap arrangements with Eurohypo to manage their exposure to upward movements in interest rates. Details of all of these new arrangements are contained in note 22.

13. TAXATION

The Company has been granted exempt company status under Article 123A of the Income Tax (Jersey) Law 1961. This status is renewable annually. The Company plans to maintain this status for as long as it is available, pending the introduction of a general zero rate of corporation tax from 1 January 2009.

Tax on profits of the Group arising in Germany are computed using the tax rate of 26.4 per cent., both for current and deferred tax.

The total tax credit for the period is detailed below:

	<i>17 November 2005 to 31 December 2006 €'000</i>
Current taxation on profits	–
Deferred tax	369
Tax credit for the period	<u>369</u>
Profit/(loss) before taxation	(1,654)
Taxation (charge)/credit on profit/(loss) at tax rate of 26.4%	436
Effects of:	
Profits under Jersey tax jurisdiction not taxable	18
Losses under Cyprus tax jurisdiction	(6)
Net effect of inter-company loan interest	(79)
Tax credit for the period	<u>369</u>

Deferred taxation

Deferred tax liabilities are broken down by balance sheet item as follows:

	<i>As at 31 December 2006 €'000</i>
Property value differences	(949)
Losses carried forward	382
Other timing differences	(136)
As at 31 December 2006	<u>(703)</u>

The following are the major deferred tax liabilities and assets recognised by the Group and the Company, with movements thereon during the period:

Deferred tax assets

	<i>€'000</i>
As at 17 November 2005	–
Asset acquired on acquisition of subsidiary (note 16)	218
Property value differences	249
Effect of timing differences and losses	164
As at 31 December 2006	<u>631</u>

Deferred tax liabilities

	€'000
As at 17 November 2005	–
Deferred tax on acquisition of subsidiaries (note 16)	1,290
Property value differences	12
Effect of timing differences and losses	32
	<hr/>
As at 31 December 2006	<u>1,334</u>

14. OTHER LIABILITIES AND PAYABLES

	<i>As at</i> <i>31 December</i> <i>2006</i> €'000
Trade creditors	787
Taxation	7
Investment management fees	134
Other creditors	100
Rents received in advance	55
Other advance payments from tenants	156
Administration expenses	71
	<hr/>
	<u>1,310</u>

15. FINANCIAL RISK MANAGEMENT

The Group is exposed to a number of risks related to its activities.

Financial risk factors

Financial instruments at the balance sheet date comprise investments, loans receivable, other receivables, cash and cash equivalents, financial liabilities and accruals. The Group is exposed to a variety of financial risks arising from the financial instruments it holds, being interest rate risk, business risk, market risk, liquidity risk and foreign currency risk.

Interest rate risk

In the course of its ordinary business activities, the German subsidiaries are subject to financial interest rate risks. The liabilities for which variable are payable represent a cash flow interest rate risk for the Group. To limit or eliminate these risks, the Group intends to use derivative financial instruments from the 2007 financial year.

At the year end, a German subsidiary held a portfolio of investments held at fair value through profit or loss. Returns from these are fixed at the time of acquisition, as the fixed coupon payments and final redemption proceeds are known (subject to movements in exchange rates for securities denominated in currencies other than the Euro). This means that if these investments are held until their redemption dates, the total return achieved is unaltered from its acquisition date. However, over the life of such an investment, the market value will depend on the market environment at that time. Therefore, a bond sold before its redemption date is likely to have a different value to that at the time of its acquisition, and a profit or loss may be incurred.

Market risk

The Group will invest all of its assets (to the extent not retained in cash) in underlying entities and thus into various German properties and will accordingly not be diversified. The nature of the Group's investments involves certain risks. Property investments can perform in a cyclical nature and values can increase or decrease. Economic, political and legal issues can affect values as they can with any other investments. Any future downturn in the German property market could materially adversely affect the value of properties. Rental income and the market value for properties are generally affected by overall conditions in the local economy, such as gross domestic product, employment trends, inflation and changes in interest rates.

At the year end, a German subsidiary held a portfolio of investments held at fair value through profit or loss. Returns from these are fixed at the time of acquisition, as the fixed coupon payments and final redemption proceeds are known (subject to movements in exchange rates for securities denominated in currencies other than the Euro). This means that if these investments are held until their redemption dates, the total return achieved is unaltered from its acquisition date. However, over the life of such an investment, the market value will depend on the market environment at that time. Therefore, a bond sold before its redemption date is likely to have a different value to that at the time of its acquisition, and a profit or loss may be incurred.

Liquidity risk

As property investments are relatively illiquid, there can be no assurance that the Group will encounter little or not difficulty in realising assets or otherwise raising funds to meet financial commitments. It is therefore the Group's intention to mitigate such risk by investing in desirable properties in prime locations.

Foreign currency risk

The assets, liabilities, income and expenditure of the Group are denominated in the Euro, a strong and stable currency within the global economy. The Group has hedged against relative movements in exchange rates by using the Euro as the currency with which it (a) purchases and values its investment properties, and (b) raises long-term loans to finance its property acquisitions.

Financial assets and liabilities – Numerical information

Maturity of financial assets

	<i>Fair value & Book value As at 31 December 2006 €'000</i>
The carrying value of financial assets are realisable as follows:	
In one year or less	3,858
In more than one year but no more than two years	279
In more than two years but no more than three years	–
In more than three years but no more than four years	–
In more than four years but no more than five years	298
In more than five years	288
	<hr/>
	4,722
	<hr/> <hr/>

Maturity of financial liabilities

	<i>Fair value & Book value As at 31 December 2006 €'000</i>
The carrying amounts of financial liabilities are repayable as follows:	
In one year or less	2,244
In more than one year but no more than two years	176
In more than two years but no more than three years	185
In more than three years but no more than four years	194
In more than four years but no more than five years	204
In more than five years	15,254
	<u>18,257</u>

Interest rate profile

The interest rate profiles of the financial assets and liabilities of the Group are set out below:

	<i>Floating Rate €'000</i>	<i>Fixed Rate €'000</i>	<i>Non-interest bearing €'000</i>	<i>Total €'000</i>
Group: As at 31 December 2006				
Assets:				
Investments held at fair value through profit or loss:				
Denominated in Euros	–	586	–	586
Denominated in US Dollars	–	279	–	279
Cash	3,153	–	–	3,153
Other receivables	–	–	704	704
	<u>3,153</u>	<u>865</u>	<u>704</u>	<u>4,722</u>

The investments held at fair value through profit or loss comprise corporate bonds (see note 6). Using weightings according to market value, those denominated in Euros have an average duration to maturity of 4.7 years and an average redemption yield of 4.5 per cent., whilst those denominated in US Dollars have an average duration to maturity of 1.1 years and, as a result of an adverse movement in the exchange rate, an average redemption yield of –1.7 per cent.

The floating rate assets consist of cash deposits on call earning interest at prevailing market rates.

	<i>Floating Rate €'000</i>	<i>Fixed Rate €'000</i>	<i>Non-interest bearing €'000</i>	<i>Total €'000</i>
As at 31 December 2006				
Liabilities:				
Loans payable	–	16,965	–	16,965
Other payables	–	–	1,310	1,310
	<u>–</u>	<u>16,965</u>	<u>1,310</u>	<u>18,275</u>

The weighted average term of the fixed rate loans payable is 14.5 years and their fair value, based on discounting cash flows at prevailing market rates of interest, is £16,964,000.

The effective interest rate of the fixed rate loans payable at 31 December 2006 was 4.3 per cent.

Since 31 December 2006, the interest rates on the fixed rate loans have been rebased relative to the 3 month Euribor rate (see note 12), therefore these loans are now floating rate.

Fair value of financial assets and liabilities

The Directors consider that the carrying amount of short-term payables and receivables are a reasonable approximation of fair value.

16. NET CASH INFLOW FROM OPERATING ACTIVITIES

Reconciliation of consolidated operating loss from continuing operations to consolidated net cash inflow from operating activities:

	<i>17 November 2005 to 31 December 2006 €'000</i>
Operating loss for the period	(1,655)
Organisational costs	121
Adjustment for non-cash item:	
Fair value adjustments	1,171
Changes in working capital:	
Other payables	1,262
Other receivables	(136)
Net cash inflow from operating activities	<u><u>763</u></u>

17. ACQUISITION OF SUBSIDIARIES

On 1 October 2006, Taliesin I GmbH acquired 94 per cent. of the issued share capital of Taliesin II GmbH, and indirectly an interest of 90 per cent. of Boxhanger Str. GbR, for cash consideration of €4,791,760 This transaction has been accounted for using the purchase method of accounting.

The following assets and liabilities were acquired:

	<i>Book Value</i> €'000	<i>Fair Value adjustment</i> €'000	<i>Fair Value</i> €'000
Investment property	13,095	–	13,095
Investments held at fair value through profit or loss	899	–	899
Deferred tax asset	218	–	218
Trade and other receivables	569	–	569
Cash and cash equivalents	290	–	290
Trade and other payables	(48)	–	(48)
Financial liabilities	(10,401)	–	(10,401)
Deferred tax liabilities	(1,290)	–	(1,290)
Total net assets	<u>3,332</u>	<u>–</u>	<u>3,332</u>
Net assets attributable to minority interests	–	–	(233)
Net assets acquired by Taliesin I GmbH	3,332	–	3,099
Goodwill	–	–	1,692
Total consideration	<u>–</u>	<u>–</u>	<u>4,792</u>
Satisfied by cash	–	–	4,792
Net cash outflow arising on acquisition:			
Cash consideration	–	–	(4,792)
Cash and cash equivalents acquired	–	–	290
	<u>–</u>	<u>–</u>	<u>(4,502)</u>

Taliesin II GmbH and Boxhanger Str. GbR contributed €336,748 of operating revenue and €47,782 of profit before tax for the period between the date of its acquisition by the Group and the balance sheet date. Although IFRS 3 requires the Directors to further disclose Group operating revenue and Group profit/(loss) before tax as though these subsidiary companies had been owned by the Group throughout the period covered by these financial statements, the Directors are of the opinion that it would be inappropriate to incur the expense of obtaining the necessary information for the following reasons.

This has been the Group's first period in existence, during which its initial activities were raising finance, organising the Group's administrative structures and conducting intense research into the German property market. As it only commenced its main intended economic activity of purchasing and renting out property after the elapse of several months, it has been an unusual and unique trading period for the Group. Therefore, the Directors believe that no useful conclusions could be drawn by combining the income statements of new and evolving companies with those of longer established companies whose assets were fully invested throughout the period.

18. EARNINGS PER PARTICIPATING SHARE AND NET ASSET VALUE PER PARTICIPATING SHARE

The calculation of earnings per Participating share for the period to 31 December 2006 was based on the loss attributable to Participating shareholders of €1,267,548 and a weighted average number of Participating shares in issue of 193,297.

The calculation of net asset value per Participating share as at 31 December 2006 was based on the net consolidated assets attributable to Participating shareholders of €21,608,922 and the 228,765 Participating shares in issue as at 31 December 2006.

19. ULTIMATE CONTROLLING PARTY

In the opinion of the Directors, the ultimate controlling party is JTC Trustees Limited.

20. COMMITMENTS AND CONTINGENCIES

As at 31 December 2006, the Group had authorised capital investment of up to €18,950,000 in properties in pursuance of its objectives.

21. RELATED PARTY TRANSACTIONS

Nigel Le Quesne, Philip Burgin and Stephen Burnett are all shareholders and directors of JTC Group Limited of which JTC Management Limited, JTC Trustees Limited and JTC Fund Administration Limited are wholly-owned subsidiaries. JTC Management Limited is the Secretary of the Company, JTC Trustees Limited is the ultimate controlling party of the Company (see note 18) and JTC Fund Administration Limited is a provider of administration services to the Company and its subsidiaries. These three companies charged fees totalling €127,734 to the Group during the period (including €21,858 for organisational costs), of which €46,280 was outstanding at 31 December 2006.

Mark Smith is a director and shareholder of Taliesin Management Limited, the Investment Adviser of the Company, which charged fees totalling €414,723 to the Company during the period, of which €133,855 was outstanding at 31 December 2006.

All of the Voting shares of €1 each in the Company are held by key personnel of Taliesin Management Limited, the Investment Adviser of the Company.

Nigel Le Quesne and Marcus Wisskirchen are members of the supervisory board of IMW Immobilien AG, the property advisor to the Group, which charged fees totalling €511,989 (including VAT) to the Group during the period, none of which was outstanding at 31 December 2006 (see note 21 for events after 31 December 2006).

22. POST BALANCE SHEET EVENTS

Since 31 December 2006, Group subsidiaries have acquired 6 more properties for total cash consideration of €10,753,594. This was partially financed by drawing down a further €8,256,000 of the €24,320,000 credit facility granted by EuroHypo (see note 11).

On 31 May 2007, the contract for the provision of property advice by IMW Immobilien AG was terminated and the new property advisor to the Group became Taliesin Deutschland GmbH, a new wholly-owned subsidiary of Taliesin Management Limited, the Investment Adviser of the Company.

Since 31 December 2006, the German subsidiaries have entered into interest swap arrangements with Eurohypo to manager their exposure to upward movements in interest rates. These arrangements give the Taliesin group company the option at three-monthly intervals to pay interest at a capped rate or, if lower, at a rate equal to the 3 month Euribor rate ruling at the beginning of the 3 month period. The arrangements apply to the two EuroHypo loan facilities disclosed in note 13, plus a third EuroHypo facility of €10,575,000 granted since 31 December 2006 to Taliesin II GmbH (which was subsequently reassigned to Taliesin I GmbH on 28 June 2007).

The details of these arrangements are as follows:

<i>Amount of facility</i>	<i>Start date</i>	<i>Expiry date</i>	<i>Capped rate (when applicable)</i>
€16,064,000 (existing facility – see note 13)	2 April 2007	2 April 2012	4.16%
€8,256,000 (existing facility – see note 13)	2 April 2007	30 November 2011	4.04%
€10,575,000 (new facility)	30 April 2007	31 January 2012	4.09%

By a special resolution passed at an Extraordinary General Meeting of the Company held on 10 August 2007, the 10 issued Management shares, 10 issued Voting shares and 228,765 issued Participating shares of the Company were re-designated as “Ordinary shares”. Each Ordinary share carries equal voting rights. By a further special resolution at the same meeting, these Ordinary shares

were converted into “no par value shares” in accordance with Article 40A of the Companies (Jersey) Law 1991 (see note 10).

23. NATURE OF FINANCIAL INFORMATION

The financial information presented above does not constitute statutory accounts for the Group for the period ended 31 December 2006.

(B) ACCOUNTANTS' REPORT ON TALIESIN LIMITED



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The Directors
Insinger de Beaufort
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London EC2A 1NT

21 August 2007

Dear Sirs

We report on the financial information set out below on Taliesin Limited, which has been prepared for inclusion in the AIM Admission Document ('the Document') dated 21 August 2007 of Taliesin Property Fund Limited (the 'Company') on the basis of the principal accounting policies set out in Note 2 to the financial information. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on Taliesin Limited on the basis set out below and in accordance with applicable International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Document, 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 underlying the financial statements 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 Document dated 21 August 2007, a true and fair view of the state of affairs of Taliesin Limited as at the date stated and of its cash flows for the period then ended in accordance with the basis of preparation set out below and in accordance with applicable International Financial Reporting Standards and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the 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 Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Mazars LLP

Chartered Accountants

BALANCE SHEET

The Balance Sheet of Taliesin Limited at the end of the period ended 16 August 2007 is set out below:

	<i>Note</i>	<i>2007</i> <i>€'000</i>
Current assets		
Other debtors	5	15
Total assets		<u>15</u>
Equity attributable to equity holders		
Share capital	6	<u>15</u>
Shareholders' equity		<u>15</u>
Total equity and liabilities		<u>15</u>

STATEMENT OF CHANGES IN EQUITY

The Statement of Changes in Equity of Taliesin Limited for the period ended 16 August 2007 is set out below:

	<i>Total</i> €'000
Balance at 13 August 2007	
Shares issued	15
Balance at 16 August 2007	<u>15</u>

No dividends were paid during the period.

NOTES TO THE FINANCIAL INFORMATION

1. Principal activity

Taliesin Limited was incorporated on 13 August 2007 under the laws of Jersey. In the period to 16 August 2007 Taliesin Limited did not trade. The principal activity of Taliesin Limited is to act as a property investment company.

2. Presentation currency

The financial information has been presented in Euro (‘€’) and rounded to the nearest thousand.

3. Financial risk management objective and policies

The main areas of financial risks faced by Taliesin Limited are interest rate risk and cash flow risk. Taliesin Limited directors’ overall financial risk management objective is to ensure that Taliesin Limited enhances shareholders’ value. The directors of Taliesin Limited establish and operate within financial risk management policies approved by the board of directors to ensure that adequate financial resources are available for the development of the Taliesin Limited business whilst managing these risks. Financial risk management is carried out through risk reviews, internal control systems and adherence to Taliesin Limited’s financial risk management policies.

Liquidity and cash flow risks

As part of its overall prudent liquidity management, the directors of Taliesin Limited maintain sufficient levels of cash to meet its working capital requirements.

4. Significant accounting policies

Basis of preparation

The financial information has been prepared on the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The financial information has have been prepared in accordance with International Financial Reporting Standards (‘IFRS’).

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to financial instruments classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when Taliesin Limited has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value estimation for disclosure purposes

The fair values of the financial assets and liabilities maturing within 12 months are assumed to approximate their carrying value as at the balance sheet date.

5. Other debtors

	<i>2007</i> <i>€’000</i>
Unpaid share capital	15
	<hr/>
	15
	<hr/> <hr/>

6. Share capital

	2007 €000
Authorised, issued and fully paid	
600 Ordinary 'A' Shares	1
9,400 Ordinary 'B' Shares	14
	<hr/>
	15
	<hr/> <hr/>

The Ordinary 'A' Shares carry voting rights. The Ordinary 'B' Shares are non-voting. In all other respects the Ordinary 'A' Shares rank *pari passu* with the Ordinary 'B' shares.

7. Ultimate controlling parties

In the opinion of the Directors, the ultimate controlling party of Taliesin Limited is JTC Trustees Limited.

8. Financial instruments

(a) *Interest rate risk*

The risk will fluctuate as a result of changes in market interest rates. Taliesin Limited's primary interest rate risk relates to the cash balance.

(b) *Fair values*

In the opinion of the directors, there is no significant difference between the fair values and the book values of financial assets and financial liabilities.

9. Nature of Financial Information

The financial information does not constitute Statutory Accounts.

(C) ACCOUNTANTS' REPORT ON TALIESIN MANAGING-PARTNER GMBH



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The Directors
Insinger de Beaufort
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London EC2A 1NT

21 August 2007

Dear Sirs

We report on the financial information set out below on Taliesin Managing-Partner GmbH, which has been prepared for inclusion in the AIM Admission Document ('the Document') dated 21 August 2007 of Taliesin Property Fund Limited (the 'Company') on the basis of the principal accounting policies set out in Note 2 to the financial information. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on Taliesin Managing-Partner GmbH on the basis set out below and in accordance with applicable International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Document, 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 underlying the financial statements 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 Document dated 21 August 2007, a true and fair view of the state of affairs of Taliesin Managing-Partner GmbH as at the dates stated and of its revenues and cash flows for the periods then ended in accordance with the basis of preparation set out below and in accordance with applicable International Financial Reporting

Standards and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the 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 Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Mazars LLP

Chartered Accountants

BALANCE SHEET

The Balance Sheet of Taliesin Managing-Partner GmbH at the end of the period ended 31 July 2007 is set out below:

	<i>Note</i>	<i>2007</i> <i>€'000</i>
Current assets		
Cash and bank balances		25
Total assets		<u>25</u>
Equity attributable to equity holders		
Share capital	5	<u>25</u>
Shareholders' equity		<u>25</u>
Total equity and liabilities		<u>25</u>

STATEMENT OF CHANGES IN EQUITY

The Statement of Changes in Equity of Taliesin Managing-Partner GmbH for the period ended 31 July 2007 is set out below:

	<i>Total</i> €'000
Balance at 8 June 2007	–
Shares issued	25
Shares issued	<u>25</u>

No dividends were paid during the period.

CASH FLOW STATEMENT

The Cash Flow Statement of Taliesin Managing-Partner GmbH for the period ended 31 July 2007 is as follows:

	<i>2007</i> <i>€'000</i>
Cash flow from financing activities	
Proceeds from issuance of shares	25
	<hr/>
Net cash flow from financing activities	25
	<hr/>
Net increase in cash and cash equivalents	25
Cash and cash equivalents:	
– at start of period	–
	<hr/>
– at end of period	25
	<hr/> <hr/>

NOTES TO THE FINANCIAL INFORMATION

1. Principal activity

Taliesin Managing-Partner GmbH was incorporated on 8 June 2007 under the laws of Germany. In the period to 31 July 2007 Taliesin-Managing-Partner GmbH did not trade. The principal activity of Taliesin Managing-Partner GmbH is to act as a property investment company.

2. Presentation currency

The financial information has been presented in Euro (‘€’) and rounded to the nearest thousand.

3. Financial risk management objective and policies

The main areas of financial risks faced by Taliesin-Managing-Partner GmbH are interest rate risk and cash flow risk. Taliesin Managing-Partner GmbH directors’ overall financial risk management objective is to ensure that Taliesin Managing-Partner GmbH enhances shareholders’ value. The directors of Taliesin Managing-Partner GmbH establish and operate within financial risk management policies approved by the board of directors to ensure that adequate financial resources are available for the development of the Taliesin Managing-Partner GmbH business whilst managing these risks. Financial risk management is carried out through risk reviews, internal control systems and adherence to Taliesin Managing-Partner GmbH’s financial risk management policies.

Liquidity and cash flow risks

As part of its overall prudent liquidity management, the directors of Taliesin Managing-Partner GmbH maintain sufficient levels of cash to meet its working capital requirements.

4. Significant accounting policies

Basis of preparation

The financial information has been prepared on the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The financial statements have been prepared in accordance with International Financial Reporting Standards (‘IFRS’).

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank, deposits which are subject to an insignificant risk of change in value.

Financial instruments

Particular recognition methods adopted are disclosed in the individual accounting policy statements above.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to financial instruments classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when Taliesin Managing Partner GmbH has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value estimation for disclosure purposes

The fair values of the financial assets and liabilities maturing within 12 months are assumed to approximate their carrying value as at the balance sheet date.

5. Share capital

	<i>2007</i> <i>€000</i>
Authorised issued and fully paid	
25,000 Ordinary shares of €1	25
	<hr/>
	25
	<hr/> <hr/>

6. Ultimate controlling parties

In the opinion of the Directors, Taliesin Property Fund Limited is the ultimate controlling party of Taliesin Managing-Partner GmbH.

7. Financial instruments

(a) *Interest rate risk*

The risk will fluctuate as a result of changes in market interest rates. Taliesin Managing-Partner GmbH's primary interest rate risk relates to the cash balance.

(b) *Fair values*

In the opinion of the directors, there is no significant difference between the fair values and the book values of financial assets and financial liabilities.

8. Nature of Financial Information

The financial information does not constitute Statutory Accounts.

PART IV

VALUERS' REPORT ON THE PORTFOLIO

Dr.-Ing. Keunecke & Dipl.-Ing. Stoehr^{GbR} Surveyors

Sworn surveyors publicly appointed by
the Chamber of Commerce and Industry in Berlin
for the appraisal of developed and undeveloped
plots of real estate and of leases.

Ebereschenallee 16
14050 Berlin (Charlottenburg)
Phone: (030) 30 00 95 – 0
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Email: office@keunecke.de

Keunecke & Stoehr GbR * Ebereschenallee 16 * 14050 Berlin

21 August 2007

The Directors
Taliesin Property Fund Ltd
PO BOX 1075
Elizabeth House
9 Castle Street
St. Helier
Jersey
JE4 2QP

The Directors
Insinger de Beaufort
131 Finsbury Pavement
London EC2A 1NT

Taliesin Property Fund Limited – Update of the 31 December 2006 Property Appraisal

Dear Sirs,

Please find enclosed with this letter the appraisal for the properties held by the Group as per July 2007, which we prepared on the basis of the documents submitted to us, as well as on the initial appraisal performed in January of 2007 as at 31 December 2006.

Owing to the general development of the market and more particularly of the rents, the property's value has increased by 3.8 per cent. since the initial appraisal was performed, resulting in a property value of €48,125,000. Please find the individual parameters in the enclosed spreadsheet.

I refer to my letters dated March 5th, 2007 in indicating that in view of market trends and taking into account the current portfolio sales, your calculations should include a portfolio premium being paid in the event of sale. Such premiums vary in amount and are based on the real estate type (of usage), location and size. Moreover, the portfolio premium is oriented by the potential for development evidenced by the real estate being sold. Taking into account the worldwide decline that rates of return are experiencing, complemented by rising demand, a rate of return in the amount of 5.5 per cent. may be assumed based on the total portfolio and the actual rent. This gives us a portfolio price of €54,000,000, which is equivalent to an increase of the aggregate individual parameters by approximately 12.2 per cent. Moreover, the portfolio price corresponds to approximately 6.16 per cent. of the target rent or, in other words, 18.2 times the amount of the actual rent and 16.23 times the target rent. This results in the value of €54,000,000 should the portfolio be sold as such, which is equivalent to a rate of return of 5.5 per cent. based on the actual rent or, respectively, of 6.16 per cent. based on the target rent.

Yours sincerely,

Keunecke & Stoehr GbR

Taliesin Property Fund Limited – Update of the 31 December 2006 Property Appraisal

Current no.	Postal code	Place	Street	Type of property	Area	0 target EUR/m ²	Gross annual income, actual value	Gross annual income, target value	Current value as shown	Gross rate of return, actual value	Gross rate of return, target value	x times the actual value	x times the target value	EUR/m ²	Comments
1	14467	Potsdam	Lindenstrasse 10	Residential/commercial building	261,26	7,85	24,595,20	24,595,20	350,000,00	7,03%	7,03%	14,2	14,2	1,339,66	-
2	14467	Potsdam	Lindenstrasse 12	Residential/commercial building	701,71	7,96	67,031,69	61,805,28	1,150,000,00	6,40%	5,83%	18,6	17,2	1,638,85	Land reserved for future construction purposes
3	14467	Potsdam	Friedrich-Ebert-Strasse 29	Residential/commercial building	991,69	14,46	172,046,98	149,485,44	2,335,000,00	6,40%	7,37%	15,6	13,6	2,354,57	-
4	14467	Potsdam	Friedrich-Ebert-Strasse 30	Residential/commercial building	664,83	13,65	108,890,16	108,890,16	1,615,000,00	6,74%	6,74%	14,8	14,8	2,429,19	-
5	04155	Leipzig	Eisenacher Strasse 56 - 60	Residential/commercial building	1,473,23	4,38	77,437,30	59,731,56	1,125,000,00	5,31%	6,88%	18,8	14,5	763,63	-
6	04229	Leipzig	Dumstrasse 2/ Rödelstrasse 9	Residential/commercial building	1,436,10	5,29	91,106,69	80,853,24	1,300,000,00	6,22%	7,01%	16,1	14,3	905,23	-
7	01157	Dresden	Penritzer Strasse 1	Residential/commercial building	1,027,21	4,21	51,949,80	51,949,80	740,000,00	7,02%	7,02%	14,2	14,2	720,40	-
8	01097	Dresden	Fritze-Reuter-Strasse 13	Residential/commercial building	942,75	4,43	50,088,28	46,045,20	700,000,00	6,58%	7,16%	15,2	14,0	742,51	-
9	01187	Dresden	Hohle Strasse 105	Residential/commercial building	578,02	7,51	52,096,35	44,308,20	720,000,00	6,15%	7,24%	16,2	13,8	1,245,63	-
10	01328	Dresden	Zum Südblick 5, 5a	Apartment building with 18 owner-occupied flats	781,82	5,95	55,851,75	51,152,16	930,000,00	5,50%	6,01%	18,2	16,7	1,189,53	Share of land value, unprofitable Land reserved for future construction purposes
11	10115	Berlin	Gartenstrasse 109	Apartment building	650,29	6,47	50,507,29	46,230,84	1,000,000,00	4,62%	5,05%	21,6	19,8	1,537,78	-
12	12053	Berlin	Reuterstr. 5/ Flughafenstr. 26	Residential/commercial building	2,548,90	5,24	160,238,19	143,216,52	2,290,000,00	6,25%	7,00%	16,0	14,3	898,43	-
13	10247	Berlin	Schlagwäberstr. 9/ Jessorstr. 16	Residential/commercial building	1,684,74	5,73	115,790,85	112,962,36	1,740,000,00	6,49%	6,65%	15,4	15,0	1,032,80	Advertising sign
14	10433	Berlin	Bornholmer Str. 2	Residential/commercial building	3,080,47	5,00	184,647,19	179,752,92	2,710,000,00	6,63%	6,81%	15,1	14,7	879,74	-
15	10439	Berlin	Ueckerländer Str. 8/Norwegerstr. 5	Residential/commercial building	2,906,63	5,41	188,559,36	188,559,36	2,700,000,00	6,98%	6,98%	14,3	14,3	928,91	-
16	10245	Berlin	Boxhagener Strasse 113	Residential/commercial building	2,058,79	4,25	104,975,90	98,725,68	1,465,000,00	6,74%	7,17%	14,8	14,0	711,58	-
17	10247	Berlin	Niederbarnimstrasse 12	Residential/commercial building	1,988,32	5,35	127,540,73	125,447,52	1,800,000,00	6,97%	7,09%	14,3	14,1	905,29	-
18	10245	Berlin	Krossener Str. 28/ Seumestr. 21	Residential/commercial building	2,478,80	3,49	103,937,28	103,937,28	1,600,000,00	6,50%	6,50%	15,4	15,4	645,47	-
19	13187	Berlin	Kawalerstr. 10/ Wolfshagener Str. 80, 82	Apartment building	2,244,83	3,62	97,540,61	83,663,88	1,420,000,00	5,89%	6,87%	17,0	14,6	632,56	Radio antenna
20	10247	Berlin	Rigter Strasse 98	Apartment building	1,933,66	4,34	100,622,61	87,640,32	1,440,000,00	6,09%	6,99%	16,4	14,3	744,70	-
21	10115	Berlin	Torstrasse 173	Residential/commercial building	2,963,70	3,74	133,021,73	128,290,56	1,975,000,00	6,50%	6,74%	15,4	14,8	666,40	-
22	10245	Berlin	Boxhagener Strasse 122	Residential/commercial building	1,346,39	4,36	70,429,78	65,965,56	975,000,00	6,77%	7,22%	14,8	13,8	724,16	Advertising sign
23	10247	Berlin	Niederbarnimstrasse 10	Residential/commercial building	2,088,76	4,30	107,828,45	106,100,52	1,570,000,00	6,76%	6,87%	14,8	14,6	751,64	-
24	10245	Berlin	Boxhagener Str. 36/Gärtnerstr. 20	Residential/commercial building	1,866,23	4,02	89,916,62	79,278,72	1,275,000,00	6,22%	7,05%	16,1	14,2	683,20	-
25/26	13187	Berlin	Schönholzer Strasse 9, 12, 12a	Residential/commercial building	4,535,31	6,51	354,507,40	247,324,08	5,000,000,00	4,95%	7,09%	20,2	14,1	1,102,46	-
27	13187	Berlin	Wollankstrasse 2a	Residential/commercial building	1,273,30	7,22	110,300,85	93,876,00	1,565,000,00	6,00%	7,05%	16,7	14,2	1,229,09	-
28	13189	Berlin	Prenzlauer Promenade 146/148 u.a.	Residential/commercial building	3,209,57 building	5,85	225,420,79	188,244,00	3,275,000,00	5,75%	6,88%	17,4	14,5	1,020,39	-
29	14471	Potsdam	Zeppelinstrasse 39, 40	Residential/commercial building	1,820,91	7,41	191,820,91	163,232,76	2,500,000,00	6,53%	7,67%	15,3	13,0	1,158,31	-
30	12459	Berlin	Martenstrasse 10	Apartment building	1,008,10	4,76	57,641,68	46,737,60	860,000,00	5,43%	6,70%	18,4	14,9	853,09	-
Total:					50,883,72	5,45	3,326,342,42	2,968,002,72	48,125,000,00	6,17%	6,91%	16,2	14,5	945,78	-

Area = Leased area
 EUR/m² = Net rent without heating costs
 x times = Factor by which gross annual income is multiplied

No portfolio premium has been taken into account in the current market values

PART V
TAXATION

1. General

Any changes to the taxation environment or a change in the tax treatment of the Company may affect investment returns to Shareholders and each Shareholder will have to consider his own tax position and must take his own advice in this matter.

The taxation of income and capital gains of the Company and the Shareholders are subject to the fiscal law and practice of Jersey, the jurisdictions in which the Company invests and the jurisdictions in which Shareholders are resident or otherwise subject to tax.

The following summaries of the anticipated tax treatment in the United Kingdom and Jersey do not constitute legal or tax advice and are based on the taxation law in force at the date of the document.

The brief summaries below do not consider all aspects of taxation which may be relevant to a particular Shareholder in light of the Shareholder's particular circumstances (for example, tax consequences in the Shareholder's jurisdiction of residence and/or a particular Shareholder's tax profile). Shareholders should consult their own advisers on the taxation and exchange control implications of their acquiring, holding or disposing of Ordinary Shares under the laws of the jurisdiction in which they may be liable to taxation. While this summary is considered to be a correct interpretation of existing laws in force on the date of this document, no assurance can be given that courts or other authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur.

Unless specifically requested, an update of this disclosure for subsequent changes or modifications of the law and regulations, or to the judicial and administrative interpretations thereof, will not be made.

2. Taxation of Shareholders

UK Shareholder

Dividends

Shareholders who are resident in the United Kingdom for tax purposes may, depending on their circumstances, be liable to United Kingdom income tax or corporation tax in respect of the gross amount of any dividends received from the Company whether directly or by way of reinvestment of income.

Dividends received by such holders who are within the charge to UK corporation tax will generally be taxed at the prevailing UK corporation tax rate (currently 30 per cent. in most cases although this rate has been revised to 28 per cent. in the light of announcements made in the Budget on 21 April 2007. Subject to Royal Assent, the amended rate will come into force on 1 April 2008).

An individual holder will generally be chargeable to UK income tax on dividends received from the Company at the current rate of 10 per cent. or, to the extent that the amount of the gross dividend when treated as the top slice of his or her income exceeds the threshold for higher rate tax, at the current rate of 32.5 per cent. Currently neither corporate nor non-corporate holders of Ordinary Shares will be entitled to a UK tax credit in respect of any dividend received.

An individual holder of Ordinary Shares who is resident but not domiciled in the UK for tax purposes, or who is resident but not ordinarily resident in the UK for tax purposes, will be liable to UK income tax only to the extent that dividends paid by the Company are remitted or deemed to be remitted to the UK.

In the light of announcements made in the Finance Act 2007 ("FA 2007"), individual holders of Ordinary Shares may, in the future and subject to certain conditions, be entitled to receive a UK tax credit in respect of any dividend received from the Company. An individual will qualify for the tax credit if they hold less than a 10 per cent. shareholding in the Company and received dividends of less than £5,000 per annum. These changes will have effect from 6 April 2008.

The value of the tax credit proposed is one ninth of the amount of the dividend received (or 10 per cent. of the aggregate of the amount of the dividend and tax credit (the “gross dividend”)).

The individual will be liable to income tax on the gross dividend which will be regarded as the top slice of his income for tax purposes and will be subject to UK income tax at the dividend rate of tax as described below. Individuals who are not higher rate taxpayers will be liable to tax on the gross dividend at 10 per cent. This means that the tax credit will satisfy such individual’s liability to pay income tax in respect of the gross dividend and there will be no further tax to pay.

In the case of individuals who are liable to income tax at the higher rate, tax will be payable on dividends at the “dividend upper rate” (currently 32.5 per cent.). The 10 per cent. tax credit will be set against his liability to tax in respect of the gross dividend. Therefore, he will have to pay additional tax equal to 22.5 per cent. of the gross dividend (or 25 per cent. of the net dividend received).

UK resident taxpayers who are not liable to United Kingdom tax on dividends, including pension funds, charities and certain individuals such as those holding Ordinary Shares through a personal equity plan or an individual savings account, will not be entitled to claim repayment of the tax credit attaching to dividends paid by the Company.

Capital Gains Tax

A disposal or deemed disposal of capital assets by a UK resident or ordinarily resident shareholder will give rise to either a chargeable gain or an allowable loss. Gains and losses are calculated by deducting from the sale proceeds or, in some instances from the market value of the time of disposal, the original cost and incidental costs of acquisition and incidental costs of disposal.

A disposal or deemed disposal of a capital asset by a UK resident or ordinarily resident individual who is not domiciled in the UK, will be liable to UK capital gains tax (“CGT”) in the same way as for a UK domiciled individual unless the asset is situated outside of the UK at the time of disposal. Where the asset is non-UK situated, gains will only be taxed to the extent that the gains are (or are deemed to be) remitted to the UK. As the Company is incorporated outside of the UK, and as its principal register is maintained outside of the UK it is expected that the Ordinary Shares will be deemed to be non-UK situated for these purposes.

If an individual ceases to be resident or ordinarily resident in the UK for a period of less than five years and disposes of the Ordinary Shares, in certain circumstances any gain on that disposal may be liable to UK CGT upon that holder becoming once again resident or ordinarily resident in the UK.

Individual shareholders have an annual exemption to CGT, which is £9,200 for the tax year 2007/08.

In certain circumstances, in addition to a tax liability on the disposal of the Ordinary Shares in the Company, a UK resident or ordinarily resident individual may be liable to CGT on part of the capital gains arising in the Company itself. Such capital gains may accrue to individual holders of the Ordinary Shares whose interest (when aggregated with persons connected with them) in the capital gains of the Company would exceed one-tenth. These provisions apply if the Company would be treated as “close” (as defined within sections 414 and 415 of Income and Corporation Tax Act (ICTA) 1988) if it were deemed for these purposes to be resident in the UK. The part of the company’s capital gains attributed to the individual shareholder corresponds to the holder’s proportionate interest in the Company.

The Directors intend to manage the Company’s affairs such that it should not be regarded as a collective investment scheme for the purposes of section 235 of FSMA. On this basis a shareholding in the Company should not be regarded as a material interest in an offshore fund for the purposes of sections 757 to 764 (as amended by the Finance Act 2005) of ICTA 1988.

Accordingly, any gain arising to Shareholders (other than those holding the shares as dealing stock, who are subject to separate rules) resident or ordinarily resident in the United Kingdom, or who carry on a business in the United Kingdom through a branch or agency with which their investment in the Company is connected on a sale, redemption or other disposal of Ordinary Shares should, subject to the personal circumstances of such Shareholders, be taxed as capital gains rather than income.

Controlled Foreign Companies Legislation

A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25 per cent. of the Company's relevant profits should note the provisions of the controlled foreign companies legislation contained in sections 747 to 756 of ICTA 1988.

Transfer of Assets Abroad

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of section 714 to 742 of Income Tax Act 2007 (previously ss.739 to 756 ICTA 1988) – which may render such individuals liable to tax on the income of the Company (taken before any deduction for interest) in certain circumstances.

Non-UK Shareholders

Shareholders who are not resident or ordinarily resident (or temporarily non-resident) in the United Kingdom and do not carry on a trade, profession or vocation through a branch, agency or other form of permanent establishment in the United Kingdom with which the Ordinary Shares are connected, will not normally be liable to United Kingdom taxation on capital gains arising on the sale or other disposal of their Ordinary Shares. However, non-UK resident shareholders will need to take specific professional advice about their individual tax position.

Individual Savings Accounts (“ISA”) and Personal Equity Plans (“PEP”)

Shares in the Company will not be eligible to be held in the stocks and shares component of an ISA or an existing PEP.

Self-invested Personal Pension Schemes (“SIPPs”).

Shares in the Company will be eligible investments for a SIPP provided that:

- (i) the SIPP and any associates own no more than 10 per cent. of the Company; and
- (ii) the Company would not be a “close company” if it were UK resident. Whilst it is not expected that it will be a close company this is not a certainty.

UK Stamp duty, UK Stamp Duty Reserve Tax (SDRT)

No liability to UK stamp duty or SDRT will generally arise on the issue of shares by the Company. Any subsequent conveyance or transfer on sale of Ordinary Shares outside CREST will not normally be subject to stamp duty or SDRT provided the instrument of transfer is not executed in the UK and there is no matter or thing in relation to such transfer done, or to be done, in the UK. Similarly an unconditional agreement to transfer such shares outside CREST will not normally give rise to SDRT, provided that both (i) the Ordinary Shares are not maintained on a share register in the UK, and (ii) the Ordinary Shares are not paired with any UK shares.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of shares into the system, unless the transfer into CREST is itself for consideration in money or moneys' worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of consideration given. Transfers of shares within CREST are generally liable to SDRT (at a rate of 0.5 per cent. of the consideration paid) rather than *ad valorem* stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected and accounted for to HM Revenue & Customs by Euroclear UK & Ireland Limited.

The above statements are intended as a general guide to the current stamp duty and SDRT position. Certain categories of person, including market makers, brokers, dealers and persons connected with depository arrangements and clearance services, are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

3. Jersey Shareholder

There is the statutory requirement for the Company to deduct income tax from dividends paid to Jersey resident Shareholders and to account for such income tax deducted to the Comptroller of Income Tax.

Furthermore, the Company is required to make a return to the Comptroller, on request, of the names, addresses of Jersey resident Shareholders.

Under current Jersey law there are no death duties, gift, wealth, inheritance or capital transfer taxes.

No stamp duty is levied in Jersey on the issue, transfer, conversion or redemption of shares. In the event of the death of a sole holder of ordinary Shares probate duty at a rate of up to 0.75 per cent. of the value of the Shares at the time of death is levied in Jersey on grants of probate and letters of administration, save where the condition for small estates exemption (not exceeding £10,000) are satisfied.

The attention of Shareholders who are resident in Jersey is drawn to the provisions of Article 134A of the Income Tax (Jersey) Law 1961 which may in certain circumstances, render such a resident liable to income tax on their share of the undistributable income of the Company.

The foregoing summary does not address tax considerations which may be applicable to certain Shareholders under the laws of jurisdictions other than the UK and Jersey. The Company has no present plans to apply for any certifications or registrations, or to take any other actions under the laws of any jurisdictions which would afford relief to local investors therein from the normal tax regime otherwise applicable to an investment in Ordinary Shares. It is the responsibility of all persons interested in purchasing the Ordinary Shares to inform themselves as to any income or other tax consequences arising in the jurisdictions in which they are resident or domiciled for tax purposes, as well as any foreign exchange or other fiscal or legal restrictions, which are relevant to their particular circumstances in connection with the acquisition, holding or disposition of the Ordinary Shares.

Any person who is in any doubt as to his/her tax position or requires more detailed information than the general outline above should consult his/her professional advisers.

4. Taxation of the Company

Jersey

The Company is exempt from liability to Jersey income tax. Exemption must be applied for annually and will be granted, subject to the payment of an annual fee which is currently fixed at £600, provided that the Company continues to qualify under the applicable legislation for exemption. It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it continues to qualify.

Jersey has announced proposals, the so-called “zero-ten regime”, under which the exempt company regime will be abolished with effect from 1 January 2009. From that date, it is proposed that the general rate of corporate income tax will be zero per cent. provided it will not be engaged in financial services.

As an exempt company, the Company will not be subject to Jersey income tax other than on Jersey source income (except by concession bank deposit interest on Jersey bank accounts).

No withholding tax will be levied on distributions made by the Company to Shareholders not resident in Jersey.

Under current Jersey law there are no capital gains taxes. It is not anticipated that this will change under the zero-ten regime.

In 2008 it is proposed that a Goods and Services Tax (“GST”) will be introduced in Jersey. Under current proposals it is not expected that the Company will suffer any irrecoverable GST.

The Company

It is the intention of the Directors to conduct the affairs of the Company so that the central management and control of the Company and any subsidiary (hereafter collectively referred to as the Group) is not exercised in the United Kingdom and so that the Group does not carry out any trade in the United Kingdom (whether or not through a permanent establishment situated there). The Group will thus not be resident in the United Kingdom for taxation purposes. On this basis, the Group should not be liable for United Kingdom taxation on its income and gains other than certain income deriving from a United Kingdom source.

PART VI

ADDITIONAL INFORMATION

1. Responsibility Statement

The Company and the Directors 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 does not omit anything likely to affect the import of such information.

2. The Company and the Group

- 2.1 The Company was incorporated and registered in Jersey on 17 November 2005 under the Companies Law as a closed end limited liability fund with the name Taliesin Property Fund Limited and registered number 91744. The liability of the members of the Company is limited.
- 2.2 The Company's registered office and principal place of business is at Elizabeth House, 9 Castle Street, St. Helier, Jersey JE2 3RT, the Channel Islands. The telephone number of the Company's principal place of business is +44 1534 700 000.
- 2.3 The principal legislation under which the Company operates is the Companies Law, the CIF Law and any regulations made thereunder.
- 2.4 The Company has established a subsidiary intermediate holding company in Cyprus which will acquire the property interests through subsidiary special purpose vehicles incorporated in Germany. The Company is the ultimate parent company of the Group and any decisions regarding any investments made by these special purpose vehicles and the borrowing required in relation to them will be made at the sole discretion of the Directors, taking advice from the Investment Adviser.

On Admission the Company will, directly or indirectly, own the following subsidiaries and partnerships:

<i>Company</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Proportion of capital held (ordinary shares)</i>	<i>Proportion of voting power held by the Company</i>
Taliesin Limited	Jersey	Investment holding company	94 per cent.	0 per cent.
Taliesin Holdings Limited	Cyprus	Investment holding company	94 per cent.	94 per cent.
Taliesin I GmbH	Germany	Property and investment holding company	100 per cent. owned by Taliesin Holdings Limited	94 per cent.
Taliesin II GmbH	Germany	Property holding	94 per cent. owned by Taliesin I GmbH	88.6 per cent.
Taliesin Managing Partner GmbH	Germany	Investment holding company	100 per cent. owned by Taliesin Holdings Limited	94 per cent.
Boxhagener Str GbR	Germany	Property holding	90 per cent. owned by Taliesin II GmbH	84.6 per cent.
Taliesin Potsdam I GmbH & Co KG	Germany	Property holding	100 per cent. owned by Taliesin I GmbH	94 per cent.

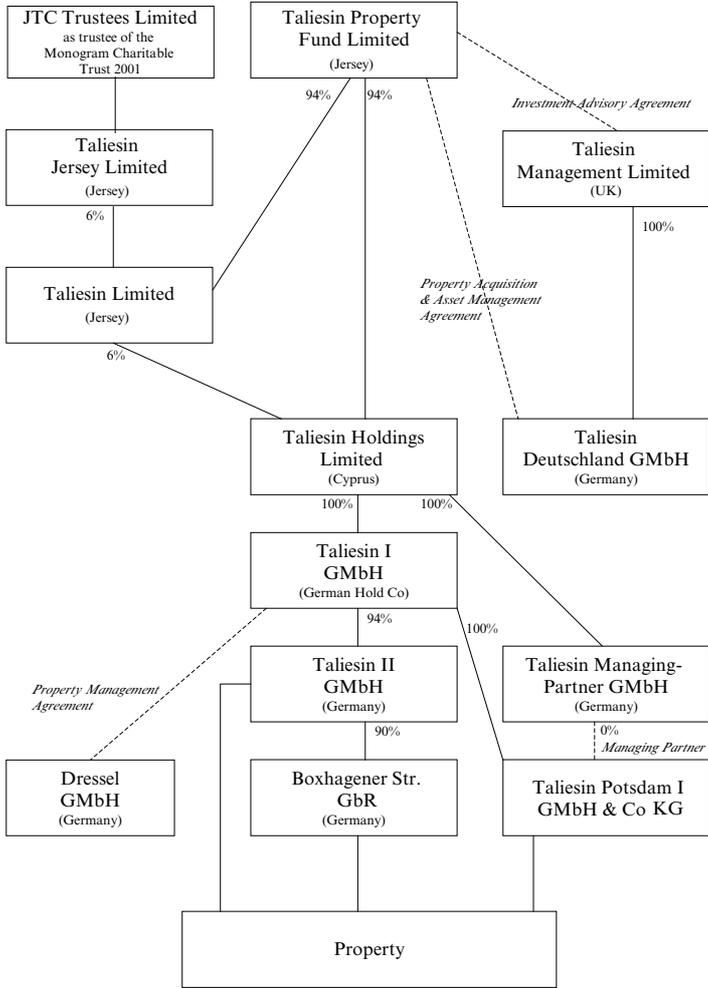
All the above subsidiaries and associated undertakings operate in their country of incorporation.

2.5 The assets of the Company (to the extent not retained in cash) will be invested in Taliesin Holdings Limited being a subsidiary of the Company incorporated in Cyprus with registered number HE169342 (such shareholding comprising 94 per cent. of the economic rights in Taliesin Holdings Limited). The Company also holds non-voting shares (comprising 6 per cent. of the economic rights) in Taliesin Limited, a company incorporated in Jersey. Taliesin Limited holds the remaining 6 per cent. of shares in Taliesin Holdings Limited. The voting shares in Taliesin Limited (comprising 6 per cent. of the economic rights) are held by Taliesin Jersey Limited which in turn is held by a charitable trust as summarised in the structure chart below. Taliesin Holdings Limited will directly and indirectly own a number of German companies (SPVs) which will in turn own the individual land and property assets in Germany.

Any decisions regarding any investments made by these SPVs and the borrowing required in relation to them will be made at the discretion of the Directors, taking advice from the Investment Adviser.

The Administrator is responsible for holding the share certificates of Taliesin Holdings Limited at the Administrator’s registered office. Respective German land registries hold the title deeds to the properties in the Current Portfolio. The Administrator provides administrative support to Taliesin Holdings Limited. The SPVs will be administered by Taliesin Deutschland.

The chart below depicts the structure of the Group.



2.6 Board meetings of the Company are to be held in Jersey.

3. Share Capital

3.1 At the date of incorporation, the authorised share capital of the Company was €320 divided into 10 management shares of €1.00 each, 10 voting shares of €1.00 each and 300,000 Participating Shares of €0.001 each.

3.2 Since the incorporation of the Company, the following further issues of Participating Shares were made by the Company:

<i>Date</i>	<i>Number of shares issued</i>
24.03.06	66,840
06.04.06	2,500
21.04.06	6,000
27.04.06	1,000
02.05.06	3,500
04.05.06	3,600
09.05.06	1,000
11.05.06	8,500
18.05.06	7,325
08.06.06	51,000
16.06.06	2,500
04.07.06	3,500
05.07.06	25,000
10.07.06	30,000
25.07.06	1,500
03.08.06	5,000
09.12.06	10,000

3.3 By a special resolution dated 10 August 2007, the Company adopted (i) a revised memorandum of association with power to issue an unlimited number of shares of no par value; and (ii) the Articles, as permitted by the Companies Law. The Company also approved the redesignation of its management shares, Participating Shares and voting shares in the Company as Ordinary Shares and the conversion of the Ordinary Shares into Ordinary Shares of no par value. The Company also issued 125,000 Ordinary Shares pursuant to a fundraising as an aggregate of €15 million.

3.4 The Issued Share Capital immediately following Admission will be as follows:

	<i>No. of Shares</i>
Ordinary Shares	353,765

3.5 Save as disclosed in this document, since the date of the Company's incorporation, no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration, and save as disclosed in this document no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital and no person has been or is entitled to be given an option to subscribe for any shares or debentures of the Company.

3.6 Save as disclosed in this document:

- (a) no share or loan capital in the Company or the Group is under option or is the subject of an agreement, conditional or unconditional, to be put under option and there is no current intention to issue any of the authorised and unissued Ordinary Shares; and
- (b) no share or loan capital of the Company or of the Group has been issued for cash or other consideration within the period since incorporation of the Company and the date of this document and no such issue is proposed.

3.7 The Ordinary Shares have been created under the Companies Law.

3.8 The Articles permit the Company to issue shares in uncertificated form. The Ordinary Shares are in registered form and may be held in certificated form or in uncertificated form through CREST.

4. Purchase of Ordinary Shares by the Company

If the Directors, at their absolute discretion, consider it to be in the best interests of the Shareholders as a whole to do so, the Company may purchase its own Ordinary Shares for cancellation. Any such repurchases will be subject to the provisions of the Companies Law, the Articles, any applicable insider dealing rules, the AIM Rules and other applicable legislation.

A special resolution, expressed to take effect on Admission, has been passed granting the Company the authority to make market purchases of up to 14.99 per cent. of the Ordinary Shares in issue on Admission and the Company will seek annual (or, if required, more frequent) renewal of this authority from Shareholders in respect of the 14.99 per cent. of the then issued Ordinary Shares.

For the avoidance of doubt, purchases will be made only through the market and at prices below the prevailing Net Asset Value per Ordinary Share, where the Directors believe such purchases will enhance Shareholder value and assist in narrowing any discount to Net Asset Value at which the Ordinary Shares may trade.

The making and timing of any purchases will always be at the absolute discretion of the Board. Any purchases of Ordinary Shares will be made only out of the available cash resources of the Company.

Any Ordinary Shares bought back may be cancelled or, subject to the proposed amendments to the Companies Law and the limit referred to under the sub-heading "Treasury Shares" below, held as treasury stock.

5. Further Issues of Ordinary Shares

Jersey law does not impose obligations on the directors of a company to issue securities pro rata to the existing shareholders of the company, as is the case under sections 80 and 89 of the Act. Provisions have been included in the Articles which oblige the Directors to seek authority from Shareholders before allotting new Ordinary Shares and confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are paid up in cash. These restrictions do not apply to any Ordinary Shares allotted or issued to or on the instructions of the Investment Adviser to the extent such arrangements are (i) made in connection with the remuneration of the Investment Adviser, (ii) approved by the Directors of the Company from time to time and (iii) have been disclosed in this document.

6. Treasury Shares

It is expected that, in the near future, amendments will be made to the Companies Law which will allow Jersey incorporated companies to hold treasury shares (meaning that shares bought back may remain in issue owned by the Company rather than being cancelled). Subject to these proposed amendments, the Company may hold Ordinary Shares acquired by way of market purchase in treasury and the Company will be able to hold up to ten per cent. of the issued Ordinary Shares in this way. In the event that a dividend is declared by the Company, any Ordinary Shares held in treasury would not be entitled to receive such dividend.

Ordinary Shares held in treasury may be subsequently cancelled or sold for cash. The Directors have resolved not to sell any Ordinary Shares held in treasury at a discount to the prevailing net asset value per Ordinary Share.

Holding Ordinary Shares in treasury should give the Company the ability to sell such shares quickly and cost efficiently and should provide the Company with additional flexibility in the management of its capital base.

In addition, the Board believes that the effective use of treasury shares could assist the Company in improving liquidity in the Ordinary Shares and managing any imbalance between supply and demand.

The Company's treasury share policy will be reviewed at least once a year by the Board. The Board will have regard to current market practice for the re-issue of treasury shares by AIM quoted closed ended investment companies and the recommendations of Insinger de Beaufort and the Investment Adviser.

Any change to the Company's treasury share policy will be announced by the Company through the Regulatory Information Service.

7. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company shall have unrestricted corporate capacity. The Articles were adopted on 10 August 2007 and contain, amongst other things, provisions to the following effect:

Voting rights of members

- (i) Subject to any special terms as to voting upon which any shares may have been issued, at a general meeting of the Company, on a show of hands every member who is present in person shall have one vote and on a poll every member so present in person or by proxy shall have one vote for every share of which he is the holder.
- (ii) Where there are joint registered holders of a share, any one of them may vote at any meeting, either personally or by proxy, in respect of that share as if he were solely entitled to it. If more than one of the joint holders tenders a vote on the same resolution, whether personally or by proxy, the vote of the member whose name stands first in the register of members in respect of the relevant share, and no other, shall be entitled to vote in respect of the same.

Restriction on shares

- (i) If any member or any person appearing to be interested in shares in the Company has been duly served with a disclosure notice and, in the opinion of the board (and to the extent permissible under the Companies Law), fails to make the appropriate disclosures then the board may in its absolute discretion suspend voting and/or dividend rights, for a period of up to one year from the date such failure to disclose came to the board's attention.
- (ii) Any dividends declared and paid in such period shall be withheld by the Company and shall be payable without interest as soon as reasonably practicable upon compliance.
- (iii) To the extent permissible by the Companies Law, members whose voting rights have been suspended shall be entitled to receive notice of all general meetings of the Company but shall not be entitled to vote at the relevant general meetings. All resolutions passed at such general meetings shall be valid and binding, notwithstanding the suspension of voting rights.

Dividends

- (i) Subject to the provisions of the Companies Law and any special rights as to dividends attached to any shares, the holders of Ordinary Shares are entitled *pari passu* amongst themselves, but in proportion to the respective amounts paid up (but no amount paid up in advance of calls shall be treated as paid up) on the shares held by them during any portion or portions of the period in respect of which the dividend is paid, to a share in the whole of the profits of the Company paid out as dividends. The Company may by an ordinary resolution declare dividends not exceeding the amounts recommended by the board. Subject to the provisions of the Companies Law, the directors of the Company may pay interim dividends.
- (ii) The board of the Company may, if authorised by an ordinary resolution of the Company, offer holders of Ordinary Shares in respect of any dividend the right to elect to receive new ordinary shares by way of a scrip dividend instead of cash.
- (iii) The board may deduct from any dividend or other monies payable to any member on or in respect of any shares held by that member any debts due to the Company from that member in relation to his shares in the Company.
- (iv) Any dividends unclaimed for a period of twelve years after having been declared shall be forfeited and will revert to the Company. The Company shall be entitled to cease sending dividend warrants or cheques by post to any member if any such warrants or cheques have been returned undelivered or left uncashed on two consecutive occasions or if following one such occasion reasonable enquiries have failed to establish any new address of such member.

Transfer of shares

- (i) Transfers of certificated shares may be effected by an instrument of transfer in any usual form or in any other form which the board may approve. Any written instrument of transfer shall be signed by or on behalf of the transferor (and the transferee in the case of a partly paid share) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect of it. The board may in their absolute discretion and without assigning any reason, refuse to register any transfer of a certified share in limited circumstances, *inter alia* because it is not a fully paid share.
- (ii) The Company shall register the transfer of any uncertificated share in accordance with the CREST Jersey Regulations.
- (iii) The registration of transfers of shares or of any class of shares may be suspended at such times and for such periods as the board may determine but not for more than thirty days in any year.

Changes in capital

- (i) The Company may by special resolution increase, consolidate or sub-divide its share capital.
- (ii) The Company may by special resolution, and subject to the Companies Law, reduce its share capital in any way. The Company may also purchase its own shares subject to the requirements of the Companies Law.

Distribution of assets on a winding-up

- (i) On a winding up of the Company, the liquidator may, with the authority of an extraordinary resolution, and subject to the Companies Law, divide among the members in specie the whole or any part of the assets of the Company and value any assets and determine how the division shall be carried out between the members. The Company may also vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit.

Variation of rights

- (i) If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights for the time being attached to any share or class of shares may be varied or abrogated in such manner (if any) as may be provided by such rights or (a) in any manner with the consent in writing of the holders of two-thirds in number of the issued shares of that class, or (b) with the authority of an Ordinary Resolution passed at a separate general meeting of the members of that class (but not otherwise). At any such separate general meeting, the necessary quorum is two members of the class holding or representing by proxy one-third of the issued shares of that class, and at an adjourned meeting not less than one person holding shares of that class or his proxy.
- (ii) Subject to the terms of issue or of rights attached to any shares, the rights and privileges attached to any class or shares shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects with or subsequent to those already issued or by the purchase or redemption by the Company of any of its own shares.

Directors

- (i) The Company may, by ordinary resolution, appoint any person who is willing to act as a director to hold office as a director.
- (ii) The number of directors shall not, unless otherwise determined by an ordinary resolution of the Company, be subject to any maximum but shall not be less than two in number.
- (iii) The directors of the Company (other than any director who shall for the time being hold office as an executive or employment with the Company or subsidiary of the Company) shall be paid out of the funds of the Company by way of remuneration for their services as directors such fees at such rates as the directors may determine provided that such fees do not in aggregate exceed €75,000 per annum or such other sum as the Company in general meeting may determine.

Such remuneration shall be divided among the directors in such proportion or manner as may be determined by the directors, or failing agreement, equally.

- (iv) The directors shall also be paid out of the funds of the Company all reasonable travelling, hotel and other expenses properly incurred by them in and about the performance of their duties, including expenses of travelling to and from meetings of the directors, or committee meetings or general meetings or separate meetings of the holders of any class of shares or debentures in the Company. The directors may grant special remuneration to any director who performs any special or extra services to or at the request of the Company.
- (v) The directors may appoint any person who is willing to be a director, either to fill a vacancy or by way of addition to their number, but the total number of directors shall not exceed the maximum number fixed by or in accordance with the Articles. Any director so appointed shall retire from office at the next annual general meeting of the Company, and shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting. At each annual general meeting any director bound to retire in this way and one third of the other directors for the time being shall retire from office. Subject to the Companies Law, the directors to retire at each annual general meeting will be the directors who have been longest in office since their last appointment or reappointment. As between directors who have been in office on equal length of time, the directors to retire shall, unless they shall otherwise agree among themselves, be selected from among them by lot. The retiring directors shall be eligible for re-appointment. If at any meeting at which an appointment of directors ought to take place the office vacated by any retiring director is not filled, the retiring directors shall, if willing, be deemed to continue in office unless at the meeting a resolution is passed not to fill the vacancy or to appoint another person in his place or unless the resolution to re-appoint the retiring director is put to the meeting and lost.
- (vi) The directors may exercise all the powers of the Company to pay, provide or procure the grant of pensions or other retirement or superannuation benefits and death, disability or other benefits allowances of gratuities or other benefits for employees, ex-employees, directors or the relatives or dependants of any such person. The directors may also procure the establishment and maintenance of, or participate in, or contribute to, any non-contributory or contributory pension or superannuation fund, scheme or arrangement and pay insurance premiums.
- (vii) A director may hold any other office or place of profit in the Company, except that of auditor, and subject to the provisions of the Companies Law no director shall be disqualified from entering into any contract, arrangement, transaction or proposal with the Company or in which the Company is interested. A director so contracting or so interested shall not be liable to account to the Company for any profit realised by any such transaction or arrangement by reason of such director holding that office or as a result of his fiduciary relationship, but the nature of his interest shall be disclosed by him in accordance with the provisions of the Companies Law and any other law affecting the Company.
- (viii) A director shall be entitled to vote (and be counted in the quorum) on any resolution concerning any of the following matters:
 - (a) a contract, arrangement, transaction or proposal to which the Company or any of its subsidiary undertakings is or is to be a party and in which he has an interest which is, to his knowledge, a material interest (other than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company);
 - (b) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiaries;
 - (c) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or of any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (d) any arrangement, contract, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, 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;

- (e) any arrangement, contract, transaction or proposal concerning another company in which he and any persons connected with him are not to his knowledge interested in shares representing five per cent. or more of the equity share capital or the voting rights of such company;
 - (f) an arrangement for the benefit of the 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 arrangements relate; or
 - (g) any proposal concerning the purchase or maintenance of insurance for any officer of the Company including the directors.
- (ix) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more directors to any offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution be put in relation to each director and in that case each of the directors concerned (if not 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 or termination of his own appointment.

Calling of annual general meetings and extraordinary general meetings

- (i) An annual general meeting shall be held once every year at such time and place as the board may determine providing that there must not be a gap of more than fifteen months between one annual general meeting and the next. The board may convene an extraordinary general meeting whenever, and at such time and place, as it thinks fit.
- (ii) An annual general meeting and an extraordinary general meeting convened for the passing of a special resolution (or a resolution of which special notice is required by the Companies Law) shall be convened by not less than 21 clear days' notice in writing. All other extraordinary general meetings shall be convened by not less than 14 clear days' notice in writing. The notice shall be given to all members (other than any who, under the provisions of the Articles or of any restrictions imposed on any shares, are not entitled to receive such notice from the Company) and to each director and the auditors.
- (iii) The notice shall specify whether the meeting is an annual general meeting or an extraordinary general meeting and must state the place, the day and the time of the meeting. In the case of any resolution to be proposed as a special or extraordinary resolution, the notice shall include the text of the resolution and a statement of the intention to propose the resolution as such. In the case of any other special business, the notice must specify the general nature of that business. The notice shall include a reasonably prominent statement that a member entitled to attend and vote, is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him, and that a proxy need not also be a member.

Borrowing power

The directors may, subject to the provisions of the Companies Law, exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future and uncalled capital, or any part thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (as regards its subsidiaries so far as by such exercise it can secure) that the aggregate amount at any one time owing by the Company and its subsidiaries in respect of monies borrowed, exclusive of monies borrowed by the Company or any of its subsidiaries from each other and after deducting cash deposited, shall not at any time, without the previous sanction of an ordinary resolution, exceed a sum equal to a multiple of ten times the Net Asset Value of the Company.

Untraced Shareholders

The Company is entitled to sell at the best price reasonably obtainable any shares in the Company after advertising its intention in both a national daily newspaper published in the UK and in any newspaper circulating in the area in which the address given for payment of dividends is located and waiting for three months having notified the London Stock Exchange of its intention to sell, if the shares have

been in issue for at least twelve years preceding such notification and during that period at least three dividends, whether interim or final, in respect of shares of the same class as the shares to be sold have become payable and have not been claimed and the Company has not received any communication during the relevant period from the holder of the shares or any person entitled to them by transmission. Upon any such sale, the Company will become indebted to the former holder of the shares or the person entitled to them by transmission for an amount equal to the net proceeds of sale.

Interests in shares

Each Shareholder who from time to time, either to his knowledge acquires, or becomes aware that he has acquired, an interest in 3 per cent. or more of the Company's issued share capital of any class carrying rights to vote in all circumstances at general meeting of the Company (the "Relevant Share Capital") must notify such interests to the Company. Notification is also requested when an interest falls below three per cent. or rises or falls any whole percentage point above three per cent. Each Shareholder is also required, to the extent that he is lawfully able to do so, to notify the Company if any other person acquires or ceases to have a notifiable interest in Relevant Share Capital of which he is the registered Shareholder, or, if unable lawfully to provide such notification, to use his reasonable endeavours to procure that such other person makes notification of his interest to the Company. In addition the directors shall have power by notice in writing to require a person, whom it knows or has reasonable cause to believe to be interested in the Relevant Share Capital, to confirm or deny such interest and to give such further information, as may be requested.

8. Directors' and Other Interests

8.1 The interests of the Directors and their immediate families and, so far as is known to the Directors or as could with reasonable diligence be ascertained by them, the persons connected with them which if the connected person were a Director would otherwise be disclosed pursuant to this paragraph, in the share capital of the Company as at the date of this document and on Admission are as follows:

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Per cent. of Issued Share Capital</i>
Nigel Le Quesne	–	–
Stephen Burnett	–	–
Philip Burgin	–	–
Mark Smith	7,000	1.98
Nicholas Houslop	–	–

8.2 The Company is aware of the following persons who, at the date of this document have, or who are expected following Admission to have, an interest in three per cent. or more of the issued share capital of the Company:

<i>Interested Person</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Issued Share Capital</i>
Credit Suisse Client Nominees (UK) Ltd*	40,000	11.31
Sarastro Limited	29,166	8.24
Weistal Business Inc.	25,000	7.07
Rytu Invest Ab	21,666	6.12
F&C UK Dynamic Fund	19,550	5.53
SBS Nominees Limited	18,346	5.19
East Capital AB	18,333	5.18
EB Trustees Ltd.	14,605	4.13
Josephine Ann Haller	14,166	4.00
Citco Global Custody NV JPMS	12,500	3.53
F&C UK Special Situations Fund	11,721	3.31
Michael Milbourn	11,667	3.30

* Credit Suisse Client Nominees (UK) Ltd. hold these Ordinary Shares on behalf of RAB Special Situations Master Fund

- 8.3 Save as disclosed in paragraph 8.2 above, the Directors are not aware of any person who will, immediately following Admission, be interested directly or indirectly in three per cent. or more of the issued share capital of the Company or could directly or indirectly, jointly or severally, exercise control over the Company.
- 8.4 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 8.5 No Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- 8.6 The persons, including the Directors, referred to in paragraph 8 of Part VI of this document, do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other Shareholder.
- 8.7 Save as disclosed below, none of the Directors:
- (a) has any unspent convictions in relation to indictable offences;
 - (b) has been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies);
 - (c) has been a director of a company at the time of, or within 12 months preceding the date of that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors;
 - (d) has been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership;
 - (e) has at any time been the subject of a receivership in respect of any of their assets;
 - (f) is or has been bankrupt nor made at any time an individual voluntary arrangement; or
 - (g) is or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

Blue Swan Insurance (Jersey) Limited

Philip Burgin, Nigel le Quesne and Stephen Burnett were directors of Blue Swan Insurance (Jersey) Limited, which was incorporated on 17 February 2004 at the instigation of, and on behalf of a UK based individual, who for confidentiality reasons we are unable to name. The company closed to new business on 21 November 2005 as it was experiencing serious financial difficulties which the directors of the company established was caused by premium income being diverted away from the company without their knowledge or consent. Legal proceedings were instigated in the UK by the directors for recovery of the missing premium income. Furthermore, the directors of the company have also instigated a police investigation into the actions of the beneficial owner and the company's premium collection agent in the UK. The company's financial situation resulted in a number of approved claims remaining unpaid. The board of the Company has worked with the Commission throughout and the Commission has been fully supportive of the actions of the Company and the directors.

Convergence Group International S.A. (In Administration) ("CGISA")

Stephen Burnett and Nigel Le Quesne were appointed directors of CGSIA on 30 September 2004. These appointments took place as part of accepting the trusteeship of a life interest trust know as the Broadband Trust, which has 14 directly and indirectly owned subsidiaries in respect of which JTC Management Limited acts or has provided services for 6 companies.

CGISA was placed into voluntary administration on 17 November 2006 by unanimous resolution of its board of directors. CGISA had been dormant for over 4 years except for its involvement in a court case with its sister company which was ongoing at the time of the appointment of the current board. On 3 December 2003, the then board of directors appointed Alan Robinson (who was at that time himself a director) to represent the company in respect of the litigation, as he was intimately aware of the circumstances surrounding the case. The authority to Mr Robinson was to remain in place notwithstanding the possible likelihood that he may cease to be a director of the company, which he subsequently did. Mr Robinson is the life tenant of the Broadband Trust.

The board of CGISA were informed that they could rely upon the costs associated with the litigation and any other incidental costs being funded by the sister Company Convergence Group Plc or other related entities.

The legal and other advice in respect of the court case had consistently indicated to the directors that there was a very good prospect of success. During the course of the trial in November 2006, it subsequently became evident that CGISA's legal advisers no longer felt that there was any prospect of the claim being successful and that the costs of the action may fall due to CGISA. CGISA has no income in its own right however, until the point at which its directors placed CGISA into administration, it had been able to meet its liabilities as they fell due by way of contributions from associated companies. The directors of CGISA were therefore no longer satisfied that CGISA would be in a position to meet its liabilities as and when they fell due and as a result there was no alternative but enter into administration.

- 8.8 There are no outstanding loans granted by any member of the Group to any of the Directors, nor has any guarantee been provided by any member of the Group for their benefit.
- 8.9 Each of the Directors has agreed to act as a director of the Company pursuant to a letter of appointment dated 17 August 2007. Nicholas Mark Houslop receives an annual fee of £15,000 per annum. None of the other Directors receive a fee in respect of their role as a director of the Company. Each of the appointments may be terminated by either party giving three months' written notice. The letters provide for no benefits upon termination.
- 8.10 Mark Smith, who is a director of Taliesin, is also a director of TML which will provide investment advisory services for the Group and will receive fees from the Group.

8.11 In addition to directorships of the Company, the Directors currently hold, or have during the five years preceding the date of this document held, the following directorships or partnerships:

Nigel Le Quesne

Current Directorships

Anaitis Limited
Balconia Corporation NV
Berkely Limited
Copernicus Diagnostics Group Limited
DBG Asset Management Limited
DBG Development Capital Eastern Europe Limited
DBG Eastern Europe Management Limited
Florestan Holding B.V.
FR Romania Sarl
Hawkwood Fund Limited
Lincoln Euro Property Holdings BV
Lincoln Land Austria Gmbh
Logitech (Jersey) Limited
Lunghin Fund Limited
Megaira Limited
Mistral Properties Limited
Mukwa Investments Limited
Norfolk Euro Property Holdings BV
Ofuolst B.V.
Petra Diamonds Alto Cuilo Limited
Property Initiatives Limited
Pyrite Holding B.V.
Renewable Energy Generation Limited
Shawlands Trustee 1 Limited
Shawlands Trustee 2 Limited
Taliesin One GmbH
Villanueva Solar UK Limited
Watermark CH AG
Westside & City Holdings Limited
Zenais Limited

Past Directorships

CET (Marketing) Limited
Coatbridge Retail Limited
Defiant Productions Limited
Polventures Limited
UBS Capital Americas Cayman, Ltd
UBS Capital Americas North Ltd
UBS Capital Jersey Corporation I Ltd

Philip Burgin

Current Directorships

Celtic Motors (C.M.) Limited
Peterborough Court (Nominees) I Limited
Peterborough Court (Nominees) II Limited
Peterborough Court GP Limited
Peterborough Court I Limited
Peterborough Court II Limited
Tiskopan Holding Ltd
Wharf Land Investments (Jersey) Limited

Past Directorships

CET (Marketing) Limited

Stephen Burnett

Current Directorships

UBS Capital Americas Cayman, Ltd
UBS Capital Americas North Ltd
UBS Capital Jersey Corporation I Ltd

Past Directorships

Heathcote Holdings Limited

Other Directorship's common to Nigel Le Quesne, Philip Burgin and Stephen Burnett ("Common Directorships")

Current Common Directorships

55 OBS 1 Limited
55 OBS 2 Limited
Alborada Limited
Allegretto Limited
Alligator Investments Limited
Alpheus Limited
Altiplano II Finance Limited
Amedis Commercial Finance Limited
Amirati Investments Limited
Ammar Holdings Limited
Antalis US Funding Corp.
April Point Properties Limited
Aragrove Investment (Shawlands) Limited
Arrowhead Holdings Limited
Ashes Property Limited
ATA Enterprises Ltd
Austra Corp
Avalanche Investments Limited
Baligay Limited
Balzac Consultants Northern Europe Limited
Bannerman (Capital) Limited
Bansko Mezz Fin General Partner Limited
Basildon Trustee 1 Limited
Basildon Trustee 2 Limited
Beast Shipping Limited
Belmondos Property Investments Limited
Bespoke Investments Limited
Blackrock Advisory Limited
Blue Diamond Management Limited
BrightWater Aquatics Limited
BrightWater Enterprises Limited
Broadstone Limited
Burhill Kennels Properties Limited
BW Investments Limited
Cadenza Management Limited
Cadenza International Limited
Camrose Properties Limited
Cantel Investments Limited
Cardeka Holdings Limited
Caribe Entertainment Limited
Carmin Invest SA
Casurina Property Investments Limited
CEDCO Enterprises Limited
Certain Funding Limited
CET (New Europe) Limited
Chakalak Limited
Chalk Hill Holdings Limited
Chantelys Investments Limited
Cherry Tree Trustee One Limited
Cherry Tree Trustee Two Limited
Chester Terrace Limited
Cheval Noir Investments Limited
CMB Monaco Real Estate Limited
CMS Holdings Limited
Commercial Property Management Limited
Commerzbank International Trust (Jersey) Limited

Past Common Directorships

5 Batisse De La Mielle Limited
Abbotsham Limited
Aragrove Investments Limited
Balmaha Investments Limited
Berkely Limited
Blue Swan Insurance (Jersey)
Limited (in liquidation)
Borric Properties Limited
CBW Investments Limited
CET (Marketing) Limited
Churchill & Carr Limited
City Pavilion Limited
Coatbridge Retail Limited
Enzo Properties Limited
Equiby Limited
Exchange House Management Limited
Fergana Holdings Limited
Gate Investments Limited
Hughestone Development Limited
Linthor Holdings Ltd
Minotaur Films Limited
Mithras Holdings Limited
Primedical International Limited
Rachelly Investments Limited
Ravensbeck Investments Ltd.
Samarkand Films Limited
Telmil (Yeovil) Limited
Thiyan Investments Limited
Westside & City Holdings Limited

Common Directorship (*continued*)
Convergence Aviation Limited
Convergence Group International SA
Coral International Resources Inc
Corporate Real Estate Equity Capital Limited
Corsaire Limited
Corston Holdings Limited
Craike Limited
CREEC (Bedford) Limited
Crumpton Hill Properties Limited
Curzon Three Limited
Curzon Two Limited
Cuvette Investments Limited
Declaron Trustee Limited
Defiant Productions Limited
Dervis Management Limited
DNA Holdings Limited
Draco (St.Andrews) Limited
Draco Brettenham Limited
Draco Herbrand Limited
Draco Kings Chase Limited
Draco Maidenhead Limited
Draco Southampton Limited
Drayton Park Limited
Eaton Trustee Limited
Eden Street Trustee 1 Limited
Eden Street Trustee 2 Limited
Egyptinvest One Limited
Ellisfield Investments Limited
Emory Properties Limited
ERRAF (GP) Limited
Esplanade Property Services Limited
Etna Range Limited
Eumundi Properties Limited
Exchange Place Limited
Fabian Five SRL
Fabian Four SRL
Fabian One SRL
Fabian Romania Property Fund Limited
Fabian Six SRL
Fabian Three SRL
Fabian Two SRL
Fern Trustee 1 Limited
Fern Trustee 2 Limited
Fernando Holdings Limited
Firefly Limited
First Canary Limited
Fitzpain Limited
Flintstone Finance Limited
G J R Securities Limited
GFF Limited
Glenview Property Hldgs Ltd
Global Sea Trade Limited
Gloucester Estates (Holdings) Limited
Gloucester Estates (Landsberger) Limited
Gloucester Estates (Wandsbeker) Limited
Glow-Worm Properties Limited
Haiku Releasing Limited
Heathcote Holdings Limited
Heathcote Holdings Limited

Common Directorship (*continued*)
Hernando Investments Limited
Hero Football Fund Limited
Hero Football Holdings Limited (formerly
Norion Investments Corp.)
Highgrove Trustee Limited
Holcroft Limited
Hong Kong Mortgage Financing Limited
Hudson Investment Holdings Limited
Humber Land (Grimsby) Trustee One Limited
Humber Land (Grimsby) Trustee Two Limited
Hurstpoint Limited
Infinite End Limited
Interport Limited
Investors In Arabia Limited
Ioanna Shipping Limited
Irongame Holdings Limited
Jaspers Property Investments Limited
Jessop Avenue Trustee 1 Limited
Jessop Avenue Trustee 2 Limited
Jetson Finance Limited
Jive Shipping Limited
JTC Trustees (Frontier) Limited
Karibu Limited
Karvelen Limited
Knoxville Finance Ltd
Lakeshore Entertainment Group Jersey Limited
Land Project and Development Limited
Lincoln Investments Limited
Linden Heights Ltd
Loxley Films Limited
M A Street Trustee 1 Limited
M A Street Trustee 2 Limited
Madara Bulgarian Property Fund Limited
Madara Holdings Limited
Manolete Limited
MasterSearch Management Consultants Limited
Maxilla Holdings Limited
Mayfair Mezzanine Limited
MBR Limited
MBR No.2 Limited
Mercury Sofia General Partner Limited
MFB Films Limited
MFF Leasing Limited
MHL Investments Limited
Michellisa Properties Limited
Ming Holdings Ltd
Minotaur Films Limited
MKMLongboat Capital Advisors (Jersey) Limited
Modena Cars Limited
Monkswood Way Trustee 1 Limited
Monkswood Way Trustee 2 Limited
Moorhurst International Investments Ltd.
Mornington Capital Partners Finance Limited
Morris Holdings Limited
MRD Limited
MSF Leasing Limited
MSF Shipping Limited
Munro Energy Investments Limited
New Maxilla Holdings Limited

Common Directorship (*continued*)
Newman Street Investments Limited
Newport Holdings Limited
Norrismount Holdings Limited
NPC Limited
Numology Limited
Optimate Holdings Limited
PCP (Jersey) Limited
Perceptive Holdings Limited
Peregrine Finad Limited
Phoenix Films Limited
Pincon Investments Limited
Polaris Investment Holdings Ltd
Precious Films Limited
Premier Asset Collateralized Entity Limited
PRG Capital Holdings Limited
Quadroon Holdings Limited
Red Harrison
Redbank Investments Limited
Ringland Properties Limited
Ringwood Road Trustee 1 Limited
Ringwood Road Trustee 2 Limited
RMG Fund Management (Jersey) Limited
Roba CS Limited
Roba GS Limited
Roba HS Limited
Roba Investments Germany Limit
Roba Investments Romania Limited
Roba MS Limited
Robar Limited
Roches Properties Limited
Root Holdings Limited
Rosery Estates Limited
Sabot Investments Limited
Sandford Farm Properties Limited
Sandown Isle of Wight Airport Limited
Sauluna Invest Holding Ltd
Saville Real Estates Ltd
Savior Faire Properties Limited
Scaramouche Investments Limited
SDH Trustee One Limited
SDH Trustee Two Limited
Sea Freedom Limited
Securitised Instantly Repackaged
 Perpetuals Limited
Sentier Ltd
SES Limited
Sherwood Films Limited
Shorething Limited
Showmaxx Rights Limited
Silver Reef Properties Limited
Silverstone Holdings Limited
SOL Energy Management Limited
Stark Equities Ltd
Strazo Investments Limited
SugarInvest Limited
Swan & Drake 1 Limited
Swan & Drake 2 Limited
SWB Holdings Limited
Tabreed Project Finance One Limited

Common Directorship (*continued*)
TAJRV LTD
Taliesin Holdings Limited
Taliesin Property Fund Limited
Tepco UK Limited
Terrace Hill (Awdry) Limited
The Grojecka General Partner Limited
The Ludwig Wittgenstein Asset Company Limited
Tic Toc Films Limited
Trans-Baltica Container Line Ltd.
Tungsten Group (2) Limited
Tungsten Group Limited
Two Orchards Properties Limited
UK & European Investments (Bristol) Ltd
UK & European Investments (Chiswick) Ltd
UK & European Investments (Redhill) Ltd
Vesuvius Investment Hldgs Ltd
Victoria Services Inc
Volos Limited
Warwick Square Limited
Watermark Holdings Limited
Watermark NL Limited
WCH Limited
Weedon Road Trustee 1 Limited
Weedon Road Trustee 2 Limited
Wharf Land Investments (Jersey) Limited
Whitecote Limited
Whitlow Holdings Limited
Wickets Investments Limited
Woking Participation Limited
WorldNet Capital Management Limited
Worldwide Music Corporation
Worton Grange Industrial Limited
WFPF Management Limited
Yosemite Securities Company Ltd
Zamora Limited
Zebedhee Properties Limited
Zingala 2 Investments Limited
Zingala Investments Limited

Mark Smith

Current Directorships

Taliesin Management Limited
Taliesin Deutschland GmbH
Mark Smith Inv. LTD
Madara Bulgarian Property Fund Limited

Past Directorships

Nil

Nicholas Houslop

Current Directorships and Partnerships

IMW Immobilien Aktiengesellschaft
Fabian Romania Property Fund Limited

Past Directorships

Nil

9. Administration

The Administrator will provide administration services to the Company, under the terms of the Administration Agreement, further details of which are set out in paragraph 10.5 of this Part VI.

10. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the date of this document and are, or may be, material or are, or may, contain provisions under which any member of the Group has an obligation or entitlement which is material to the Group:

- 10.1 An introduction agreement dated 21 August 2007 between the Company, the Directors, TML and Insinger de Beaufort conditional on, *inter alia*, Admission taking place on or before 8.00 a.m. on 28 August 2007 pursuant to which Insinger de Beaufort has agreed to advise the Company in relation to Admission for a fee of £175,000. The agreement contains representations and warranties from the Company and the Directors in relation to this document and the business, operations and financial performance of the Company and an indemnity from the Company in favour of Insinger de Beaufort in respect of any loss it may suffer in connection with Admission, together with provisions which enable Insinger de Beaufort to terminate the agreement in certain circumstances prior to Admission.
- 10.2 A nominated adviser and broker agreement dated 21 August 2007 between the Company, the Directors and Insinger de Beaufort pursuant to which the Company has appointed Insinger de Beaufort to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Insinger de Beaufort a fee of £40,000 per annum for its services as nominated adviser and broker under the agreement, together with all reasonable expenses and VAT. The agreement contains certain undertakings given by the Company and the Directors in respect of, *inter alia*, compliance with all applicable laws and regulations and an indemnity from the Company in favour of Insinger de Beaufort in respect of any loss it may suffer arising from its performance of its obligation under the agreement. The agreement is for a fixed term of one year and is thereafter terminable on the giving of 30 days notice.
- 10.3 A property acquisition and management agreement dated 21 August 2007 between the Company and Taliesin Deutschland pursuant to which Taliesin Deutschland provides certain advisory and management services to the Company in respect of the properties and investments held by the Group.

Pursuant to this agreement Taliesin Deutschland shall receive a management fee equal to 2.5 per cent. of the aggregate contractual rentals due each month from the properties and investments held by the Group. In addition, Taliesin Deutschland will be entitled to an acquisition fee equal to 0.5 per cent. of the purchase price of any property acquired by any company in the Group after the commencement date of the property acquisition and management agreement, which fee shall be payable by the Company to Taliesin Deutschland on completion of the acquisition of the relevant property.

Either party can terminate the agreement at any time with immediate effect in the event of an unremedied material breach and in addition the Company can terminate the agreement at any time immediately on the occurrence of an insolvency event in respect to Taliesin Deutschland. Otherwise, the Company can terminate the agreement on 6 months' written notice and Taliesin Deutschland can terminate on 6 months' written notice, in each case such notice to expire no earlier than the end of the initial term of 24 months.

- 10.4 The Investment Adviser Agreement dated 21 August 2007 between the Company and the Investment Adviser pursuant to which the Investment Adviser provides certain advisory and management services to the Company in respect of the properties and investments held by the Group. The Investment Adviser can delegate to third parties any of its duties under the Investment Adviser Agreement, as it has already done in respect of certain property management services the provision of which it has subcontracted to Taliesin Deutschland.

The Investment Adviser is entitled to a quarterly advisory fee based on the Adjusted Net Asset Value of the Group at the end of each quarter period. The quarterly fee is an amount equal to 0.5 per cent. of such Adjusted Net Asset Value payable one month after the quarter end.

In addition to the quarterly advisory fee and depending on the performance of the Group, the Investment Adviser may be entitled to an annual performance fee (the "Performance Fee") calculated at the year end from the audited accounts.

If no issues of new shares are made in a particular calendar year, where:

NAV_b = the Adjusted Net Asset Value per share at close of business on 31 December of the previous calendar year (or the net asset value in relation to the previous calendar year's performance fee calculation if higher);

NAV_e = the Adjusted Net Asset Value per share at close of business on 31 December in the current calendar year;

n = the number of issued shares on 1 January in the current calendar year;

i = the percentage rate of interest at which banks were offering to lend Euro deposits to each other in the wholesale market for the period from the first business day of the current calendar year until the date one year later; and

NAV_h = hurdle Adjusted NAV per share calculated as follows: $NAV_h = NAV_b \times (1 + i)$

then the Performance Fee is calculated as follows:

If NAV_e is higher than NAV_h,

Performance Fee = $0.2 \times n \times (NAV_e - NAV_h)$.

If NAV_e is not higher than NAV_h then no Performance Fee is payable. In such circumstances, subsequent calculations of their Performance Fee will be based on the high water mark represented by the ending Adjusted Net Asset Value per share on which the previous Performance Fee had been calculated.

If any new shares are issued in a calendar year (including shares issued in accordance with these Performance Fee arrangements), separate Performance Fee calculations are made with respect to (a) those shares which were outstanding on 1 January of the year and (b) each block of shares which were issued during the year. The calculation for (a) would follow the procedure described above. The calculation in respect of each block of shares issued during the year would be the same as in the above paragraph with the following exceptions:

NAV_b = the price at which the block of shares was issued

n = the number of shares issued in the block

NAV_h = $NAV_b \times (1 + (i \times d/360))$

where d = number of days from the date of issue of the shares until 31 December in the same year.

The total Performance Fee will be the aggregate of the (positive) Performance Fee amount calculated for each block of shares (including those in issue for the complete year).

The high water mark for the following calendar year's calculation will be the higher of (i) NAV_e and (ii) the average of the NAV_h for each block of shares, weighted for the number of shares in each block.

The calculation for calendar year 2007 will follow the procedure described above except that an adjustment will be made to reflect the fact that shares were issued during 2006. This will be done by imputing a hurdle interest which takes into account the average date on which those shares were issued. Consequently, the calculation in respect of all shares issued in 2006 will follow the procedure described above with the following exceptions:

NAV_b = 100

i = 5.636 per cent.

The Performance Fee may be settled, at the option of the Investment Adviser, in cash, Ordinary Shares or options over Ordinary Shares, or any combination thereof.

The fees of Taliesin Deutschland will be met by the Investment Adviser. However, for the avoidance of doubt, the following costs will not be met by the Investment Adviser:

- (a) the costs relating to property development and investment;
- (b) the remuneration and expenses of the Directors;
- (c) the fees of any property valuer;
- (d) the costs attributable to the Company's formation, admission to AIM;
- (e) bank charges and interest;
- (f) legal, professional, auditing, travelling, shareholder reporting expenses; and
- (g) other company specific costs such as administration of the Company in Jersey.

Either party can terminate the agreement at any time with immediate effect in the event of an unremedied material breach and in addition the Company can terminate the agreement at any time immediately on the occurrence of an insolvency event in respect of the Investment Adviser. Otherwise, the Company can terminate the Investment Adviser Agreement on 6 months' written notice and the Investment Adviser can terminate on 6 months' written notice in each case such notice to expire no earlier than the end of the initial term of 24 months.

- 10.5 An Administration Agreement dated 9 December 2005 as amended and restated on 17 August 2007 between the Company and the Administrator under which the Company has appointed the Administrator to provide financial, accounting and administrative services. This includes, amongst other things, the maintenance of the Company's customary financial and accounting books and records, issuing and processing payment in respect of subscriptions for Ordinary Shares and any dividends declared by the Board and dealing with and replying to all correspondence and other communications addressed to the Company in relation to the subscription and transfer of shares. The Administrator has the benefit of an indemnity from the Company in relation to liabilities incurred by the Administrator in the discharge of its duties under the Administration Agreement other than by reason of gross negligence, bad faith, fraud or dishonesty on the part of the Administrator or any employee or breach of the Administration Agreement by the Administrator or any employee. The Administration Agreement is terminable by either party giving not less than 90 days' written notice.
- 10.6 An offshore registrar agreement dated 17 August 2007 entered into between the Company and the Registrar. The Company has appointed the Registrar as registrar of the shares registered in the register of members kept in Jersey (the "Offshore Register") in respect of the Ordinary Shares. In consideration for the services rendered by the Registrar the Company shall pay to the Registrar a fee payable quarterly in arrears based on the number of shareholder accounts appearing on the Offshore Register including nil accounts each 1 January, 1 April, 1 July and 1 October. The Registrar has the benefit of an indemnity from the Company in relation to those liabilities incurred by the Registrar in the discharge of its duties, other than those arising from fraud, negligence or wilful default on the part of the Registrar. The aggregate liability of the Registrar (except in the case of fraud), will be limited to the lesser of £1,000,000 or an amount equal to 10 times the total annual fee payable to the Registrar under the agreement.
- 10.7 A warrant instrument dated 10 August 2007 pursuant to which Insinger de Beaufort were issued with rights to subscribe for a number of Ordinary Shares equal to one per cent. of the Company's issued share capital on Admission at an exercise price of €120 per Ordinary Share.

11. Litigation

Neither the Company nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened against the Company or any member of the Group of which the Company or any member of the Group is aware) which have, may have or have had during the 12 months preceding the date of this document a significant effect on the Company's financial position or profitability.

12. Third Party information

Various data used in this document, including, for example, information on the investment opportunity in Berlin, has been obtained from independent sources. The Group has not verified the data obtained from these sources and cannot give any guarantee of the accuracy or completeness of the data. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications, risks and uncertainties described above.

The figures set out in Part I of this document have been drawn from third party sources believed by the Company to be reliable. The Company confirms that the information has been accurately reproduced and that as far as it is aware and is able to ascertain from information published by each of those third parties, no facts have been omitted which would render the information reproduced inaccurate or misleading.

13. Auditors' Statement

The auditors of the Company, BDO Alto Limited of 28-30 The Parade, St. Helier, Jersey JE1 1BG, have audited the Company's consolidated accounts for the period 17 November 2005 to 31 December 2006. The audit report was unqualified.

14. Mandatory Takeover Bids, Squeeze Out and Sell Out Rules

14.1 *Mandatory bids*

The City Code applies to the Company. While the City Code applies to the Company, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any), would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the Ordinary Shares not already owned by the acquirer and its concert parties (if any) at a price not less than the highest price paid for Ordinary Shares by the acquirer or its concert parties (if any) during the previous 12 months. A similar obligation to make such a mandatory cash offer would also be triggered by any acquisition of Ordinary Shares by a person holding (together with its concert parties, if any) Ordinary Shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the aggregate voting rights.

14.2 *Squeeze-out rules under the Companies Law*

Under articles 117 and 118 of the Companies Law, an offeror in respect of a takeover offer has the right to acquire shares which he has not or is not contracted to acquire where he has acquired or is contracted to acquire 90 per cent. in value of the shares to which the offer relates. The offeror may not issue a notice requiring acquisition of minority shareholders unless he has acquired or contracted to acquire such shares before the end of four months beginning with the date of the offer and no notice may be given after the end of the period of two months beginning with the date on which he has acquired or contracted to acquire 90 per cent. or more of the shares to which the offer relates. The squeeze out of majority shareholders can be completed at the end of 6 weeks from the date of the notice requiring the squeeze out.

14.3 *Sell out rules*

By virtue of article 119 of the Companies Law, minority shareholders in respect of a takeover offer, before the end of the period within which the offer can be accepted, can require the offeror to purchase the remaining shares provided the offeror has acquired or has contracted to acquire not less than nine tenths in value of all the shares in the company.

An offeror shall within one month of the end of the period within which the offer can be accepted give the remaining shareholders notice of their rights to require repurchase. The period for the exercise of the remaining shareholders' rights to be bought out cannot end prior to the period of three months after the end of the period during which the offer can be accepted. These rights do not apply if the offeror has given notice under article 117.

15. Miscellaneous

- 15.1 No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised. The delivery of this document shall not, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in this document is correct as of any time subsequent to the date of this document.
- 15.2 Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31 December 2006, the date to which the financial information in this document relating to the Group was prepared.
- 15.3 Mazars LLP has given and has not withdrawn its written consent to the issue of this document, with the inclusion of its Accountants' Reports in Part III and the references to such reports and to its name in the form and context in which they appear.
- 15.4 Insinger de Beaufort has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 15.5 Keunecke & Stoer Gbr has given and has not withdrawn its written consent to the issue of this document, with the inclusion of its valuation report in Part IV and the references to such report and to its name in the form and context in which they appear.
- 15.6 Save as otherwise disclosed in this document:
- (a) there are no patents or other intellectual property rights, licences or particular contracts or new manufacturing processes which are or fundamental importance to the Group's business;
 - (b) there have been no interruptions in the business in the 12 months preceding the publication of this document which may have or have had a significant effect on the Group's financial position; and
 - (c) there have been no principal investments, nor are there any in progress or under active consideration.
- 15.7 No person (excluding professional advisers and others as disclosed in this document and trade suppliers) has:
- (a) received, directly or indirectly, from any member of the Group within the 12 months preceding the date of application for Admission; or
 - (b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from any member of the Group on or after Admission any of the following:
 - (i) fees totalling £10,000 or more;
 - (ii) securities in any member of the Group with a value of £10,000 or more; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- 15.8 The total costs and expenses relating to the Admission payable by the Company are estimated to be approximately £500,000 (excluding VAT).
- 15.9 The accounting reference date of the Company is 31 December.
- 15.10 There are no arrangements under which future dividends are waived or agreed to be waived.
- 15.11 Save as disclosed in Part I, the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- 15.12 The financial statements of the Group will be made up in Euros.

- 15.13 The Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 15.14 To the extent known by the Company, at Admission the Company will not be owned or controlled by any specific party or group of parties.
- 15.15 There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.
- 15.16 Save as disclosed in this document, so far as the Directors are aware there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year.

16. Documents Available on Display

- 16.1 This document will be available to the public free of charge during normal business hours on any weekday (except Saturdays, Sundays and bank holidays) at the registered office of the Company and at the registered office of Insinger de Beaufort, from the date of this document until one month from the date of Admission. The document will also be available to download from the Company's website at <http://www.taliesinberlin.com>.
- 16.2 Copies of the following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays and public holidays excepted), from the date of this document up to and until one month following Admission:
- (a) The memorandum and articles of association of the Company;
 - (b) The audited financial statements of the Company for the 13 month period ended 31 December 2006;
 - (c) The accountants' reports set out in Part III of this document; and
 - (d) The valuers' report reproduced at Part IV of this document.

21 August 2007

