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Commercial Group Properties Plc

COMPANY INFORMATION

Commercial Group Properties plc

Date prepared February 2007

The following Company Eye report has been compiled after an independent review of Commercial Group Properties plc by John Rowe. Company Eye is the trading name of Unquoted Limited. Company Eye analyse and assess small cap companies, including those quoted on AIM and PLUS. The report has been commissioned by Pearl Investment Management Services Ltd which is authorised and regulated by Financial Service Authority.

EDITOR'S NOTE

Commercial Group Properties plc ("Commercial Group" or "the Company") is a newly incorporated holding company for various properties acquired from companies previously owned by the major shareholders of the Company. The Directors aim to maximise the development potential of the three sites presently in the portfolio. The Directors have over 50 years experience in property development.

The Directors will be submitting preliminary plans for two of the three sites to the local authorities. The Company has completed an option agreement with the Dover Harbour Board and is in continuing negotiations with a Chinese

company regarding a joint venture on the Manston Business Park site.

In our opinion Commercial Group has the potential to be very successful in the future, particularly if the company's strategy is realised soon. The Company is currently raising £1.5m at 50p, which seems to be a good opportunity to get in before the company floats. In addition the shares are priced at a discount of 25%, based on a Savills valuation of the Company's properties at their current market value, without the premium for any development potential that the existing sites may deliver.

KEY POINTS

- The Company owns three Sites in the South East of England: the Farthingloe Site, the Manston Site and the Western Heights Site.
- The three Sites have been valued by Savills at an aggregate of £28,000,000.
- Commercial Group has an experienced management team. Chris Seymour-Prosser and Ken Wills, the two executive Directors, have both been involved in property development for many years.
- The Company is seeking to deliver value to its Shareholders through long term capital growth arising from the maximisation of development opportunities available from its existing and future property assets.

Company Name	Commercial Group Properties plc
Offer Price	50p
NAV per Share	66p
Listed	AIM following fund raising
Market Cap	£10.5m assuming full subscription
Shares in Issue pre offer	18,000,000
Shares being offered	3,000,000
Share Issue (Enlarged)	21,000,000
Activities	A general holding company for property interests
Corporate advisor	Pearl investment Management Services Ltd
Class of securities	Ordinary
Registrars	Share Registrars Limited

HISTORY

The Company is a newly incorporated company which was established by certain of the Directors for the sole purpose of acquiring the Sites. The Sites were acquired from companies previously owned by the existing Shareholders on various dates between 14 November 2006 and 5 January 2007.

The Directors are focused on acquiring properties with development potential. Over the next two years the Directors propose to use their experience to maximize the development potential of the Company's three existing Sites and expand the portfolio.

THE BUSINESS

The Farthingloe Site is a 273 acre site near Dover in Kent. It currently comprises agricultural land and some listed buildings. The land benefits from planning consent for the erection of 220,000 sq ft of office space. Part of the planning consent was varied under its prior ownership and offers the Company a number of additional development opportunities, as outlined below.

The Manston Site consists of 102.8 acres of open space

within an existing designated business park at Kent International Airport with development potential.

The Western Heights Site comprises 24.451 acres of land and buildings formerly belonging to the Ministry of Defence and is situated close to Dover. The land has been partially developed by the Ministry of Defence for housing and benefits from existing roads and services. The Site offers potential for residential development.



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PROPERTY PORTFOLIO

A. The Farthingloe Site

The Farthingloe Site is a large site of 273 acres situated off the B2011, approximately one and a half miles south west of Dover and close to the coast. It is a short distance from the A20 providing ready access to Folkstone, Ashford and the M20 as well as to Dover. The Site currently comprises agricultural land with a number of existing buildings consisting of a listed farmhouse, barn and stables. Part of the land benefits from planning permission for the erection of five large buildings comprising 220,000 sq ft of B1 office space. The Directors believe the Farthingloe Site offers potential in a number of respects.

The Site is divided into three separate Areas: Area A, Area C and Area D (see Figure 1). Area A comprises the land at the Site with the benefit of planning permission. Area C comprises land which is subject, in part, to contractual arrangements which have been concluded with the Dover Harbour Board. Area D is undeveloped at present.



Figure 1. Showing the three areas (A, C and D) that make up the Farthingloe Site

B. The Manston Site

The Manston Site (Figure 2) is situated at the north west end of Kent International Airport. It comprises open space and agricultural land and consists of two areas within a partly developed business park amounting to approximately 105.79 acres.

The land comprises a large portion of an existing designated business park. It is intended to endeavour to secure options to acquire additional land adjacent to the business park that can only be accessed via land held by the Company. The Directors believe this will give potential to increase the size of the business park in the future.

38 acres of the land at the Manston Site are subject to a letter of guarantee. Under the terms of this guarantee the Company is obliged in respect of 11 acres of the land to pay the original seller of the land 55% of the net sales value of the land, being the gross sales value less agent's commissions and legal fees.

The Company is also obliged to pay the original seller a sum of £40,000 per acre in respect of a further 27 acres of the land (being a total of £1,080,000) on grant of planning consent.

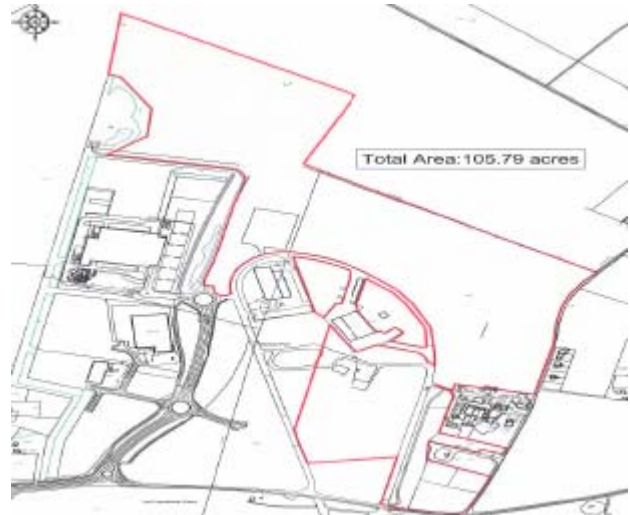


Figure 2. The Manston Site

C. The Western Heights Site

The Western Heights Site (Figure 3) is situated on Citadel Road, approximately half a mile south west of Dover town centre. It is a short distance from the A20 which provides ready access to Ashford, Folkestone and the M20. The site comprises 24.541 acres.

The Western Heights Site comprises land and buildings that were previously owned by the Ministry of Defence which had developed the land to provide housing for its personnel. The site benefits from estate roads and services installed by the Ministry of Defence.

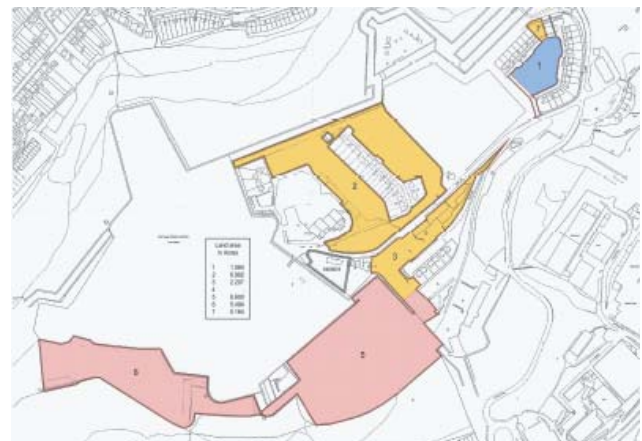


Figure 3. The Western Heights Site



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COMPANY INFORMATION

LAND DEVELOPMENT

The Farthingloe Site

Area A: Land with the Benefit of Planning Permission

This is the land within the Farthingloe Site over which planning permission has been granted and comprises 30.23 acres (Figure 1 – pink area).

In 2005 an application was made to vary the existing planning permission. This application comprised a request for permission to redistribute the consent in respect of one of five large buildings for which consent had previously been granted into 3 smaller office blocks with associated parking. The variation to the planning consent will allow the construction of 18 units of office space with 173 car parking spaces (including 6 disabled spaces) and 39 cycle stands. The Directors believe that the grant of consent for re-distribution of the office space comprised within the first of the five buildings in the original consent will pave the way for consent to redistribute the space comprised within the other four large buildings in a similar manner. The Directors intend to submit and progress applications in this respect as they deem appropriate.

Area A, on the edge of an existing settlement area, has been recently designated with Brownfield status. In addition a large area of land within Area A was at one time utilised by Euro Tunnel plc to provide cabins to house its workers during the construction of the Channel Tunnel and considerable sections of this land were concreted.

Under its 'Local Development Framework', Dover District Council has established a short term target of 7,000 new homes. The Directors believe there will be upward pressure on this target in the light of pressure from Central Government to increase the number of new homes to be built in the South East of England. Accordingly, it is the intention of the Directors that the Company should, as and when appropriate, apply for permission for a mixed use scheme with respect to the balance of the Farthingloe Site. The scheme which the Directors have in mind would include approximately 500,000 sq ft of residential development which the Directors believe, if granted, could add to the development potential of this Site.

Area A also includes the listed farmhouse, thatched barn and stables. These properties have already been extensively restored. The Company is planning to market these imminently and the Directors have been advised that they should generate an annual income in the region of £50,000.

Area C: Contractual Arrangements with the Dover Harbour Board

Area C comprises an area of 135.94 acres (Figure 1 – blue area). The Company has granted the Dover Harbour Board the option to acquire between 50 and 70 acres within Area C at a price of not less than £25,000 per acre which it proposes to use for the purpose of providing a buffer zone/marshalling area for the Port of Dover. It is the intention that this zone will be used to alleviate traffic congestion in the town centre caused by insufficient freight capacity at the port during peak times. The Dover Harbour Board will be obliged as a condition of the sale to provide a new entrance and exit from the land purchased onto the A20.

Area D:

Area D comprises of 106.83 acres (Figure 1 – yellow area). Once the Dover Harbour Board has obtained planning consent for the development it proposes to carry out in the buffer zone the Directors believe there is potential for the development of a further 50 acres within Area D for mixed uses. The Directors believe that the potential value of this remaining land could be in the region of £200,000 per acre.

The Manston Site

The Company is in negotiations with a large Chinese company with a view to forming a joint venture to develop the Manston Site as a major distribution centre for both the UK and Europe for Chinese manufacturing companies taking advantage of the proximity to Dover Harbour. The Directors believe that such a project could give significant added value to the Manston Site and are discussing with local politicians ways to progress this project. The Directors believe that the prospects of employment in the area arising from such a venture would facilitate the grant of consent for change of user and, in the process, deliver the possibility of adding value for Shareholders.

The Western Heights Site

The Directors believe the Western Heights Site has considerable residential potential and are in the process of formulating an application initially for planning consent to convert the existing buildings into nine, two bedroom, houses and two, two bedroom, apartments.

NEW GROWTH OPPORTUNITIES

It is the aim of the Directors to generate long term capital growth for the benefit of shareholders and in this respect to provide shareholders with the best possible return on their investment by enhancing share value as the sites within the Company's portfolio are developed and exploited. The Directors intend to raise additional funding to broaden the shareholder base and to take advantage of new investment opportunities.

The Board also intend to keep shareholders informed of the Company's developments and, where appropriate, may seek shareholder approval for any major transactions. The Company is seeking to deliver value to its Shareholders through long term capital growth arising from the maximisation of development opportunities available from its existing and future property assets.



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DIRECTORS

Robin Charles Bolton, Non-Executive Chairman, age 60

Robin Bolton recently retired from Adam & Co., the Scottish based private bankers, where he was responsible for Business Development in the South East of England. He previously held several senior appointments at Lloyds TSB, including Assistant Treasurer of the Bank and Senior Manager of the Corporate Banking Division, responsible for multi-national corporations, such as Hanson Trust, Hawker Siddeley, Lonrho and RTZ.

Kenneth Wills, Chief Executive Officer, aged 52

Ken Wills has had extensive experience in the commercial property sector and has been involved in property development and investment in the Thanet area for the past 25 years. He is also Managing Director of Summit Aviation Limited, a European Aviation Safety Agency (EASA) approved Heavy Jet Engine overhaul business and Chairman of Fire Technology Limited and of Heli-Charter Ltd. Fire Technology Limited is one of the South East's largest and most successful Passive Fire Protection Companies. Heli-Charter Ltd is an EASA approved helicopter charter, sales, maintenance and flying training organisation.

In 1993 Ken co-founded 'KMfm for Thanet', one of the UK's most successful local commercial radio stations.

Christopher Seymour-Prosser, Managing Director, aged 59

Chris Seymour-Prosser has over 30 years experience in senior property management.

His early career in Australia enabled him to develop his skills enhancing values on difficult waterfront sites. Chris built up a property company specializing in waterfront properties which were constructed using factory produced panels to control costs and ensure quality control of the finished products. He subsequently sold the company.

On returning to the UK in 1989, Chris set about building up a substantial residential rental portfolio.

In 1994 he was head-hunted to sort out a 20-storey office block in Wembley where the refurbishment works had faltered. The building was affected by the weak office rental market at the tail end of a recession. He embarked on a lease surrender and renewal programme in order to free up contiguous space to facilitate the refurbishment of the building. Chris completed this project and the building was sold in December 1997 giving the investors a successful exit from the venture.

In February 1998 Chris was invited by Dizengoff Trading 1952 Co Ltd, a major Israeli commodities broker and real estate company and one of the investors in the Wembley redevelopment project, to head up a property portfolio start up for them in the UK. In this respect Chris became solely responsible for all land purchases for Dizengoff and oversaw all of the major planning applications. He specialized in obtaining 'brown field' off-market sites that enabled the company to pursue major planning consents for various high-density schemes thus achieving substantial profits and ensuring that the company's initial investment was returned in a short period. Chris's most recent mixed-use developments for the company had a gross development value in excess of £200m. In February 2006 Chris ended his relationship with Dizengoff to concentrate on building a new property development company with his fellow director Ken Wills and to this end they have transferred their interests in certain development properties to the Company creating the Company's current development portfolio.

Brian Moritz, Finance Director, Part time, aged 70

Brian Moritz is a chartered accountant and former Senior Partner of the London office of Grant Thornton, one of the leading international accounting firms. He is currently chairman or director of a number AIM listed companies, the majority of which are in the mining and exploration sector operating in Africa. He also specialises in advising companies, mainly in the area of flotation, where he has been registered by the London Stock Exchange as a nominated adviser for companies seeking admission to the AIM Market and a Listed Company sponsor. He is regulated by the Financial Services Authority.

Julie Wing, Director, Non-Executive, aged 46

Julie Wing has been involved throughout her working life in the fields of design, marketing & sales. She started her career working for the Burton Group and subsequently ran a promotions and marketing team as a consultant for the Anvil Consultancy, a marketing agency, acting for clients that included Gallagher International, White & Mackay, National Westminster Bank. Julie also runs promotions for The Daily Mail and The Daily Express, and was the former Managing Director of Cabouchon Plc and the Costume Jewellery Company Limited. Julie is a substantial shareholder in Because We Can Limited and Waitomo Solutions Limited, two companies that organise outdoor pop concerts.

SHAREHOLDINGS

	Number	%
Omega Properties Limited	6,061,039	33.67%
Blenheim Limited	6,061,039	33.67%
Heritage Property Limited	1,550,723	8.62%
Eco Friendly Developments Limited	995,800	5.53%
David Pearl	500,000	2.78%
Richdata Associates Limited	500,000	2.78%
Dungarvan Associates Inc.,	500,000	2.78%

	Number	%
Principal Corporate Investor Limited	500,000	2.78%
Rufus Pearl	362,524	2.01%
Andrew Hunt	353,896	1.97%
The Land and Equity Pension Fund	293,843	1.63%
Andrew Halstead	214,092	1.19 %
PRC	107,044	0.59%



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UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

£	Net Asset at 30 th November 2006	Net Proceeds of the Offer	Unaudited pro forma adjusted net assets on admission to AIM
Properties intended for sale	28,000,000	-	28,000,000
Cash at bank and in hand	-	1,255,000	1,255,000
Current Assets	28,000,000	1,255,000	29,255,000
Liabilities: amounts due after more than one year	14,000,000		14,000,000
Net Assets	14,000,000	1,255,000	15,255,000

OPPORTUNITY FOR INVESTORS

This opportunity offers potential investors the chance to buy shares before the Company's anticipated flotation and to benefit from any premium that might arise.

CGP is seeking an admission to AIM in February 2007 and is offering 3,000,000 Ordinary Shares at 50p prior to admission to AIM, on a first-come, first-served basis only.

RISK FACTORS

Although the Directors will seek to minimise the impact of the Risk Factors, investment in the Company should only be made by investors able to sustain a total loss of their investment. Investors are therefore strongly recommended to consult an adviser authorised under the Financial Services and Markets Act 2000, who specialises in investments of this nature before making any decision to invest.

The following factors do not purport to be an exhaustive list or explanation of all the Risk Factors that may be involved in investing in the Company and they are not set out in any order of priority.

(i) The Company is a newly formed company and has no operating history upon which prospective investors may form an evaluation of its likely performance.

(ii) The Company's success will depend on the retention of its Directors and of any future management team.

(iii) The value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to develop successfully the properties in its portfolio and to acquire suitable new development opportunities.

(iv) Prospective investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up. Investors may, on disposing of Ordinary Shares, realise less than their original investment or may lose their entire investment. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets.

(v) The share price of public companies is often subject to significant fluctuations. In particular, the market for shares in smaller public companies, such as the Company, is generally less liquid than that for larger public companies.

(vi) The Company will need to raise further funds in the future to enable it to continue to develop the Sites or to purchase any new development site or to raise further working or development capital.

(vii) The Company has borrowed heavily to finance the acquisition and development of the Sites. As is normal, Israel Discount Bank, which has provided the finance to the Company, has reserved the right to demand repayment of all advances made by it to the Company at any time.

(viii) The success of the Company is to a large extent dependent upon it successfully obtaining planning permission enabling it to develop its property sites.

(ix) Environmental and other legislation requires that all contamination caused or discovered on property sites is cleaned up.

(x) All property is subject to risk from natural disasters including damage from flooding, erosion, wind damage and other events of force majeure.

(xi) The Company's performance might be affected by changes in market and/or economic conditions or by changes in legal, regulatory and tax requirements.

(xii) Legal proceedings may arise from time to time in the course of the Company's business.

(xiii) When the Sites were transferred to the Company between 14 November 2006 and 20 December 2006 the Company made use of an Inland Revenue approved stamp duty savings scheme. There is a possibility that the concession which made the stamp duty savings scheme available could be retrospectively withdrawn in which case the Company would incur an obligation to pay stamp duty of £680,000.



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CONTACT

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THE REPORT AIMS TO COVER THE FOLLOWING ASPECTS

Competition

How intense is the competition and are there barriers to entry?

Customers

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

Low costs

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

Management

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

Product

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

Sector

Is the company in an attractive sector that is profitable and adds value? Services tend to be more protected than products from international competition.

Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

Profitable exit potential

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

Financial strength

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

Growth at a reasonable price

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

Risk

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

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